



2nd QUARTER AND FIRST HALF RESULTS 2021

July, 2021

INDEX

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In addition to IFRS measures, certain alternative performance measures are presented, such as performance measures adjusted for special items (adjusted operational cash flow, 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), investment return rate (IRR), equity investment return rate (eIRR), 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. This document may include data and information from sources that are publicly available. 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INDEX

Table of Contents

1. Results highlights	4
2. Upstream	10
3. Commercial	13
4. Industrial & Energy Management	16
5. Renewables & New Businesses	20
6. Financial Data	23
6.1 Income Statement	24
6.2 Capital Expenditure	26
6.3 Cash flow	27
6.4 Financial position	29
6.5 Financial debt	30
6.6 IFRS consolidated income statement	33
6.7 Consolidated financial position	34
7. Basis of reporting	36
8. Appendices	38
8.1 Governing bodies	39
8.2 Statement of compliance of information presented	41
8.3 Unaudited Condensed Consolidated Financial Statements for the period ended 30 June 2021	44
9. Definitions	78



RESULTS HIGHLIGHTS

1. RESULTS HIGHLIGHTS

Second quarter 2021

Galp's adjusted operating cash flow (OCF)¹ reached €470 m, up €231 m YoY, considering the very challenging macro conditions during 2020, supported by a higher Upstream contribution as well as a better downstream performance. Cash flow from operations (CFFO) was €440 m.

Free cash flow (FCF) generation was strong at €228 m, with net capex during the period of €186 m.

Net debt at the end of the period was €1,711 m, with net debt to RCA Ebitda decreasing to 1.0x.

RCA Ebitda was €571 m, with the following highlights:

- Upstream: RCA Ebitda was €467 m, a €263 m increase YoY, reflecting the higher oil price environment, which more than offset the lower production and the depreciation of the USD against the Euro.
- Commercial: RCA Ebitda of €73 m, up 22% YoY, reflecting the higher demand of oil products from a partial relief of lockdown measures in Iberia.
- Industrial & Energy Management: RCA Ebitda was €50 m, up €31 m YoY, with margins still pressured by the international environment. Energy Management

Ebitda benefited from timing differences on trading gas derivatives, which should be partially reverted during 2H21.

- Renewables & New Businesses: No relevant RCA Ebitda as most of the operations are not consolidated. The pro-forma Ebitda² of the Renewables operations reached €17 m in the period, driven by robust Iberian solar capture prices in Iberia.

RCA Ebit was up €362 m YoY to €305 m, supported by the stronger operational performance, whilst including €50 m of impairments in exploration assets in Upstream.

RCA net income was €140 m. IFRS net income was €71 m, with an inventory effect of €68 m and special items of -€137 m.

First half 2021

Galp's OCF¹ was €914 m, 68% higher YoY, while RCA Ebitda was €1,071 m, 41% higher YoY, given the improved macro conditions.

Capex totalled €402 m, with Upstream accounting for 71% of total investments, whilst the downstream activities represented 11% and Renewables & New Businesses 16%. Net capex represented a gain of €8 m, considering the proceeds from divestments during the period, most notably the stake in GGND.

FCF amounted to €746 m, with the strong cash generation supported by operational performance and the GGND divestment.

Considering dividends paid to shareholders of €290 m and to non-controlling interests of €78 m, as well as other adjustments, net debt decreased €354 m, compared to the end of last year.

¹ Adjusted operating cash flow (OCF) indicator represents a proxy of Galp's operational performance excluding inventory effects, working capital changes and special items. The reconciliation of this indicator with CFFO using IFRS is in chapter 6.3 Cash Flow.

² Pro-forma considers all Renewables projects as if they were consolidated according to Galp's equity stakes.

Other highlights

Galp Capital Markets Day 2021

On June 2, Galp presented a refreshed strategy, aiming to thrive through the energy transition, continuing to deliver growth from one of the most efficient portfolios in the industry, whilst progressively transforming its activities in alignment with the energy transition. The strategy relies on a clear capital allocation framework, with a strict investment plan capable of delivering both cash flow growth and a competitive shareholder remuneration. Galp's strategy also incorporates a commitment to the progressive decarbonisation of its operations and customers' sales, as it is committed to be a net zero emissions Company by 2050, with clear intermediate targets by 2030.

The capital allocation framework relies on a solid financial position, with the Company targeting to keep a net debt to Ebitda ratio of c.1x. Net capex to average €0.8-1.0 bn p.a. during 2021-25, a c.20% reduction compared with Galp's previous plan, with 2021 guidance maintained at €0.5-0.7 bn.

The net capex target includes portfolio management initiatives to support our investment plan, crystallise value and maintain a robust financial position. The shareholder's remuneration framework considers a baseline dividend of €0.50/sh and an additional variable component which should be triggered by net debt to Ebitda ratio being below 1x. Total base and variable distributions may reach 1/3 of CFFO depending on maintaining the net debt to Ebitda ratio at c.1x. [More information here.](#)

Final investment decision for Bacalhau phase I in Brazil

On June 1, Galp, through its subsidiary Petrogal Brasil, together with its partners Equinor (operator), ExxonMobil, and Pré-sal Petróleo SA (PPSA) have decided to sanction the development of the Bacalhau field in the Brazilian pre-salt Santos area. The investment estimated is of approximately \$8 bn. Bacalhau is a highly competitive project, with an NPV₁₀ breakeven below \$35/bbl and a low carbon intensity of c.9 kgCO₂e/bbl. The project first oil is expected in the second half of 2024 and will add c.40 kbpd to Galp's working interest production once at plateau, through a 220 kbpd capacity FPSO. Phase I recoverable volumes are estimated at over 1 bn bbl. [More information here.](#)

Subsequent events

Changes in Galp's Board of Directors and Executive Committee

Following Galp's strategic update presented at its Capital Markets Day by the recently appointed CEO Andy Brown, the Board of Directors approved on July 23 changes in its composition and in the Company's Executive Committee (Exco) to enhance the potential of each of its activities, adopting a leaner and more agile management model. The new Exco structure is the following:

- Andy Brown, CEO
- Filipe Silva, CFO
- Carlos Costa Pina, COO Corporate Office
- Teresa Abecasis, COO Commercial
- Thore E. Kristiansen, COO Production & Operations, which will include Upstream and Industrial businesses

The Board of Directors is in the process of recruiting the new COO for the Renewables & New Businesses unit, which will be, in the interim, managed by CEO Andy Brown. Additionally, the development of Energy Management businesses will be led by Andy Brown.

The changes in the organisational structure will not impact Galp's reporting segments during 2021, which should follow the structure announced in the Capital Markets Day 2021 presentation.

More information at Galp's website ([here](#)).

Financial data

€m (IFRS, except otherwise stated)

Quarter						First Half			
2Q20	1Q21	2Q21	Var. YoY	% Var. YoY		2020	2021	Var. YoY	% Var. YoY
291	499	571	281	97%	RCA Ebitda	760	1,071	311	41%
204	438	467	263	n.m.	Upstream	490	906	416	85%
59	69	73	13	22%	Commercial	149	142	(7)	(5%)
19	(6)	50	31	n.m.	Industrial & Energy Management	109	45	(64)	(59%)
(4)	(2)	(6)	2	58%	Renewables & New Businesses	(5)	(8)	4	79%
(57)	284	305	362	n.m.	RCA Ebit	161	588	428	n.m.
(32)	314	290	322	n.m.	Upstream	113	603	490	n.m.
36	44	48	12	32%	Commercial	104	92	(13)	(12%)
(60)	(67)	(9)	(51)	(85%)	Industrial & Energy Management	(51)	(76)	25	50%
(9)	(3)	(5)	(4)	(45%)	Renewables & New Businesses	(16)	(8)	(8)	(52%)
(52)	26	140	192	n.m.	RCA Net income	(22)	166	188	n.m.
(154)	161	71	225	n.m.	IFRS Net income	(410)	232	642	n.m.
(18)	34	(137)	119	n.m.	Special items	(26)	(103)	77	n.m.
(84)	101	68	152	n.m.	Inventory effect	(362)	169	531	n.m.
239	445	470	231	96%	Adjusted operating cash flow	544	914	370	68%
123	390	346	223	n.m.	Upstream	255	736	481	n.m.
55	67	69	14	26%	Commercial	145	136	(9)	(6%)
49	(9)	64	15	31%	Industrial & Energy Management	134	55	(79)	(59%)
(4)	(2)	(2)	(2)	(56%)	Renewables & New Businesses	(4)	(4)	(1)	(12%)
160	377	440	280	n.m.	Cash flow from operations	404	817	413	n.m.
(149)	195	(186)	37	25%	Net Capex	(360)	8	368	n.m.
16	518	228	212	n.m.	Free cash flow	107	746	639	n.m.
(86)	-	(78)	(8)	(9%)	Dividends paid to non-controlling interests	(194)	(78)	(116)	(60%)
(318)	-	(290)	(28)	(9%)	Dividends paid to shareholders	(318)	(290)	(28)	(9%)
1,932	1,552	1,711	(221)	(11%)	Net debt	1,932	1,711	(221)	(11%)
1.1x	1.1x	1.0x	0.0x	n.m.	Net debt to RCA Ebitda ¹	1.1x	1.0x	0.0x	n.m.

¹ Ratio considers the LTM Ebitda RCA (€1,697 m), which includes the adjustment for the impact from the application of IFRS 16 (€184 m).

Operational data

Quarter						First Half			
2Q20	1Q21	2Q21	Var. YoY	% Var. YoY		2020	2021	Var. YoY	% Var. YoY
132.2	125.2	128.4	(3.8)	(3%)	Average working interest production (kboepd)	131.8	126.8	(5.0)	(4%)
130.3	123.5	126.6	(3.6)	(3%)	Average net entitlement production (kboepd)	130.0	125.1	(4.9)	(4%)
(7.8)	(6.5)	(8.9)	(1.1)	(14%)	Oil & gas realisations - Dif. to Brent (USD/boe)	(6.6)	(7.6)	(1.0)	(15%)
13.4	19.7	21.0	7.6	57%	Raw materials processed (mboe)	40.2	40.7	0.5	1%
1.8	1.9	2.4	0.5	28%	Galp refining margin (USD/boe)	1.9	2.1	0.3	15%
2.5	3.6	3.6	1.1	44%	Oil products supply ¹ (mton)	6.6	7.2	0.6	9%
11.7	18.3	18.1	6.4	55%	NG/LNG supply & trading volumes ¹ (TWh)	29.4	36.4	7.0	24%
324	331	269	(55)	(17%)	Sales of electricity from cogeneration (GWh)	664	600	(64)	(10%)
1.2	1.3	1.5	0.4	31%	Oil Products - client sales (mton)	2.9	2.9	(0.1)	(2%)
4.8	4.9	4.5	(0.4)	(8%)	Natural gas - client sales (TWh)	11.5	9.4	(2.1)	(18%)
678	950	1,020	342	51%	Electricity - client sales (GWh)	1,578	1,970	392	25%
6	191	475	469	n.m.	Gross renewable power generation (GWh)	15	667	652	n.m.
-	42.3	69.1	n.m.	n.m.	Galp average solar generation sale price (EUR/MWh)	-	61.6	n.m.	n.m.

¹ Includes volumes sold to the Commercial segment.

Market indicators

Quarter						First Half			
2Q20	1Q21	2Q21	Var. YoY	% Var. YoY		2020	2021	Var. YoY	% Var. YoY
1.10	1.20	1.21	0.10	9%	Average exchange rate EUR:USD	1.10	1.21	0.10	9%
5.92	6.60	6.38	0.46	8%	Average exchange rate EUR:BRL	5.41	6.49	1.08	20%
29.6	61.1	69.0	39.4	n.m.	Dated Brent price (USD/bbl)	40.1	65.0	24.9	62%
(0.1)	(1.5)	(2.0)	1.9	n.m.	Heavy-light crude price spread ¹ (USD/bbl)	(1.3)	(1.7)	0.5	37%
6.5	20.5	25.0	18.5	n.m.	Iberian MIBGAS natural gas price (EUR/MWh)	8.3	22.8	14.5	n.m.
5.6	18.5	24.8	19.2	n.m.	Dutch TTF natural gas price (EUR/MWh)	7.5	21.6	14.1	n.m.
2.1	10.0	10.1	8.0	n.m.	Japan/Korea Marker LNG price (USD/mbtu)	2.9	10.0	7.1	n.m.
23.2	45.2	71.8	48.6	n.m.	Iberian baseload pool price (EUR/MWh)	29.0	58.6	29.5	n.m.
23.3	42.7	69.2	45.9	n.m.	Iberian solar captured price (EUR/MWh)	27.2	59.7	32.5	n.m.
10.2	12.6	13.7	3.5	34%	Iberian oil market (mton)	24.9	26.3	1.4	6%
84	114	97	12	15%	Iberian natural gas market (TWh)	204	211	8	4%

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.



UPSTREAM

2. UPSTREAM

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

Quarter					First Half				
2Q20	1Q21	2Q21	Var. YoY	% Var. YoY		2020	2021	Var. YoY	% Var. YoY
132.2	125.2	128.4	(3.8)	(3%)	Average working interest production ¹ (kboepd)	131.8	126.8	(5.0)	(4%)
118.6	112.2	114.9	(3.7)	(3%)	Oil production (kbpd)	118.3	113.5	(4.8)	(4%)
130.3	123.5	126.6	(3.6)	(3%)	Average net entitlement production ¹ (kboepd)	130.0	125.1	(4.9)	(4%)
12.7	11.3	11.6	(1.1)	(9%)	Angola	13.4	11.5	(1.9)	(14%)
117.6	112.2	115.0	(2.5)	(2%)	Brazil	116.6	113.6	(3.0)	(3%)
(7.8)	(6.5)	(8.9)	(1.1)	(14%)	Oil and gas realisations - Dif. to Brent (USD/boe)	(6.6)	(7.6)	(1.0)	(15%)
2.3	4.8	5.6	3.2	n.m.	Royalties (USD/boe)	3.1	5.2	2.1	66%
2.8	1.8	1.2	(1.6)	(58%)	Production costs (USD/boe)	2.6	1.5	(1.1)	(43%)
13.4	13.7	13.4	(0.0)	(0%)	DD&A ² (USD/boe)	13.3	13.5	0.3	2%
204	438	467	263	n.m.	RCA Ebitda	490	906	416	85%
(233)	(126)	(177)	(55)	(24%)	Depreciation, Amortisation and Impairments ²	(373)	(303)	(69)	(19%)
(4)	1	-	4	n.m.	Provisions	(4)	1	5	n.m.
(32)	314	290	322	n.m.	RCA Ebit	113	603	490	n.m.
(4)	340	290	294	n.m.	IFRS Ebit	177	630	453	n.m.
123	390	346	223	n.m.	Adjusted operating cash flow	255	736	481	n.m.
82	149	135	53	66%	Capex	185	283	98	53%

¹ Includes natural gas exported; excludes natural gas used or reinjected.

² Includes abandonment provisions. 2020 and 2021 unit figures exclude impairments of €92 m and €48 m respectively, related with smaller scale exploration assets.

Second quarter 2021

Operations

Working Interest (WI) production was down 3% YoY to 128.4 kboepd, impacted by offshore operational constraints. Natural gas accounted for 11% of Galp's Upstream production.

In Brazil, production was 2% lower YoY, at 115.0 kboepd, as the continued ramp-up of the FPSOs Tupi North, Berbigão/Sururu and Atapu was offset by the offshore constraints. Angola net entitlement (NE) production decreased YoY, from 12.7 kbpd to 11.6 kbpd.

The Group's NE production followed the production WI decrease to 126.6 kboepd.

Results

RCA Ebitda was €467 m, a €263 m increase YoY, reflecting the higher oil price environment, despite a discount increase on realisations, which more than offset the lower production and the depreciation of the USD against the Euro. OCF was €346 m, compared to €123 m in 2Q20.

Production costs were €11.4 m, 63% lower YoY, benefiting lower maintenance activities. In unit terms, and on a net entitlement basis, production costs were \$1.2/boe. As per the application of IFRS 16, the production costs exclude the amounts related with leases, which accounted for €30 m during the period.

Amortisation and depreciation charges (including abandonment provisions) were down YoY to €177 m, reflecting the USD dollar depreciation against the Euro and lower asset impairments registered during the period, despite the €50 m impairments registered in 2Q21 related with exploration assets in the Potiguar and Barreirinhas basins, in Brazil. On a net entitlement basis and excluding impacts from impairments, unit DD&A and Provisions were stable YoY, at \$13.4/boe, reflecting the lower production dilution.

RCA Ebit was €290 m, up €322 m YoY. IFRS Ebit amounted to €290 m.

First half 2021

Operations

Average WI production during 1H21 was 126.8 kboepd, 4% lower YoY, as the continued ramp-up of the FPSOs in BM-S-11A, in Brazil, was more than offset by the operational restrictions registered during the period.

NE production decreased 4% YoY, to 125.1 kboepd.

Results

RCA Ebitda was €906 m, up 85% YoY, reflecting the increased oil price environment. OCF was €736 m, up from €255 m in 6M20, including €59 m of dividends from associates, related with Tupi BV, mostly received in 1Q21.

Production costs were €28 m, excluding IFRS 16 leases of €59 m. In unit terms, and on a net entitlement basis, production costs were \$1.5/boe.

Amortisation and depreciation charges (including abandonment provisions) amounted to €302 m, including the €48 m in impairments. On a net entitlement basis, and not considering the impacts from impairments, DD&A was \$13.5/boe.

RCA Ebit was €603 m, up €490 m YoY.



 **COMMERCIAL**

3.

COMMERCIAL

€m (RCA, except otherwise stated)

Quarter						First Half			
2Q20	1Q21	2Q21	Var. YoY	% Var. YoY		2020	2021	Var. YoY	% Var. YoY
					Commercial sales to clients				
1.2	1.3	1.5	0.4	31%	Oil products (mton)	2.9	2.9	(0.1)	(2%)
4.8	4.9	4.5	(0.4)	(8%)	Natural Gas (TWh)	11.5	9.4	(2.1)	(18%)
678	950	1,020	342	51%	Electricity (GWh)	1,578	1,970	392.1	25%
59	69	73	13	22%	RCA Ebitda	149	142	(7)	(5%)
(23)	(25)	(25)	3	11%	Depreciation, Amortisation and Impairments	(45)	(50)	5	11%
(0)	(1)	1	1	n.m.	Provisions	0	(0)	(0)	n.m.
36	44	48	12	32%	RCA Ebit	104	92	(13)	(12%)
31	45	49	17	55%	IFRS Ebit	98	94	(4)	(4%)
55	67	69	14	26%	Adjusted operating cash flow	145	136	(9)	(6%)
26	4	22	(4)	(15%)	Capex	50	26	(24)	(48%)

Second quarter 2021

Operations

Oil products' sales increased 31% YoY to 1.5 mton, reflecting the demand recovery following the effects of the pandemic and easing of restrictions to mobility in Iberia, which supported both B2B and B2C segments.

Natural gas volumes sold declined 8% YoY to 4.5 TWh, following the lower consumption from the B2B segment in Spain.

Sales of electricity were 1,020 TWh, 51% up YoY, supported by a higher customer acquisition.

Results

RCA Ebitda for the Commercial business was €73 m, up 22% YoY, while OCF was €69 m, up 26% YoY, also benefiting from the relief of mobility restrictions in Iberia.

RCA Ebit was €48 m, while IFRS Ebit was €49 m.

First half 2021

Operations

Total oil products' sales were 2.9 mton, down 2% YoY, as 1H21 was impacted by intermittent mobility restrictions and a weaker economic environment in Iberia. Note that, in 2020, the impacts from the Covid outbreak in demand were mostly felt from 2Q20 onwards.

Natural gas volumes were 9.4 TWh, down 18% YoY, impacted by the lower sales in B2B segment.

Electricity sales were 1,970 TWh, 25% higher YoY, reflecting a higher customer acquisition.

Results

RCA Ebitda decreased 5% YoY to €142 m, reflecting the slightly lower volumes of oil products and natural gas sold to direct clients during the period. OCF was €136 m, down 6% YoY.

RCA Ebit was €92 m, while IFRS Ebit was €94 m.



04

**INDUSTRIAL &
ENERGY MANAGEMENT**

4. INDUSTRIAL & ENERGY MANAGEMENT

€m (RCA, except otherwise stated)

Quarter						First Half			
2Q20	1Q21	2Q21	Var. YoY	% Var. YoY		2020	2021	Var. YoY	% Var. YoY
13.4	19.7	21.0	7.6	57%	Raw materials processed (mboe)	40.2	40.7	0.5	1%
11.3	16.8	18.6	7.4	65%	Crude processed (mbbl)	36.4	35.5	(1.0)	(3%)
1.8	1.9	2.4	0.5	28%	Galp refining margin (USD/boe)	1.9	2.1	0.3	15%
2.3	1.8	1.5	(0.8)	(34%)	Refining cost (USD/boe)	2.8	1.7	(1.1)	(40%)
0.6	(0.0)	(0.1)	(0.7)	n.m.	Refining margin hedging¹ (USD/boe)	0.4	(0.0)	(0.5)	n.m.
2.5	3.6	3.6	1.1	44%	Oil products supply² (mton)	6.7	7.2	0.6	8%
11.7	18.3	18.1	6.4	55%	NG/LNG supply & trading volumes² (TWh)	29.4	36.4	7.0	24%
3.7	8.3	9.1	5.4	n.m.	Trading (TWh)	4.6	17.4	12.8	n.m.
324	331	269	(55)	(17%)	Sales of electricity from cogeneration (GWh)	664	600	(64)	(10%)
19	(6)	50	31	n.m.	RCA Ebitda	109	45	(64)	(59%)
(79)	(61)	(60)	(19)	(24%)	Depreciation, Amortisation and Impairments	(159)	(120)	(38)	(24%)
(0)	(0)	0	0	n.m.	Provisions	(1)	(0)	(0)	(78%)
(60)	(67)	(9)	(51)	(85%)	RCA Ebit	(51)	(76)	25	50%
(171)	49	61	232	n.m.	IFRS Ebit	(540)	110	650	n.m.
49	(9)	64	15	31%	Adjusted operating cash flow	134	55	(79)	(59%)
23	7	11	(12)	(53%)	Capex	36	18	(19)	(52%)

Note: Following the decision to discontinue refining activities in Matosinhos, 2021 refining indicators only reflect Sines refinery operations.

¹ Impact on Ebitda.

² Includes volumes sold to the Commercial segment.

Second quarter 2021

Following the decision to discontinue refining activities in Matosinhos, 2021 Industrial & Energy Management indicators exclude Matosinhos refining contribution. The 2020 figures were kept as reported, including Matosinhos' contribution.

Operations

Raw materials processed in the quarter were 21.0 mboe, 57% higher YoY, considering the significant operational slowdown of the refining system in 2Q20 to face the low demand caused by the lockdown measures.

Total supply of oil products increased 44% YoY to 3.6 mton, following the demand improvement, as 2Q20 was highly impacted by lockdown restrictions in Iberia.

Supply & trading volumes of NG/LNG increased YoY to 18.1 TWh, driven by increased network trading of natural gas.

Sales of electricity to the grid from the cogeneration plants were down 17% YoY to 269 GWh, given the lower contribution from Matosinhos' cogeneration.

Results

RCA Ebitda for Industrial & Energy Management was €50 m, up from €19 m during 2Q20. OCF was €64 m, up 31% YoY.

Galp's refining margin was up YoY to \$2.4/boe, following a marginally improved refining environment, despite pressured by higher crude oil prices and impacted by some operational constraints in the FCC unit during the quarter.

Refining costs were €27 m or \$1.5/boe, in unit terms, considering Sines refining operations.

The industrial contribution, which includes refining, cogeneration and logistics activities, also reflected an increased contribution from cogeneration operations YoY.

Energy Management Ebitda was supported by a higher contribution from trading gas, despite the one-off regasification costs in Portugal for 2021. It should be noted that trading gas Ebitda benefited from timing differences on derivative gains, which should be partially reverted during 2H21. RCA Ebit was -€9 m and IFRS Ebit was €61 m.

First half 2021

Operations

Raw materials processed were 40.7 mboe during the period, in line YoY, now just considering the processing capacity of Sines refinery and reflecting last year operational slowdowns.

Crude oil accounted for 87% of raw materials processed, of which 88% corresponded to medium and heavy crudes. All crudes processed were sweet grades.

Middle distillates (diesel and jet) accounted for 45% of production, gasoline for 24% and fuel oil for 22%. Consumption and losses accounted for 8% of raw materials processed.

Total oil products supplied increased 8% YoY to 7.2 mton, driven by improved market conditions in Iberia.

Supply & trading volumes of NG/LNG were 36.4 TWh, up 46% YoY, following the higher volumes in the network trading activities.

Sales of electricity to the grid were 600 GWh during the period, down 10% YoY, following the lower contribution from Matosinhos' cogeneration.

Results

RCA Ebitda for Industrial & Energy Management decreased €64 m YoY to €45 m, despite the improved refining performance in 2021, as 1Q20 benefited from a material positive swing in pricing lag effects due to the abrupt decline in commodities prices. OCF was €55 m.

Galp's refining margin was up YoY, from \$1.9/boe to \$2.1/boe, following the slight improvement of the international refining environment.

Refining costs decreased YoY from \$2.8/boe to \$1.7/boe, now only reflecting Sines operational costs, and as last year the system operated under sub optimal conditions.

Industrial results reflect the improvement of the international refining environment YoY and a higher contribution from cogeneration activities, despite lower sales.

Energy Management contribution decreased YoY, mostly as a result of the swing in oil pricing lag formulas, the impacts from gas sourcing restrictions during 1Q21 and the increased regasification costs in Portugal. It should be noted that in 1H21 trading gas benefited from timing differences on derivative gains, which should be partially reverted during 2H21.

RCA Ebit was -€76 m and IFRS Ebit was €110 m.



05

 **RENEWABLES &
NEW Businesses**

5. RENEWABLES & NEW BUSINESSES

€m (RCA, except otherwise stated)

Quarter						First Half			
2Q20	1Q21	2Q21	Var. YoY	% Var. YoY		2020	2021	Var. YoY	% Var. YoY
Renewable power generation (GWh)									
6	191	475	469	n.m.	Gross	15	667	652	n.m.
3	141	355	352	n.m.	Net to Galp	8	496	489	n.m.
-	42.3	69.1	n.m.	n.m.	Galp average solar generation sale price (EUR/MWh)	-	61.6	n.m.	n.m.
(4)	(2)	(6)	2	58%	RCA Ebitda	(4.6)	(8)	4	79%
(9)	(3)	(5)	(4)	(45%)	RCA Ebit	(16)	(8)	(8)	(52%)
(9)	(3)	(5)	(4)	(45%)	IFRS Ebit	(16)	(8)	(8)	(52%)
(4)	(2)	(2)	(2)	(56%)	Adjusted operating cash flow	(4)	(4)	(1)	(12%)
2	15	51	49	n.m.	Capex	2	66	63	n.m.

€m

Quarter						First Half			
2Q20	1Q21	2Q21	Var. YoY	% Var. YoY		2020	2021	Var. YoY	% Var. YoY
Renewables pro-forma - equity to Galp¹									
(1)	2	17	18	n.m.	Ebitda	(1)	19	20	n.m.
(1)	(3)	11	12	n.m.	Ebit	(1)	8	9	n.m.
(1)	2	17	18	n.m.	Renewables pro-forma adjusted operating cash flow	(1)	19	20	n.m.

¹ Pro-forma considers all Renewables projects as if they were consolidated according to Galp's equity stakes.

Operations

Following the closing of the solar acquisition in September 2020 ([here](#)), Galp's current installed generation capacity consists of 926 MW, on a 100% basis, of which 914 MW from solar PV projects and the remaining from a 12 MW wind farm in Portugal.

Renewable energy generation, on a 100% basis, was significantly up QoQ to 475 GWh, driven by normalised operations and seasonally higher sunlight hours. Considering Galp's equity stake in these businesses, renewable generation was 355 GWh.

In the first half of 2021, renewable energy generation amounted to 667 GWh, on a 100% basis, and 496 GWh considering Galp's equity stake, partially impacted by operational transformers issues.

Results

Galp's average sale price was up from €42/MWh to €69/MWh QoQ, driven by the increase in gas and CO₂ prices and low hydro and wind generation in Iberia.

Renewables & New Businesses RCA Ebitda of -€6 m in 2Q21 mostly includes G&A and corporate expenses.

Renewables pro-forma Ebitda, considering all projects as if they were consolidated according to Galp's equity stakes, was €17 m in 2Q21, up €14 m QoQ, following the higher renewable energy generation and increased solar generation prices. Pro-forma OCF was €17 m in 2Q21.

In 1H21, renewables pro-forma Ebitda reached €19 m and OCF €19 m.

	In operation	Under Construction	Under Development	Total
Galp Renewable capacity (MW)				
Gross	926	379	2,603	3,908
Spain	914	235	2,252	3,401
Portugal	12	144	351	507
Equity to Galp (pro-forma)	692	321	2,173	3,185
Spain	686	177	1,822	2,684
Portugal	6	144	351	501



FINANCIAL DATA

6. FINANCIAL DATA

6.1 Income Statement

€m (RCA, except otherwise stated)

Quarter						First Half			
2Q20	1Q21	2Q21	Var. YoY	% Var. YoY		2020	2021	Var. YoY	% Var. YoY
1,965	3,338	3,636	1,671	85%	Turnover	5,654	6,974	1,320	23%
(1,307)	(2,411)	(2,695)	1,388	n.m.	Cost of goods sold	(3,880)	(5,106)	1,226	32%
(355)	(356)	(352)	(3)	(1%)	Supply & Services	(805)	(708)	(97)	(12%)
(68)	(70)	(68)	(0)	(0%)	Personnel costs	(150)	(138)	(12)	(8%)
58	(0)	53	(5)	(9%)	Other operating revenues (expenses)	(56)	52	108	n.m.
(2)	0	(3)	1	56%	Impairments on accounts receivable	(4)	(3)	(0)	(12%)
291	499	571	281	97%	RCA Ebitda	760	1,071	311	41%
207	644	644	436	n.m.	IFRS Ebitda	332	1,287	955	n.m.
(338)	(216)	(266)	(72)	(21%)	Depreciation, Amortisation and Impairments	(584)	(482)	(101)	(17%)
(9)	0	(0)	(9)	(97%)	Provisions	(15)	(0)	(15)	(99%)
(57)	284	305	362	n.m.	RCA Ebit	161	588	428	n.m.
(144)	427	376	520	n.m.	IFRS Ebit	(271)	803	1,074	n.m.
24	(0)	26	2	10%	Net income from associates	43	26	(17)	(39%)
(10)	(55)	(4)	(6)	(59%)	Financial results	(70)	(59)	(10)	(15%)
(7)	(9)	(7)	0	2%	Net interests	(12)	(16)	4	32%
5	3	4	(1)	(26%)	Capitalised interest	11	7	(4)	(34%)
(32)	(16)	8	39	n.m.	Exchange gain (loss)	(88)	(9)	(79)	(90%)
18	-	(0)	(18)	n.m.	Mark-to-market of derivatives	(66)	(0)	(66)	(100%)
(21)	(19)	(18)	(2)	(12%)	Interest on leases (IFRS 16)	(41)	(37)	(4)	(11%)
26	(14)	10	(16)	(63%)	Other financial costs/income	127	(5)	(131)	n.m.
(43)	228	327	370	n.m.	RCA Net income before taxes and minority interests	134	555	421	n.m.
(20)	(181)	(153)	133	n.m.	Taxes	(166)	(334)	167	n.m.
(50)	(109)	(142)	91	n.m.	Taxes on oil and natural gas production ¹	(149)	(250)	101	68%
12	(22)	(34)	(46)	n.m.	Non-controlling interests	10	(56)	(66)	n.m.
(52)	26	140	192	n.m.	RCA Net income	(22)	166	188	n.m.
(18)	34	(137)	119	n.m.	Special items	(26)	(103)	77	n.m.
(70)	60	3	73	n.m.	RC Net income	(48)	63	111	n.m.
(84)	101	68	152	n.m.	Inventory effect	(362)	169	531	n.m.
(154)	161	71	225	n.m.	IFRS Net income	(410)	232	642	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.

Second quarter 2021

RCA Ebitda increased €281 m YoY to €571 m, driven by a higher Upstream contribution, supported by increased oil prices, as well as a less challenged downstream performance. IFRS Ebitda amounted to €644 m, considering -€92 m of inventory effect.

RCA Ebit was up to €305 m, supported by the RCA Ebitda increase and benefiting from lower DD&A and impairments, despite including the impairments registered in Upstream of €50 m. IFRS Ebit was €376 m.

Income from associated companies was €26 m, flat YoY, reflecting the contribution from the international pipelines and the solar renewables joint venture.

Financial results were -€4 m, impacted by positive FX differences registered in the period and a reclassification of premiums paid for expired Brent put options, now presented within Ebitda (€18 m booked in 2Q21).

RCA taxes increased YoY, from €20 m to €153 m, following the higher Upstream taxes.

Non-controlling interests of -€34 m, mostly attributed to Sinopec's stake in Petrogal Brasil.

RCA net income was €140 m, IFRS net income was €71 m, positively impacted by €68 m of inventory effect and negatively impacted by -€137 m of special items, which includes Matosinhos operations and mark-to-market of derivatives to hedge client positions.

Note: for the purpose of better assessing Galp's recurrent performance, from 1Q21 onwards mark-to-market swings related with derivative hedges to cover client positions, which have no direct translation into operational results, are considered as special items. No adjustments were made in the reported figures from previous periods.

First half 2021

RCA Ebitda of €1,071 m was 41% higher YoY, supported by improved market conditions during the period.

RCA Ebit was €588 m, up from €161 m in 1H20, following higher operational contribution, however reflecting the booking of impairments of €48 m in exploration assets in Upstream.

Financial results were -€59 m, mainly reflecting IFRS 16 leases interests and FX differences registered in the period.

RCA taxes increased YoY from €166 m to €334 m, following the higher production taxes in Upstream.

Non-controlling interests of -€56 m are related with Sinopec's stake in Petrogal Brasil.

RCA net income was €166 m, while IFRS net income was €232 m, with special items of -€103 m and a positive inventory effect of €169 m.

6.2 Capital Expenditure

€m

Quarter						First Half			
2Q20	1Q21	2Q21	Var. YoY	% Var. YoY		2020	2021	Var. YoY	% Var. YoY
82	149	135	53	66%	Upstream	185	283	98	53%
(0)	-	-	0	n.m.	Exploration and appraisal activities	0	-	(0)	n.m.
82	149	135	53	65%	Development and production activities	185	283	99	53%
26	4	22	(4)	(15%)	Commercial	50	26	(24)	(48%)
23	7	11	(12)	(53%)	Industrial & Energy Management	36	18	(19)	(52%)
2	15	51	49	n.m.	Renewables & New Businesses	2	66	63	n.m.
4	3	5	1	38%	Others	7	9	2	32%
136	178	224	88	65%	Capex¹	280	402	121	43%

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

Second quarter 2021

Capex totalled €224 m during the quarter.

Investments in the Upstream were mostly directed to projects under development in the Brazilian pre-salt, namely Tupi/Iracema and Bacalhau.

Commercial capex was mainly directed to the retail segment in Portugal, whilst Industrial & Energy Management capex was allocated towards initiatives to improve the refining system efficiency.

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

First half 2021

Capex was €402 m, of which 71% allocated to the Upstream business.

Upstream investments were mainly directed to Brazil, namely Bacalhau and BM-S-11.

Commercial capex was mostly allocated to business transformation, namely non-fuel activities, and Mozambique logistics facilities. Industrial & Energy Management investments were allocated towards initiatives to improve systems efficiency.

Renewables & New Businesses capex is mainly related to the development and execution of solar projects in Iberia.

6.3 Cash Flow

€m (IFRS figures)

Quarter				First Half	
2Q20	1Q21	2Q21		2020	2021
291	499	571	RCA Ebitda	760	1,071
34	48	42	Dividends from associates	35	90
(85)	(102)	(144)	Taxes paid	(250)	(246)
239	445	470	Adjusted operating cash flow	544	914
33	11	(20)	Special items	68	(9)
(116)	133	92	Inventory effect	(496)	225
4	(212)	(102)	Changes in working capital	287	(314)
160	377	440	Cash flow from operations	404	817
(149)	195	(186)	Net capex ¹	(360)	8
(13)	(36)	(7)	Net financial expenses	(38)	(43)
(21)	(19)	(18)	IFRS 16 leases interest	(44)	(37)
(43)	-	-	Realised income from derivatives	62	-
83	-	-	Proceeds from equalisation	83	-
16	518	228	Free cash flow	107	746
(86)	-	(78)	Dividends paid to non-controlling interest ²	(194)	(78)
(318)	-	(290)	Dividends paid to Galp shareholders	(318)	(290)
(27)	(27)	(28)	Reimbursement of IFRS 16 leases principal	(54)	(54)
(21)	22	9	Others	(37)	31
436	(513)	159	Change in financial net debt	497	(354)

¹ 2021 includes the proceeds from the GGND stake sale of €368 m.

² Mainly dividends paid to Sinopec.

Second quarter 2021

Galp's OCF¹ reached €470 m, up €231 m YoY, driven by a higher Upstream contribution, as well as a less challenging downstream performance.

CFFO was up €280 m YoY to €440 m, with a working capital build, caused by the higher commodities prices, partially offset by a positive inventory effect.

FCF generation was strong at €228 m, with net capex during the period of €186 m. Considering payments to shareholders of €290 m and to non-controlling interests of €78 m, net debt increased €159 m.

First half 2021

Galp's OCF reached €914 m, while CFFO amounted to €817 m, reflecting the improved macro environment.

Net capex was €8 m, considering the proceeds from the GGND stake sale of €368 m, as well as a €35 m in partial proceeds related to the sale of FPSO P-71 to Petrobras.

FCF amounted to €746 m, with the strong cash generation supported on the operational performance and divestments.

Considering dividends paid to shareholders and to non-controlling interests, as well as other adjustments, net debt was reduced by €354 m during 1H21.

¹ The OCF indicator represents a proxy of Galp's operational performance excluding inventory effects, working capital changes and special items. The reconciliation of this indicator with CFFO using IFRS is in chapter 6.3 Cash Flow.

6.4 Financial Position

€m (IFRS figures)

	31 Dec. 2020	31 Mar. 2021	30 Jun. 2021	Var. vs 31 Dec. 2020	Var. vs 31 Mar. 2021
Net fixed assets	6,259	6,374	6,284	25	(91)
Rights of use (IFRS 16)	1,002	1,033	1,008	6	(25)
Working capital	703	916	1,017	314	102
Other assets/liabilities	(710)	(1,119)	(1,267)	(558)	(149)
Capital employed	7,254	7,204	7,042	(212)	(162)
Short term debt	539	84	177	(362)	93
Medium-Long term debt	3,204	3,207	3,068	(137)	(139)
Total debt	3,743	3,291	3,244	(499)	(47)
Cash and equivalents	1,678	1,739	1,533	(144)	(206)
Net debt	2,066	1,552	1,711	(354)	159
Leases (IFRS 16)	1,089	1,125	1,105	17	(20)
Equity	4,100	4,527	4,225	125	(302)
Equity, net debt and leases	7,254	7,204	7,042	(212)	(162)

On June 30, 2021, net fixed assets were €6,284 m, including work-in-progress of €1,550 m, mostly related to the Upstream business.

Equity was down €302 m QoQ, mostly reflecting the distributions to shareholders and to minorities in the quarter.

6.5 Financial debt

€m (except otherwise stated)

	31 Dec. 2020	31 Mar. 2021	30 Jun. 2021	Var. vs 31 Dec. 2020	Var. vs 31 Mar. 2021
Cash and equivalents	1,678	1,739	1,533	(144)	(206)
Undrawn credit facilities	1,262	1,263	1,133	(130)	(130)
Bonds	2,904	2,412	2,410	(493)	(2)
Bank loans and other debt	840	879	834	(6)	(45)
Net debt	2,066	1,552	1,711	(354)	159
Leases (IFRS 16)	1,089	1,125	1,105	17	(20)
Average life (years) ¹	2.8	3.0	2.7	(0.1)	(0.2)
Average funding cost ¹	1.7%	1.5%	1.4%	(0 p.p.)	(0 p.p.)
Debt at floating rate ¹	52%	60%	60%	8 p.p.	(0 p.p.)
Net debt to RCA Ebitda ²	1.5x	1.1x	1.0x	-0.5x	-0.1x

¹ Debt does not include Financial leases.

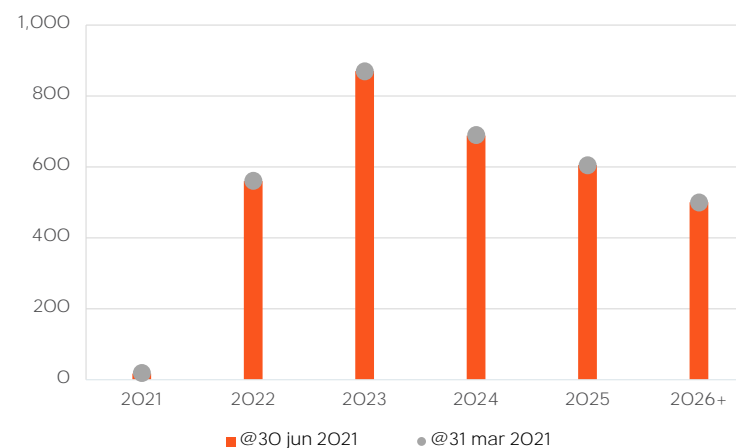
² Ratio considers the LTM Ebitda RCA (€1,697 m), which includes the adjustment for the impact from the application of IFRS 16 (€184 m).

On June 30, 2021, net debt was €1,711 m, up €159 m QoQ, impacted by dividends payments to shareholders and to non-controlling interests.

Net debt to RCA Ebitda decreased to 1.0x, reaching the Company's target leverage ratio.

At the end of the period, Galp had unused credit lines of approximately €1.1 bn, of which c.75% were contractually guaranteed.

Debt maturity profile (€ m)



Reconciliation of IFRS and RCA figures

Ebitda by segment

€m

Second Quarter					2021	First Half				
IFRS Ebitda	Inventory effect	RC Ebitda	Special items	RCA Ebitda		IFRS Ebitda	Inventory effect	RC Ebitda	Special items	RCA Ebitda
644	(92)	551	20	571	Galp	1,287	(225)	1,062	9	1,071
467	-	467	0	467	Upstream	932	-	932	(26)	906
74	(1)	73	-	73	Commercial	144	(2)	142	-	142
122	(91)	30	20	50	Ind. & Energy Management	233	(223)	9	35	45
(6)	-	(6)	-	(6)	Renewables & New Businesses	(8)	-	(8)	-	(8)
(13)	-	(13)	(0)	(13)	Others	(13)	-	(13)	(0)	(13)

Ebit by segment

€m

Second Quarter					2021	First Half				
IFRS Ebit	Inventory effect	RC Ebit	Special items	RCA Ebit		IFRS Ebit	Inventory effect	RC Ebit	Special items	RCA Ebit
376	(92)	283	21	305	Galp	803	(225)	578	11	588
290	-	290	0	290	Upstream	630	-	630	(26)	603
49	(1)	48	-	48	Commercial	94	(2)	92	-	92
61	(91)	(30)	21	(9)	Ind. & Energy Management	110	(223)	(113)	37	(76)
(5)	-	(5)	-	(5)	Renewables & New Businesses	(8)	-	(8)	-	(8)
(19)	-	(19)	-	(19)	Others	(23)	-	(23)	-	(23)

Special items

€m

Quarter			First Half	
2Q20	1Q21	2Q21	2020	2021
(33)	(11)	20	(68)	9
		Items impacting Ebitda		
(31)	-	-	(31)	-
(2)	-	-	(38)	-
-	(26)	0	-	(26)
-	15	20	-	35
4	1	1	4	2
		Items impacting non-cash costs		
4	-	-	4	-
-	1	1	-	2
(61)	(61)	184	(54)	123
		Items impacting financial results		
1	10	1	8	11
(67)	-	-	(67)	-
5	-	-	5	-
-	(37)	185	-	148
-	(33)	(2)	-	(35)
112	31	(75)	141	(44)
		Items impacting taxes		
8	24	(62)	20	(37)
96	(3)	(22)	96	(25)
8	10	8	25	18
(4)	6	7	3	12
		Non-controlling interests (Unitisation and FX on deferred taxes Brazil)		
18	(34)	137	26	103
		Total special items		

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

6.6 IFRS consolidated income statement

€m

Quarter			First Half		
2Q20	1Q21	2Q21		2020	2021
1,822	3,214	3,520	Sales	5,324	6,734
143	124	117	Services rendered	330	240
61	68	55	Other operating income	113	123
2,026	3,406	3,691	Operating costs	5,767	7,097
(1,392)	(2,280)	(2,609)	Inventories consumed and sold	(4,345)	(4,889)
(355)	(362)	(358)	Materials and services consumed	(805)	(720)
(68)	(78)	(73)	Personnel costs	(150)	(151)
(2)	0	(3)	Impairments on accounts receivable	(4)	(3)
(2)	(42)	(4)	Other operating costs	(131)	(46)
(1,819)	(2,762)	(3,047)	Total operating costs	(5,435)	(5,809)
207	644	644	Ebitda	332	1,287
(343)	(217)	(267)	Depreciation, Amortisation and Impairments	(588)	(484)
(9)	(0)	(0)	Provisions	(15)	(0)
(144)	427	376	Ebit	(271)	803
90	(10)	25	Net income from associates	102	16
(15)	15	(188)	Financial results	(74)	(172)
7	4	4	Interest income	14	8
(14)	(13)	(11)	Interest expenses	(27)	(24)
5	3	4	Capitalised interest	11	7
(21)	(19)	(18)	Interest on leases (IFRS 16)	(41)	(37)
(32)	17	9	Exchange gain (loss)	(88)	27
18	37	(185)	Mark-to-market of derivatives	(66)	(148)
21	(15)	10	Other financial costs/income ¹	122	(5)
(69)	433	213	Income before taxes	(244)	646
(92)	(225)	(94)	Taxes ²	(139)	(319)
(8)	(19)	(8)	Energy sector contribution taxes ³	(34)	(27)
(169)	189	111	Income before non-controlling interests	(417)	300
15	(28)	(41)	Income attributable to non-controlling interests	7	(68)
(154)	161	71	Net income	(410)	232

¹ 1Q20 includes realised income from Brent interest and 2Q20 includes the unwind of the outstanding 2020 refining hedges.

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

³ Includes €7 m, €11 m and €9 m related to CESE I, CESE II and FNEE, respectively, during 1H21.

6.7 Consolidated financial Position

€m

	31 Dec. 2020	31 Mar. 2021	30 Jun. 2021
Assets			
Tangible fixed assets	4,878	5,102	4,988
Goodwill	85	86	90
Other intangible fixed assets	532	552	543
Rights of use (IFRS 16)	1,002	1,033	1,008
Investments in associates	483	355	339
Receivables	267	268	279
Deferred tax assets	509	548	479
Financial investments	402	459	614
Total non-current assets	8,157	8,402	8,340
Inventories ¹	708	798	852
Trade receivables	781	922	1,063
Other receivables	877	595	559
Financial investments	190	238	360
Current Income tax recoverable	101	47	57
Cash and equivalents	1,678	1,739	1,533
Total current assets	4,335	4,339	4,424
Total assets	12,492	12,741	12,764

¹ Includes €37 m of stocks made on behalf of third parties on 30 June 2021.

€m

	31 Dec. 2020	31 Mar. 2021	30 Jun. 2021
Equity			
Share capital	829	829	829
Share premium	82	82	82
Reserves	967	1,168	1,135
Retained earnings	1,832	1,281	996
Net income	(551)	161	232
Total equity attributable to equity holders of the parent	3,160	3,521	3,274
Non-controlling interests	940	1,006	951
Total equity	4,100	4,527	4,225
Liabilities			
Bank loans and overdrafts	801	795	707
Bonds	2,404	2,412	2,360
Leases (IFRS 16)	923	938	939
Other payables	111	100	102
Retirement and other benefit obligations	381	374	367
Deferred tax liabilities	479	597	480
Other financial instruments	37	44	175
Provisions	1,008	1,054	1,081
Total non-current liabilities	6,144	6,315	6,212
Bank loans and overdrafts	39	84	127
Bonds	500	-	50
Leases (IFRS 16)	166	187	166
Trade payables	650	715	849
Other payables	763	798	844
Other financial instruments	130	114	292
Income tax payable	0	-	-
Total current liabilities	2,248	1,899	2,327
Total liabilities	8,392	8,214	8,539
Total equity and liabilities	12,492	12,741	12,764



07

BASIS OF REPORT

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, 2021 and 2020 and December 31, 2020.

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 special items considering the Group's activities.

For the purpose of evaluating Galp's operating performance, RCA profitability measures exclude special 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.

Following the decision to discontinue the Matosinhos refinery, the Company is now booking all Matosinhos related activities as a special item, in order to provide a better proxy of Galp's refining operations going forward.

From 1Q21 onwards mark-to-market swings related with derivative hedges to cover client positions, which have no direct translation into operational results, are considered as special items. No adjustments were made in the reported figures from previous periods.

With regards to risks and uncertainties, please read Part I – C. III Internal control and risk management of Corporate Governance Report 2020.



08



APPENDIX

8. APPENDIX

8.1 Governing bodies

The composition of the governing bodies of Galp Energia, SGPS, S.A. as of 30 June 2021 is as follows:

Board of Directors

Chairman:

Paula Fernanda Ramos Amorim

Vice-Chairman and

Lead Independent Director:

Miguel Athayde Marques

Vice-Chairman:

Andrew Richard Dingley Brown

Members:

Filipe Quintin Crisóstomo Silva

Thore E. Kristiansen

Carlos Manuel Costa Pina

José Carlos da Silva Costa¹

Sofia Fernandes Cruz Tenreiro¹

Susana Quintana-Plaza²

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

¹ Resigned to office on July 22, 2021.

² Terminated her office on July 22, 2021 by resignation, having been replaced by Teresa Abecasis on that date, by co-optation.

Executive Committee**Chairman:**

Andrew Richard Dingley Brown (CEO)

Members:

Filipe Crisóstomo Silva (CFO)

Thore E. Kristiansen

Carlos Manuel Costa Pina

José Carlos da Silva Costa¹

Sofia Fernandes Cruz Tenreiro¹

Susana Quintana-Plaza²

Audit Board**Chairman:**

José Pereira Alves

Members:

Pedro Antunes de Almeida

Maria de Fátima Castanheira Cortês Damásio Geadá

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**Alternate:**

Rita Picão Fernandes

¹ Resigned to office on July 22, 2021.

² Terminated her office on July 22, 2021 by resignation, having been replaced by Teresa Abecasis on that date, by co-optation.

8.2 Statement of compliance of information presented

Statement of compliance of the Board of Directors

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 2021 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 2021 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 2021.

The Board of Directores

Chairman:

Paula Amorim

Vice-Chaiman and Lead Independent Director:

Miguel Athayde Marques

Vice-Chairman:

Andrew Brown

Members:

Filipe Crisóstomo Silva

Thore E. Kristiansen

Carlos Costa Pina

José Carlos Silva

Sofia Tenreiro

Teresa Abecasis

Marta Amorim

Francisco Teixeira Rêgo

Carlos Pinto

Luis Todo Bom

Jorge Seabra de Freitas

Rui Paulo Gonçalves

Diogo Tavares

Edmar de Almeida

Critina Fonseca

Adolfo Mesquita Nunes

Statement of compliance of the Audit Board

According to article 246, paragraph 1. c) of the Securities Code, each of the members of the Audit Board of Galp mentioned below declares that, to the best of their knowledge, the information presented in the financial statements concerning the first half of the financial year 2021 was produced in conformity with the applicable accounting requirements and gives a true and 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 2021 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 2021.

Chairman:

José Pereira Alves

Members:

Pedro Antunes de Almeida

Maria de Fátima Geada

8.3 Unaudited Condensed Consolidated Financial Statements for the period ended 30 June 2021**INDEX**

Unaudited Condensed Consolidated Statement of Financial Position	45
Unaudited Condensed Consolidated Income Statement and Consolidated Statement of Comprehensive Income	47
Unaudited Condensed Consolidated Statement of Changes in Equity	48
Unaudited Condensed Consolidated Statement of Cash Flow	49
Notes to the Condensed Consolidated Financial Statements	50
1. Corporate information	50
2. Basis for preparation, changes to the Group's accounting policies and matters related to the condensed consolidated financial statements	50
3. Segment reporting	52
4. Tangible assets	55
5. Goodwill and intangible assets	56
6. Leases	57
7. Investments in associates and joint ventures	58
8. Inventories	59
9. Trade and other receivables	60
10. Other financial assets	62
11. Cash and cash equivalents	62
12. Financial debt	63
13. Trade payables and other payables	65
14. Taxes and other contributions	65
15. Post-employment benefits	67
16. Provisions	68
17. Other financial instruments	69
18. Non-controlling interests	70
19. Revenue and income	71
20. Costs and expenses	72
21. Financial results	73
22. Related party transactions	74
23. Subsequent Events	75
24. Approval of the financial statements	75
25. Explanation regarding translation	76

2Q21 RESULTS
JULY 2021

Unaudited Condensed Consolidated Statement of Financial Position

Galp Energia, SGPS, S.A.

(Amounts stated in million Euros - € m)

Assets	Notes	June 2021	December 2020
Non-current assets:			
Tangible assets	4	4,988	4,878
Goodwill and intangible assets	5	633	617
Right-of-use of assets	6	1,008	1,002
Investments in associates and joint ventures	7	339	483
Deferred tax assets	14.1	479	509
Other receivables	9.2	278	266
Other financial assets	10	614	402
Total non-current assets:		8,340	8,157
Current assets:			
Inventories	8	852	708
Other financial assets	10	360	190
Current income tax receivable		57	101
Trade receivables	9.1	1,063	781
Other receivables	9.2	585	877
Cash and cash equivalents	11	1,533	1,678
Total current assets:		4,450	4,335
Total assets:		12,791	12,492

Equity and Liabilities	Notes	June 2021	December 2020
Equity:			
Share capital and share premium		911	911
Reserves		1,135	967
Retained earnings		1,227	1,281
Total equity attributable to shareholders:		3,273	3,160
Non-controlling interests	18	952	940
Total equity:		4,225	4,100
Liabilities:			
Non-current liabilities:			
Financial debt	12	3,068	3,204
Lease liabilities	6	939	923
Other payables	13	102	111
Post-employment and other employee benefit liabilities	15	367	381
Deferred tax liabilities	14.1	480	479
Other financial instruments	17	175	37
Provisions	16	1,081	1,008
Total non-current liabilities:		6,212	6,144
Current liabilities:			
Financial debt	12	177	539
Lease liabilities	6	166	166
Trade payables	18	849	650
Other payables	13	870	763
Other financial instruments	17	292	130
Current income tax payable		-	-
Total current liabilities:		2,354	2,248
Total liabilities:		8,565	8,392
Total equity and liabilities:		12,791	12,492

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

Unaudited Condensed Consolidated Income Statement and Consolidated Statement of Comprehensive Income**Galp Energia, SGPS, S.A.**
(Amounts stated in million Euros - € m)

	Notes	June 2021	June 2020
Sales	19	6,734	5,324
Services rendered	19	240	330
Other operating income	19	123	113
Financial income	21	11	120
Earnings from associates and joint ventures	7/19	16	102
Total revenues and income:		7,124	5,989
Cost of sales	20	(4,889)	(4,345)
Supplies and external services	20	(720)	(805)
Employee costs	20	(151)	(150)
Amortisation and depreciation on fixed assets	20	(434)	(496)
Impairment losses on fixed assets	20	(50)	(92)
Provisions and impairment losses on receivables	20	(3)	(19)
Other operating costs	20	(46)	(131)
Financial expenses	21	(184)	(195)
Total costs and expenses:		(6,478)	(6,233)
Profit/(Loss) before taxes and other contributions:		646	(244)
Taxes and SPT	14.1	(319)	(139)
Energy sector extraordinary contribution	14.2	(27)	(34)
Consolidated net profit/(loss) for the period		300	(417)
Attributable to:			
Galp Energia, SGPS, S.A. Shareholders		232	(410)
Non-controlling interests	18	68	(7)
Basic and Diluted Earnings per share (in Euros)		0.28	0.49
Consolidated net profit/(loss) for the period		300	(417)
Items which will not be recycled in the future through net income:			
Remeasurements		5	(2)
Income taxes related to remeasurements		-	-
Items which may be recycled in the future through net income:			
Currency translation adjustments		179	7
Hedging reserves		28	(2)
Income taxes related to the above item		(7)	-
Total Comprehensive income for the period, attributable to:		506	(414)
Galp Energia, SGPS, S.A. Shareholders		404	(425)
Non-controlling interests		102	11

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.

Unaudited Condensed Consolidated Statement of Changes in Equity**Galp Energia, SGPS, S.A****(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 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)
As at 30 June 2020	829	82	(180)	(11)	1,535	1,422	3,676	1,004	4,682
Balance as at 1 January 2021	829	82	(570)	3	1,535	1,281	3,160	940	4,100
Consolidated net loss for the period	-	-	-	-	-	232	232	68	300
Other gains and losses recognised in equity	-	-	146	21	-	5	172	34	205
Comprehensive income for the period	-	-	146	21	-	236	404	102	506
Dividends distributed	-	-	-	-	-	(290)	(290)	(44)	(334)
Increase/decrease in reserves	-	-	-	-	-	-	-	(47)	(47)
Balance as at 30 June 2021	829	82	(424)	24	1,535	1,227	3,273	952	4,225

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

2021 RESULTS
JULY 2021

Unaudited Condensed Consolidated Statement of Cash Flow

Galp Energia, SGPS, S.A.

(Amounts stated in million Euros - €m)

	Notes	June 2021	June 2020
Income/(Loss) before taxation for the period		646	(244)
Adjustments for:			
Amortisation, depreciation and impairment	20	484	588
Adjustments to net realisable value of inventories	20	12	41
Interest Expense, net	21	172	74
Underlifting and/or Overlifting	19;20	11	113
Share of loss of joint ventures and associates	19	(16)	(102)
Others		2	(5)
Increase / decrease in assets and liabilities:			
(Increase)/decrease in inventories		(156)	326
(Increase)/decrease in current receivables		(288)	229
Increase/(decrease) in current payables		197	(366)
(Increase) in other receivables, net		(90)	(35)
Dividends from associates		90	35
Taxes paid		(246)	(250)
Impact of equalisation		-	(137)
Cash flow from operating activities		817	267
Capital expenditure in tangible and intangible assets		(396)	(417)
Investments in associates and joint ventures, net		460	99
Other investment cash outflows, net		(57)	(24)
Impact of equalisation		-	220
Cash flow from investing activities		7	(122)
Loans obtained		2,533	1,792
Loans repaid		(3,046)	(1,117)
Interest paid		(43)	(47)
Leases repaid		(54)	(54)
Interest on leases paid		(37)	(44)
Share of non-controlling interest on share premium reductions		(46)	(145)
Dividends paid to Galp shareholders		(290)	(318)
Dividends paid to non-controlling interest		(32)	(49)
Realised income on derivative financial instruments		-	62
Cash flow from financing activities		(1,015)	80
(Decrease)/increase in cash and cash equivalents		(191)	225
Currency translation differences in cash and cash equivalents		37	(49)
Cash and cash equivalents at the beginning of the period		1,675	1,431
Cash and cash equivalents at the end of the period		1,522	1,607

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 presentation

The condensed consolidated financial statements for the six-month period ended 30 June 2021 were prepared in accordance with IAS 34 - Interim Financial Reporting.

The Galp Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Board of Directors considers that there are no material uncertainties that may cast doubt over this assumption. The Board has formed a judgement that there is a reasonable expectation that the Galp Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

These financial statements do not include all of the information and disclosures required for annual financial statements, and therefore should be read in conjunction with the consolidated financial statements of the Galp Group for the year ended as of 31 December 2020.

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.

2.2. Galp Strategy Refresh

In June 2021, Galp has announced a refresh in its strategy in which aims to thrive through the energy transition, continuing to deliver growth from one of the most efficient portfolios in the industry, whilst progressively transforming its activities in alignment with the energy transition. Galp's strategy incorporates the progressive decarbonisation of its operations and products sold to its customers with the commitment to be a net zero emission Company by 2050.

In the strategy refresh exercise, macro and micro-assumptions for each business unit for the period of 2021 to 2025 were updated compared with the budget approved in December 2020. The guidance provided to the market in our Capital Markets Day brings an improved profitability and cash generation scenario for all business units. Therefore, we have not identified impairment indicators that lead us to a detailed impairment analysis as at 30 June 2021. A detailed impairment analysis will be carried out for 2021 year-end consolidated financial statements.

2.3. 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 since then in several countries, contributing to a significant slowdown in the global economic environment, reduced demand for oil and its products, including in key markets in which Galp operates such as Portugal and Spain.

During the first semester of 2021, strict isolation measures had been put in place, mainly in Portugal and Spain, that still impact Galp's operations and sales (although in a smaller magnitude compared with 2020). Notwithstanding the referred impact, and as referred in the section 2.2 – Galp Strategy Refresh, we have not identified impairment indicators that lead us to a detailed impairment analysis.

2.4. Long-term commitment – LNG purchase agreement

During the first semester of 2021, Galp has assumed a commitment on one of its LNG long-term agreements to purchase natural gas to be delivered during next years. The total commitment as at 30 June 2021 is €54 m, of which €36 m refers to commitments made at fixed price that will be advanced to the LNG supplier in July 2021, and the remaining €18 m refers to commitments made at floating price that will be fulfilled and paid during the tenure of the agreement.

2.5. Cash Flow statement – indirect method

As permitted by IAS 7 – Cash Flow Statement, Galp has decided to change the method of presenting the condensed consolidated statement of cash flow from direct to indirect method. For better comparison, the condensed consolidated statement of cash flows for the period of six-months ended as of 30 June 2020 has been restated.

2.6. Changes of the consolidation perimeter

During the six-month period Galp has acquired the following entities:

Legal Entity	Country	% Acquired	Transaction	Consolidation Method
Eter Solarbay, SLU	Spain	100%	Acquisition of Control	Full consolidation
Ciclope Solarbay, SLU	Spain	100%	Acquisition of Control	Full consolidation
Duplexia Experts, SL	Spain	100%	Acquisition of Control	Full consolidation
Gastroselector Market, SL	Spain	100%	Acquisition of Control	Full consolidation
SDC International Solar Development Corporation, Lda	Portugal	100%	Acquisition of Control	Full consolidation

2.7. Presentation of cost of emissions in the statement of profit or loss

Galp has decided to change the presentation of the cost of emissions from other operating costs to Cost of sales in the amount of €37m during six months of 2021, for better comparison the condensed consolidated statement of profit or loss for the period of six-months ended as of 30 June 2020 has been restated.

3. Segment reporting

The Group operates across four different operating segments based on the types of products sold and services rendered: (i) Upstream, (ii) Industrial & Energy Management; (iii) Commercial and (iv) Renewable & New Businesses.

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 Industrial & Energy Management 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 infrastructures.

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 commercial activity also extends to certain countries in Africa.

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

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, respectively.

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 replacement cost financial information for the segments identified above, for the six-month periods ended 30 June 2021 and 2020, is as follows:

	Consolidated		Upstream		Industrial & Energy Management		Commercial		Renewables & New Businesses		Others		Consolidation adjustments	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Sales and services rendered	6,974	5,654	1,208	989	3,077	2,161	3,235	2,952	22	14	90	101	(659)	(564)
Cost of sales	(5,114)	(3,849)	1	(13)	(2,862)	(1,757)	(2,737)	(2,457)	(13)	(11)	(19)	-	515	390
of which Inventory Variation	118	(252)	18	(20)	100	(232)	-	-	(1)	-	-	-	-	-
Other revenues & expenses	(797)	(976)	(277)	(418)	(206)	(295)	(357)	(345)	(17)	(8)	(84)	(85)	144	175
of which Under & Overliftings	(11)	(113)	(11)	(113)	-	-	-	-	-	-	-	-	-	-
EBITDA at Replacement Cost	1,062	828	932	558	9	109	142	149	(8)	(5)	(13)	16	-	-
Amortisation, depreciation and impairment losses on fixed assets	(484)	(588)	(303)	(377)	(122)	(159)	(50)	(45)	(1)	(1)	(7)	(6)	-	-
Provisions (net)	-	(15)	1	(4)	(0)	(1)	-	-	2	(11)	(3)	-	-	-
EBIT at Replacement Cost	578	225	630	177	(113)	(51)	92	104	(8)	(16)	(23)	10	-	-
Earnings from associates and joint ventures	16	102	4	71	10	33	6	(1)	(4)	(1)	-	-	-	-
Financial results	(172)	(74)												
Taxes at Replacement Cost	(262)	(273)												
Energy Sector Extraordinary Contribution	(27)	(34)	-	-	(12)	(13)	(9)	(9)	-	-	(6)	(12)	-	-
Consolidated net income at Replacement Cost, of which:	131	(55)												
Attributable to non-controlling interests	68	(7)												
Attributable to shareholders of Galp Energia SGPS SA	63	(48)												

OTHER INFORMATION

Segment Assets ⁽¹⁾

Financial investments ⁽²⁾	339	483	190	329	11	32	21	16	103	104	15	2	-	-
Other assets	12,452	12,009	6,804	6,223	2,637	2,335	2,290	2,310	399	316	1,081	1,348	(760)	(524)
Segment Assets	12,791	12,492	6,994	6,552	2,648	2,367	2,311	2,326	503	420	1,095	1,350	(760)	(524)
of which Rights of use of assets	1,008	1,002	587	606	184	195	179	141	-	-	72	74	(14)	(15)

Investment in Tangible and Intangible Assets	408	363	347	289	18	37	23	28	13	2	9	7	-	-
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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:

	Sales and services rendered ¹		Tangible and intangible assets		Financial investments	
	2021	2020	2021	2020	2021	2020
	6,974	5,654	5,621	5,494	339	483
Africa	174	176	1,055	1,021	187	168
Latin America	699	1,039	2,988	2,808	53	209
Europe	6,102	4,439	1,578	1,665	99	105

¹ Net consolidation operation

The reconciliation between the segment reporting and the Condensed Consolidated Income Statement for the periods ended 30 June 2021 and 30 June 2020 was as follows:

	Unit: € m	
	2021	2020
Sales and services rendered	6.974	5.654
Cost of sales	(4.889)	(4.345)
Replacement cost adjustments (1)	(225)	496
Cost of sales at Replacement Cost	(5.114)	(3.849)
Other revenue and expenses	(797)	(976)
Depreciation and amortisation	(484)	(588)
Provisions (net)	-	(15)
Earnings from associates and joint ventures	16	102
Financial results	(172)	(74)
Profit before taxes and other contributions at Replacement Cost	421	253
Replacement Cost adjustments	225	(496)
Profit before taxes and other contributions at IFRS	646	(243)
Income tax	(319)	(139)
Income tax on Replacement Cost Adjustment (2)	56	(134)
Energy Sector Extraordinary Contribution	(27)	(34)
Consolidated net income for the period at Replacement Cost	131	(55)
Replacement Cost (1) +(2)	169	(362)
Consolidated net income for the period based on IFRS	300	(417)

4. Tangible assets

	Unit: € m				
	Land, natural resources and buildings	Plant and machinery	Other equipment	Assets under construction	Total
<i>As at 30 June 2021</i>					
Acquisition cost	1,262	11,053	500	1,571	14,386
Impairment	(29)	(134)	(2)	(179)	(343)
Accumulated depreciation and depletion	(781)	(7,826)	(449)	-	(9,055)
Net Value	452	3,094	49	1,392	4,988
Balance as at 1 January 2021	454	2,955	52	1,417	4,878
Additions	-	8	-	389	397
Depreciation, depletion and impairment	(10)	(336)	(10)	(41)	(398)
Disposals/Write-offs	(1)	-	-	(30)	(31)
Transfers	7	399	7	(413)	-
Currency exchange differences and other adjustments	2	69	1	70	143
Balance as at 30 June 2021	452	3,094	50	1,392	4,988

During the period under review the Group has made investments mostly in the Upstream business unit, in the amount of €397 m, essentially related to projects in Brazil (€306 m), Angola (€8 m), Mozambique (€40 m), Industrial & Energy Management (€34 m) and Commercial (€8 m). The additions to tangible assets for the six-month period ended 30 June 2021 also include the capitalisation of financial charges amounting to €7 m (Note 21).

In addition, regarding Exploration and Appraisal assets, and based on the assessment of prospects' potential performed during the second quarter of 2021, a write-off of €50 m was recorded related to Potiguar and smaller scale exploration prospects.

5. Goodwill and intangible assets

	Unit: € m			
	Industrial properties and other rights	Intangible assets in progress	Goodwill	Total
<i>As at 30 June 2021</i>				
Acquisition cost	983	80	92	1,155
Impairment	(20)	(21)	(2)	(44)
Accumulated amortisation	(479)	-	-	(479)
Net Value	484	59	90	633
Balance as at 1 January 2021	482	49	85	617
Additions	5	15	4	24
Amortisation and impairment	(22)	-	-	(22)
Disposals/write-offs	(3)	-	-	(3)
Transfers	7	(6)	-	1
Currency exchange differences and other adjustments	15	-	1	16
Balance as at 30 June 2021	481	58	90	633

Goodwill additions are regarding the acquisition of entities Eter Solarbay, SLU, Ciclope Solarbay, SLU, Duplexia Experts, SL, Gastroselector Market, SL and SDC International Solar Development Corporation, Lda totalling €4m. The Goodwill is still provisional with a time span of one year to be fully determined in accordance with IFRS 3.

6. Leases

Right-of-use assets

	Unit: € m					
	FPSO's ¹	Buildings	Service stations	Vessels	Other usage rights	Total
<i>As at 30 June 2021</i>						
Acquisition cost	610	90	218	181	211	1,311
Accumulated amortisation	(100)	(13)	(43)	(106)	(40)	(303)
Net Value	510	77	175	75	172	1,008
As at 1 January 2020	513	80	135	94	179	1,002
Additions	-	-	52	-	-	53
Amortisation	(19)	(3)	(11)	(22)	(8)	(64)
Disposals/write-offs	-	-	(2)	-	-	(3)
Currency exchange differences and other adjustments	16	-	1	3	-	20
Balance as at 30 June 2021	510	77	175	75	172	1,008

¹ Floating, production, storage and offloading unit.

Lease liabilities

	Unit: € m	
	June 2021	December 2020
Maturity analysis – contractual undiscounted cash flow	1,690	1,709
Less than one year	178	180
One to five years	543	545
More than five years	969	984
Lease liabilities included in the statement of financial position	1,105	1,089
Non current	939	923
Current	166	166

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

	Unit: € m	
	June 2021	June 2020
	184	281
Interest on lease liabilities	37	41
Expenses related to short term, low value and variable payments of operating leases ¹	147	240

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 follows:

	Unit: € m	
	June 2021	June 2020
Financing activities	91	98
(Payments) relating to leasing (IFRS 16)	54	54
(Payments) relating to leasing (IFRS 16) interests	37	44

7. Investments in associates and joint ventures

	Unit: € m	
	June 2021	December 2020
	339	483
Joint ventures	265	405
Associates	74	78

7.1 Investments in joint ventures

	Unit: € m					
	As at 31 December 2020	Share capital increase/ decrease	Equity Method	Other adjustments	Dividends	As at 30 June 2021
	405	(103)	-	26	(62)	265
Tupi B.V.	168	(105)	4	6	(58)	15
Galp Disa Aviacion, S.A.	5	-	-	-	-	5
CLC - Companhia Logística de Combustíveis, S.A.	8	-	-	-	-	8
Zero -E-Euro Assets, S.A.	58	1	(5)	6	-	61
Coral FLNG, S.A.	161	-	1	14	-	175
Other joint ventures	4	-	1	(1)	(4)	1

In addition, Tupi B.V. repaid share premium contributions in the amount of €105 m, which includes proceeds from the sale of equipment to the E&P operations in Brazil.

During the six-month period under review, the amount of €58 m was declared and paid in dividends from investments in joint ventures (Tupi BV).

7.2 Investments in associates

	Unit: € m				
	As at 31 December 2020	Share capital increase/ decrease	Equity Method	Foreign exchange rate differences	Dividends
	78	-	26	-	(30)
EMPL - Europe Magreb Pipeline, Ltd	14	-	19	(1)	(20)
Sonangal - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	6	-	1	(1)	-
Gasoduto Al-Andaluz, S.A.	3	-	-	-	(2)
Tauá Brasil Palma, S.A.	42	-	1	1	(5)
Galp Gás Natural Distribuição, S.A.	8	-	-	-	-
Other associates	6	-	5	-	(3)

The Earnings from associates and joint ventures for the six-month period ended as of 30 June 2021 in the Condensed Consolidated Income Statement is € 16 m. The amount was impacted by the obligation assumed by Galp with the GGND shareholders in relation to the CESE I liability (€10 m). In accordance with the agreements made between Galp and GGND shareholders, Galp has assumed the responsibility to reimburse the GGND shareholders in the event the CESE I liability is settled.

8. Inventories

	Unit: € m	
	June 2021	December 2020
Raw, subsidiary and consumable materials	852	708
Crude oil	289	272
Other raw materials	104	166
Raw materials in transit	69	67
Raw materials in transit	116	40
Finished and semi-finished products	438	339
Goods	151	111
Adjustments to net realisable value	(26)	(14)

The movements in the adjustments to net realisable value balance for the six-month period ended 30 June 2021 were as follows:

	Unit: € m				
	Raw, subsidiary and consumable materials	Finished and semi- finished products	Goods	Adjustments	Total
Adjustments to net realisable value at 1 January 2021	13	-	1	-	14
Net reductions	6	5	1	-	12
Adjustments to net realisable value at 30 June 2021	19	5	2	-	26

The net reductions in the amount of €12 m were recorded in the income statement as part of cost of sales. These reductions, which resulted from the application of the net realisable value method (NRV), are mainly related to adjustments to reflect expected market price movements during the period under review.

9. Trade and other receivables

9.1. Trade receivables

		Unit: € m	
	Notes	June 2021	December 2020
		Current	Current
Trade receivables		1,063	781
Impairments	9.3	1,211 (148)	926 (145)

9.2. Other receivables

Unit: € m					
	Notes	June 2021		December 2020	
		Current	Non-current	Current	Non-current
		585	278	877	266
State and other Public Entities		28	8	28	17
Other debtors		251	108	587	85
Non-operated oil blocks		67	-	77	-
Underlifting		77	-	85	-
Other receivables		107	108	425	85
Related Parties		8	-	1	-
Contract Assets		225	67	183	68
Sales and services rendered but not yet invoiced		89	-	57	-
Adjustments to tariff deviations - "pass through"		21	-	19	-
Other accrued income		115	67	108	68
Deferred charges		79	95	82	96
Energy sector extraordinary contribution (CESE II)	14.2	11	30	11	35
Deferred charges for services		6	14	3	14
Other deferred charges		62	51	68	46
Impairment of other receivables	9.3	(5)	-	(5)	-

Including in the balance of €67 m recorded under "Other debtors - Non-operated oil blocks" is €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 €77 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 2021.

Other deferred charges (non-current) include the amount of €50 m relating to post-employment benefits (Note 15).

In 2020, Galp agreed to sell 75.01% of Galp Gas Natural Distribuição, S.A. (GGND) for a total consideration of €368 m. From this transaction, a capital gain of €99 m was recognized in the Consolidated Income Statement for the year-ended 31 December 2020. During the period, the transaction has been completed and Galp received €368 m, which was deducted from "Other debtors – other receivables".

9.3. 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 2021, were as follow:

	Unit: € m				
	Opening balance	Increase	Decrease	Others	Closing balance
	150	6	(3)	1	154
Trade receivables	145	6	(3)	1	148
Other receivables	5	1	(1)	-	5

10. Other financial assets

As at 30 June 2021 and 31 December 2020, Other financial assets were as follow:

Unit: € m				
Notes	June 2021		December 2020	
	Current	Non-current	Current	Non-current
	360	614	190	402
Financial Assets at fair value through profit & loss	17	320	149	49
Financial Assets at fair value through comprehensive income		-	3	-
Financial Assets not measured at fair value - Loans and Capital subscription		40	382	42
Others		-	21	-

Loans and capital subscription (current) in the amount of €40 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.

The balance in the non-current portion is predominantly related to a shareholder loan to Group Zero E Euro Assets, of €319 m, of which €254m related to a shareholder loan to Group Zero-E assumed by Galp as total consideration paid for the joint venture at acquisition date.

11. Cash and cash equivalents

		Unit: € m	
	Notes	June 2021	December 2020
		1,522	1,675
Cash at bank		1,533	1,678
Bank overdrafts	12	(12)	(2)

12. Financial debt

Unit: € m				
Notes	June 2021		December 2020	
	Current	Non-current	Current	Non-current
Bank loans	177	3,068	539	3,204
Origination fees	127	707	39	801
Loans and commercial paper	-	-	-	-
Bank overdrafts	115	707	37	801
	12	-	2	-
Bonds and notes	50	2,360	500	2,404
Origination fees	-	(8)	-	(9)
Bonds	50	1,368	-	1,413
Notes	-	1,000	500	1,000

Changes in financial debt during the period from 31 December 2020 to 30 June 2021 were as follows:

Unit: € m						
	Opening balance	Loans obtained	Principal Repayment	Changes in Overdrafts	Foreign exchange rate differences and others	Closing balance
Bank Loans:	3,743	2,530	(3,047)	9	9	3,244
Origination fees	840	2,530	(2,547)	9	2	834
Loans and commercial papers	(0)	-	-	-	-	-
Bank overdrafts	837	2,530	(2,547)	-	2	823
	3	-	-	9	-	12
Bond and Notes:	2,904	-	(500)	-	7	2,410
Origination fees	(9)	-	-	-	1	(8)
Bonds	1,413	-	-	-	5	1,418
Notes	1,500	-	(500)	-	-	1,000

The average cost of financial debt for the period under review, including charges for credit lines, amounted to 1.45%.

During the first six months of 2021, the Group repaid the following notes:

Issuance	Due amount	Interest rate	Maturity
	500		
GALP 3.00% 01.2021	500	Fixed Rate 3.00%	January '21

During this period, €17 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 2021:

Unit: € m			
Maturity	Loans		
	Total	Current	Non-current
	3,241	166	3,075
2021	18	18	-
2022	560	148	412
2023	870	-	870
2024	688	-	688
2025	605	-	605
2026	500	-	500

13. Trade payables and other payables

Unit: € m				
	June 2021		December 2020	
	Current	Non-current	Current	Non-current
Trade payables	849	-	650	-
Other payables	870	102	763	111
State and other public entities	347		283	-
Payable VAT	193	-	157	-
Tax on oil products (ISP)	101	-	94	-
Other taxes	53		32	-
Other payables	135	51	128	65
Suppliers of tangible and intangible assets	92	51	96	65
Advances on sales	-	-	1	-
Overlifting	-	-	-	-
Other Creditors	43	-	30	-
Related parties	-	-	-	-
Other accounts payable	53	6	55	5
Accrued costs	292	34	284	29
External supplies and services	164	-	138	-
Holiday, holiday subsidy and related contributions	34	5	38	4
Other accrued costs	93	29	108	25
Contract liabilities	42	-	12	-
Other deferred income	2	11	1	11

14. Taxes and other contributions

14.1. Taxes and Special Participation Tax (SPT)

The Group 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%, are 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 2021 and 30 June 2020 were as follows:

	June 2021			June 2020		
	Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
Taxes for the period	301	17	319	65	75	139
Current income tax	48	20	68	(88)	79	(10)
Oil income Tax (IRP)	14	(3)	11	12	(4)	8
Special Participation Tax (SPT)	239	-	239	141	-	141

As at 30 June 2021, the movements in deferred tax assets and liabilities were as follows:

	As at 31 December 2020	Impact on the income statement	Impact on equity	Foreign exchange rate changes	As at 30 June 2021
Deferred Taxes – Assets	509	(30)	(7)	6	479
Adjustments to tangible and intangible assets	79	(27)	-	2	54
Retirement benefits and other benefits	110	(4)	-	-	106
Tax losses carried forward	69	5	-	1	75
Regulated revenue	6	1	-	-	7
Temporarily non-deductible provisions	179	(9)	-	2	172
Potential foreign exchange rate differences in Brazil	37	-	-	1	38
Others	28	4	(7)	1	26
Deferred Taxes – Liabilities	(479)	13	-	(15)	(480)
Adjustments to tangible and intangible assets	(441)	4	-	(15)	(452)
Adjustments to the fair value of tangible and intangible assets	(5)	(1)	-	-	(6)
Regulated revenue	(13)	-	-	-	(13)
Others	(20)	10	-	-	(10)

14.2 Energy Sector Extraordinary Contribution

						Unit: € m
	Statement of financial position				Income statement	
	Provisions (Note 16)		"CESE II" Deferred Charges (Note 9.2)		Energy Sector Extraordinary Contribution	
	CESE I	CESE II	Current	Non-current		
As at 1 January 2021	(113)	(229)	11	35	-	
"CESE I" Increase	(7)	-	-	-	7	
"CESE II" Increase	-	(5)	-	(5)	11	
Fondo Nacional de Eficiencia Energética (FNEE)	-	-	-	-	9	
As at 30 June 2021	(121)	(235)	11	30	27	

15. Post-employment benefits

During the period under review there were no significant changes compared to 31 December 2020.

On 30 June 2021 and 31 December 2020, the assets of the Pension Funds, valued at fair value, were as follows, in accordance with the report presented by the respective pension plan management company:

			Unit: € m
		June 2021	December 2020
Total		256	259
Shares		57	52
Bonds		154	158
Real Estate		43	43
Liquidity		1	6

As at 30 June 2021 and 31 December 2020, the details of post employment benefits were as follow:

	Unit: € m	
	June 2021	December 2020
Assets under the heading "Other Receivables"	50	45
Liabilities	(367)	(381)
Net responsibilities	(317)	(336)
Liabilities, of which:	(573)	(595)
Past service liabilities covered by the pension fund	(206)	(214)
Other employee benefit liabilities	(367)	(381)
Assets	256	259

16. Provisions

During the six-month period ended 30 June 2021, the movements in Provisions were as follows:

	Unit: € m			
	June 2021			
	Decomissioning/ environmental provisions	CESE (I and II)	Other provisions	Total
At the beginning of the period	513	343	152	1,008
Additional provisions and increases to existing provisions	18	13	13	44
Decreases of existing provisions	(8)	-	(2)	(10)
Amount used during the period	-	-	(1)	(1)
Adjustments during the period	12	-	28	41
At the end of the period	535	356	190	1,081

17. Other financial instruments

										Unit: € m
	June 2021					December 2020				
	Assets (Note 10)		Liabilities		Equity	Assets (Note 10)		Liabilities		Equity
	Current	Non current	Current	Non current		Current	Non current	Current	Non current	
	320	208	(292)	(175)	32	149	49	(130)	(37)	12
Commodity swaps	257	204	(278)	(170)	-	98	49	(102)	(18)	(1)
Options	3	-	-	-	-	19	-	-	-	-
Commodity futures	52	-	-	-	32	29	-	-	-	12
Forwards	9	4	(14)	(5)	-	4	1	(29)	(19)	-

The accounting impacts of gains and losses on derivative financial instruments on the income statement and comprehensive income as at 30 June 2021 and 2020 are presented below:

									Unit: € m
	June 2021				June 2020				
	Income statement			Equity	Income statement			Equity	
	MTM	Realised	MTM + Realised		MTM	Realised	MTM + Realised		
	(113)	89	(23)	20	(83)	76	(7)	(2)	
Commodities	(148)	98	(50)	20	(73)	67	(6)	(2)	
Swaps	(13)	101	88	1	(25)	(11)	(36)	-	
Swaps - Fair value hedge	(14)	-	(14)	-	12	-	12	-	
Options	(17)	(18)	(35)	-	(19)	105	86	-	
Futures	(105)	16	(89)	19	(41)	(27)	(68)	(1)	
Currency	35	(9)	26	-	(10)	9	(1)	-	
Forwards	35	(9)	26	-	(10)	9	(1)	-	

The table above has a negative MTM of Swaps derivatives (€6 m) related to Synthetic Power Purchase Agreements of solar projects in Spain, for which the fair value valuations were not based on observable market data (level 3). The derivatives commencement date occurred during 2020 and have a life span of approximate 12 years. With these Synthetic Power Purchase Agreements a fixed quantity of Guarantees of Origin will be transferred from the solar projects to Galp during the same time frame.

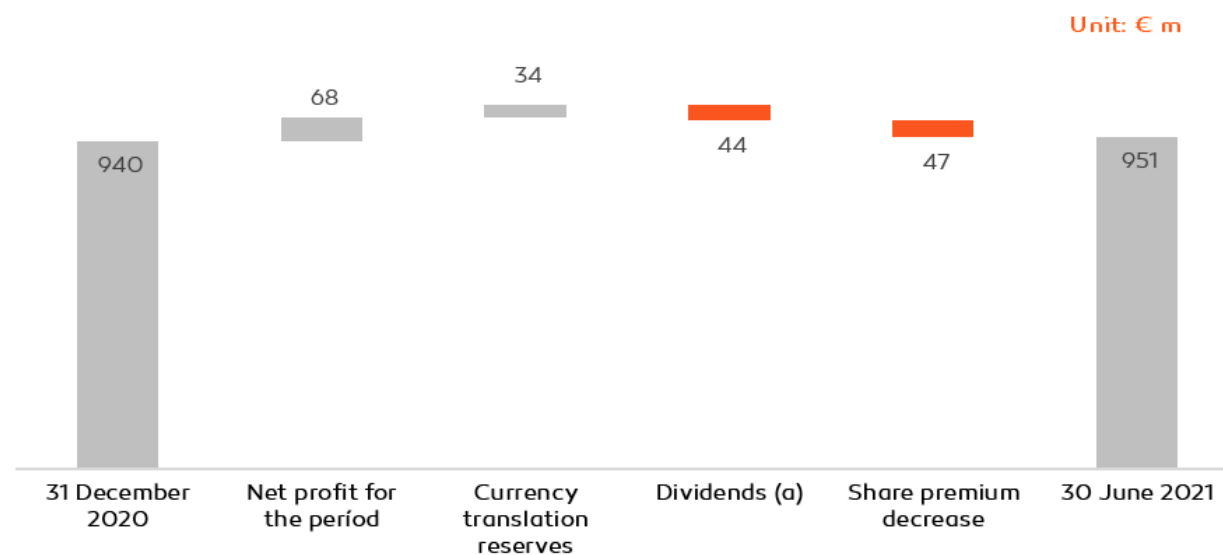
The realised results of derivative financial instruments are mainly recognised as part of the cost of sales (Note 21), financial income or expenses. The breakdown of the financial results related to derivative financial instruments (Note 21) is as follows:

	Unit: € m	
	June 2021	June 2020
	(148)	73
Commodity Swaps	(27)	(6)
Options	(17)	86
Commodity Futures	(105)	(41)
Other trading operations	-	34

The derivatives above are entered into to hedge commercial positions.

Table above excludes MTM and gains or losses on FX Forwards which are reflected in the caption of Foreign exchange gains/losses.

18. Non-controlling interests



(a) Non-controlling interest dividends in the amount of €12 m were declared during the period, but still not paid.

19. Revenue and income

The details of revenue and income for the six-month periods ended 30 June 2021 and 30 June 2020 were as follow:

		Unit: € m	
	Notes	June 2021	June 2020
		7,124	5,989
Total sales		6,734	5,324
Goods		2,939	2,279
Products		3,792	3,049
Exchange differences		2	(4)
Services rendered		240	330
Other operating income		123	113
Earnings from associates and joint ventures	7	16	102
Financial income	21	11	120

The amount in the caption Earnings from associates and joint ventures of €16 m includes the Equity Method Value of associates and joint ventures, respectively (Note 7.1).

20. Costs and expenses

The details of costs and expenses, for the six-month periods ended 30 June 2021 and 30 June 2020 were as follow:

		Unit: € m	
	Notes	June 2021	June 2020
Total costs and expenditure:		6,478	6,221
Cost of sales		4,889	4,345
Raw and subsidiary materials		2,841	2,200
Goods		1,050	681
Tax on oil products		1,166	1,099
Inventory variation		(118)	252
Write downs on inventories	8	12	41
Financial derivatives	17	(98)	79
Exchange differences		-	(7)
Costs related to CO ₂ emissions		37	12
External supplies and services		720	805
Subcontracts - network use		177	160
Transportation of goods		112	207
E&P - production costs		51	79
E&P - exploration costs		13	10
Royalties		98	67
Other costs		269	282
Employee costs		151	150
Amortisation, and depreciation	4/ 5/ 6	434	496
Impairment on fixed assets		50	92
Provision and impairment losses on receivables	9,3 / 16	3	19
Other costs		46	119
Other taxes		10	13
Overlifting costs		11	113
Other operating costs		25	(8)
Financial expenses	21	184	195

21. Financial results

The details of financial income and costs for the six-month periods ended 30 June 2021 and 30 June 2020 were as follow:

		Unit: € m	
	Notes	June 2021	June 2020
		(172)	(74)
Financial income		11	120
Interest on bank deposits		3	13
Interest and other income from related companies		5	1
Other financial income		3	1
Derivative financial instruments	17	-	73
Financial expenses		(184)	(195)
Interest on bank loans, bonds, overdrafts and others		(24)	(39)
Interest from related parties		-	-
Interest capitalised within fixed assets	4	7	11
Interest on lease liabilities	6	(37)	(41)
Derivative financial instruments	17	(148)	-
Exchange gains/(losses)		27	(88)
Other financial costs		(8)	(5)

22. Related party transactions

The Group had the following material transactions with related parties:

Unit: € m				
Notes	June 2021		December 2020	
	Current	Non-current	Current	Non-current
Assets:	19	-	31	158
Associates	17	-	28	49
Joint ventures	1	-	1	109
Other related entities	2	-	2	-

Unit: € m				
Notes	June 2021		December 2020	
	Current	Non-current	Current	Non-current
Liabilities:	(65)	-	(58)	-
Associates	(10)	-	(11)	-
Joint Ventures	(55)	-	(48)	-
Other related entities	-	-	1	-

Unit: € m						
	June 2021			June 2020		
	Purchases	Operating cost/income	Financial costs/income	Purchases	Operating cost/income	Financial costs/income
Transactions:	(8)	(33)	1	(46)	5	0
Associates	(1)	(43)	1	(40)	(1)	-
Joint Ventures	-	(5)	-	-	(6)	-
Other related entities	(7)	15	-	(6)	12	0

23. Subsequent Events

No material subsequent events occurred between the reporting date and the date of approval of these statements.

24. Approval of the financial statements

The consolidated financial statements were approved by the Board of Directors on 23 July 2021.

Chairman:

Paula Amorim

Vice-chair and Lead

Independent Director:

Miguel Athayde Marques

Vice-chair:

Andrew Brown

Members:

Filipe Silva

Thore E. Kristiansen

Carlos Costa Pina

Carlos Silva

Sofia Tenreiro

Teresa Abecasis

Marta Amorim

Francisco Rêgo

Carlos Pinto

Luís Todo Bom

Jorge Seabra

Rui Paulo Gonçalves

Diogo Tavares

Edmar de Almeida

Cristina Fonseca

Adolfo Mesquita Nunes

Accountant:

Paula de Freitas Gazul

25. 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. In the event of any discrepancy, the Portuguese language version shall prevail.



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Limited Review report on the interim condensed consolidated financial statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements of Galp Energia, SGPS, S.A. (the Entity), which comprise the interim condensed consolidated statement of financial position as at June 30, 2021 (showing a total of 12,791 million euros and a total equity of 4,225 million euros, including a net result of 300 million euros), the Interim Condensed Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Interim Condensed Consolidated Statement of Changes in Equity and the Interim Condensed Consolidated Statement of Cash Flow for the six-month period ended on that date, and the notes attached to the condensed consolidated financial statements that include a summary of significant accounting policies.

Responsibilities of the management board

It is the responsibility of the management board to prepare the interim condensed consolidated financial statements in accordance with the International Financial Reporting Standards, as adopted in the European Union for interim reporting purposes (IAS 34), and for the development and maintenance of an appropriate internal control system that enables the preparation of financial statements that are free from material distortions due to fraud or error.

Responsibilities of the independent auditor

Our responsibility is to express a conclusion regarding the accompanying interim condensed consolidated financial statements. Our work was conducted in accordance with ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and other technical and ethical standards and guidelines of the Institute of Statutory Auditors and Certified Accountants (“Ordem Profissional de Auditores e Contabilistas Certificados”). These standards require that our work shall be conducted in order to conclude whether something has come to our attention that causes us to believe that the financial statements are not prepared, in all material respects, in accordance with the International Financial Reporting Standards, as adopted in the European Union, for the purposes of interim financial reporting (IAS 34).

A limited review of financial statements is a limited assurance work. The procedures we have performed consist of making inquiries, primarily of persons responsible for financial and accounting matters, and analytical procedures and consequent evaluation of the evidence obtained.

The procedures carried out in a limited review are significantly less than the procedures conducted in an audit performed in accordance with the International Audit Standards (ISA). Accordingly, we do not express an audit opinion on these interim condensed consolidated financial statements.



Galp Energia, SGPS, S.A.
Limited Review Report on the Interim Condensed Consolidated
Financial Statements
June 30, 2021

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of Galp Energia, SGPS, S.A. at June 30, 2021 are not prepared, in all material respects, in conformity with International Financial Reporting Standards applicable to Interim Financial Reporting (IAS 34) as adopted by the European Union.

Lisbon, 23 July de 2021

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

Rui Abel Serra Martins - ROC n.º 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 special items such as derivatives hedges, 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 Construcción 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

CO₂: 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 Productos 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

FCC: Fluid Catalytic Cracker

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

I&EM: Industrial & Energy Management

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

mm³: million cubic metres

MTM: Mark-to-Market
mton: millions of tonnes
MW: Megawatt
MWh: Megawatt-hour
NE: Net entitlement
NG: natural gas
n.m.: not meaningful
NWE: Northwestern Europe
OCF: Adjusted Operating Cash Flow
PV: photovoltaic
p.p.: percentage point
Q: Quarter
QoQ: Quarter-on-quarter

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
UOP: Units of production
USD/\$: Dollar of the United States of America
Var.: Variation
WI: working interest
YoY: year-on-year



Galp Energia, SGPS, S.A.
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Reuters: GALP.LS
Bloomberg: GALP PL

