INTEGRATED MANAGEMENT REPORT 2023

DELIVERING ENERGY FOR LIFE

PART IV

Consolidated and Individual Financial Statements

galp

Index

Part IV – Consolidated and Individual Financial Statements

Consolidated Statement of Financial Position

Galp Energia, SGPS, S.A.

Consolidated Statement of Financial Position as at 31 December 2023 and 31 December 2022

(Amounts stated in million Euros – €m)

Assets	Notes	2023	2022
Non-current assets:			
Tangible assets	5	6,029	5,700
Intangible assets	6	659	672
Goodwill	8	44	70
Right-of-use of assets	7	1,630	1,116
Investments in associates and joint ventures	9	255	417
Deferred tax assets	16	615	559
Other receivables	11	305	263
Other financial assets	12	351	256
Total non-current assets:		**9,888**	**9,055**
Current assets:			
Inventories	10	1,447	1,361
Other financial assets	12	207	339
Trade receivables	11	1,395	1,464
Other receivables	11	931	942
Current income tax receivable	16	0	3
Cash and cash equivalents	13	2,200	2,432
Non-current assets classified held for sale	2.2	537	500
Total current assets:		**6,716**	**7,041**
Total assets:		**16,606**	**16,096**

Equity and Liabilities	Notes	2023	2022
Equity:			
Share capital and share premium	22	773	897
Own shares	22	0	0
Reserves	22	1,449	1,562
Retained earnings		2,187	1,701
Total equity attributable to shareholders:		**4,409**	**4,161**
Non-controlling interests	23	920	956
Total equity:		**5,329**	**5,117**
Liabilities:			
Non-current liabilities:			
Financial debt	14	3,026	3,187
Lease liabilities	7	1,543	1,095
Other payables	15	95	99
Post-employment and other employee benefit liabilities	17	225	252
Deferred tax liabilities	16	476	555
Other financial instruments	19	99	48
Provisions	18	1,437	1,430
Total non-current liabilities:		**6,900**	**6,666**
Current liabilities:			
Financial debt	14	575	800
Lease liabilities	7	267	182
Trade payables	15	1,268	1,005
Other payables	15	1,758	1,505
Other financial instruments	19	100	373
Current income tax payable	16	311	361
Liabilities directly associated with non-current assets classified as held for sale	2.2	97	87
Total current liabilities:		**4,376**	**4,314**
Total liabilities:		**11,276**	**10,979**
Total equity and liabilities:		**16,606**	**16,096**

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

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Galp Energia, SGPS, S.A.

Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the years ended 31 December 2023 and 31 December 2022

(Amounts stated in million Euros – €m)

	Notes	2023	2022
Sales	24	20,455	26,485
Services rendered	24	314	355
Other operating income	24	441	321
Financial income	27	134	877
Earnings from associates and joint ventures	9;24	49	152
Total revenues and income:		**21,394**	**28,189**
Cost of sales	25	(14,580)	(20,920)
Supplies and external services	25	(2,224)	(1,888)
Employee costs	26	(450)	(370)
Amortisation, depreciation and impairment losses on fixed assets	25	(987)	(1,380)
Provisions and impairment losses on other receivables	25	(162)	(133)
Other operating costs	25	(189)	(88)
Financial expenses	27	(215)	(164)
Total costs and expenses:		**(18,807)**	**(24,943)**
Profit/(Loss) before taxes and other contributions:		**2,585**	**3,246**
Taxes and SPT	16	(997)	(1,434)
Energy sector extraordinary contribution	16	(44)	(34)
Windfall tax	16	(95)	(53)
Consolidated net income/(loss) for the year		**1,451**	**1,726**
Income/(Loss) attributable to:			
Galp Energia, SGPS, S.A. Shareholders		**1,242**	**1,475**
Non-controlling interests	**23**	**209**	**251**
Basic Earnings per share (in Euros)		**1.56**	**1.81**
Diluted Earnings per share (in Euros)		**1.56**	**1.81**
Consolidated net income/(loss) for the year		**1,451**	**1,726**
Items which will not be recycled in the future through net income:			
Remeasurements	17	13	(30)
Income taxes related to remeasurements	17	0	0
Items which may be recycled in the future through net income:			
Currency translation adjustments		(187)	299
Hedging reserves	19	53	(13)
Income taxes related to the above items	16	(19)	3
Subtotal of other comprehensive income/(loss)		**(141)**	**258**
Total Comprehensive income/(loss) for the year, attributable to:		**1,310**	**1,983**
Galp Energia, SGPS, S.A. Shareholders		**1,147**	**1,680**
Non-controlling interests		**163**	**304**

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

Consolidated Statement of Changes in Equity

Galp Energia, SGPS, S.A

Consolidated Statement of Changes in Equity for the years ended 31 December 2023 and 31 December 2022

(Amounts stated in million Euros – €m)

		Share Capital and Share Premium		Reserves							
	Notes	Share Capital	Share Premium	Own shares	CTR(*)	Hedging Reserves	Other Reserves	Retained earnings	Sub-Total	NCI(**)	Total
As at 1 January 2022		**829**	**82**	**0**	**(232)**	**24**	**1,535**	**813**	**3,052**	**918**	**3,970**
Consolidated net income for the year		0	0	0	0	0	0	1,475	1,475	251	1,726
Other gains and losses recognised in equity		0	0	0	245	(10)	0	(31)	205	53	258
Comprehensive income for the year		**0**	**0**	**0**	**245**	**(10)**	**0**	**1,444**	**1,680**	**304**	**1,983**
Dividends distributed		0	0	0	0	0	0	(420)	(420)	(266)	(686)
Repurchase of shares		0	0	(150)	0	0	0	0	(150)	0	(150)
Cancelling of shares		(14)	0	150	0	0	0	(136)	(0)	0	(0)
Increase/decrease in capital reserves		0	0	0	0	0	0	0	0	0	0
Cumulative income as at 31 December 2022 – CTR with Non current Asset classified as held for sale		**0**	**0**	**0**	**160**	**0**	**0**	**0**	**160**	**0**	**160**
Cumulative loss at 31 December 2022 – Other CTR's		**0**	**0**	**0**	**(147)**	**0**	**0**	**0**	**(147)**	**0**	**(147)**
Balance as at 31 December 2022		**815**	**82**	**0**	**13**	**14**	**1,535**	**1,701**	**4,161**	**956**	**5,117**
Balance as at 1 January 2023		**815**	**82**	**0**	**13**	**14**	**1,535**	**1,701**	**4,161**	**956**	**5,117**
Consolidated net (loss) income for the year		0	0	0	0	0	0	1,242	1,242	209	1,451
Other gains and losses recognised in equity		0	0	0	(141)	34	0	13	(95)	(46)	(141)
Comprehensive income for the year		**0**	**0**	**0**	**(141)**	**34**	**0**	**1,255**	**1,147**	**163**	**1,310**
Dividends distributed	22, 23	0	0	0	0	0	0	(422)	(422)	(197)	(619)
Repurchase of shares		0	0	(500)	0	0	0	0	(500)	0	(500)
Cancelling of shares		(42)	0	500	0	0	0	(458)	0	0	0
Decrease in capital reserves		0	(82)	0	0	0	(31)	111	(2)	(2)	(4)
Long term incentives		0	0	0	0	0	25	0	25	0	25
Cumulative income as at 31 December 2023 – CTR with Non current Asset classified as held for sale		**0**	**0**	**0**	**142**	**0**	**0**	**0**	**142**	**0**	**142**
Cumulative loss at 31 December 2023 – Other CTR's		**0**	**0**	**0**	**(270)**	**0**	**0**	**0**	**(270)**	**0**	**(270)**
Balance as at 31 December 2023		**773**	**0**	**0**	**(128)**	**48**	**1,529**	**2,187**	**4,409**	**920**	**5,329**

The accompanying notes form an integral part of the consolidated statement of changes in equity and must be read in conjunction.
(*) Currency Translation Reserves
(**) Non-controlling Interests

Consolidated Statement of Cash Flows

Galp Energia, SGPS, S.A.

Consolidated Statement of Cash Flows for the years ended 31 December 2023 and 31 December 2022

(Amounts stated in million Euros – €m)

	Notes	December 2023	December 2022
Income/(Loss) before taxation for the period		**2,586**	**3,246**
Adjustments for:			
Amortization, depreciation and impairment losses on fixed assets	25	987	1,380
Provisions		105	124
Adjustments to net realisable value of inventories	25	(36)	70
Mark-to-market of derivatives	27	22	(806)
Other financial costs/income	24;25	59	93
Underlifting and/or Overlifting	24;25	(24)	(55)
Share of profit/(loss) of joint ventures and associates	9	(49)	(152)
Others		123	(13)
Increase / decrease in assets and liabilities:			
(Increase) in inventories		(50)	(473)
(Increase)/decrease in current receivables		68	(221)
(Decrease)/increase in current payables		264	225
(Increase)/decrease in other receivables, net		(103)	714
Dividends from associates and joint ventures	9	31	26
Taxes paid	16	(1,355)	(1,087)
Cash flow from operating activities		**2,628**	**3,071**
Capital expenditure in tangible and intangible assets		(1,056)	(1,078)
Investments in associates and joint ventures, net		0	(48)
Other investment cash outflows		(38)	(140)
Other investment cash inflows	15	77	0
Cash flow from investing activities		**(1,017)**	**(1,266)**
Loans obtained	14	1,904	4,297
Loans repaid	14	(2,409)	(4,483)
Interest paid		(57)	(39)
Leases repaid	7	(157)	(132)
Interest on leases paid	7	(102)	(85)
Change in non-controlling interest		0	0
Dividends paid to Galp shareholders	22	(422)	(420)
Dividends paid to non-controlling interests	22;23	(169)	(245)
Acquisition of own stocks	22	(500)	(150)
Cash flow from financing activities		**(1,912)**	**(1,257)**
(Decrease)/increase in cash and cash equivalents		(302)	547
Currency translation differences in cash and cash equivalents		(48)	62
Cash and cash equivalents at the beginning of the period	13	2,421	1,812
Cash and cash equivalents at the end of the period	**13**	**2,071**	**2,421**

The accompanying notes form an integral part of the consolidated statement of cash flows and should be read in conjunction.

Notes to the consolidated financial statements as of 31 December 2023

Galp Energia SGPS, S.A. (the Company) is the parent company of Galp Group.

On January 2, 2024, the Company has changed its head office to Avenida da Índia in Lisbon, Portugal.

Galp shares are listed on Euronext Lisbon.

The Group develops its activities in the energy sector, namely electricity from renewable sources, exploration, production and commercialization of hydrocarbons (oil & natural gas), refining and distribution of lubricants, gas, gasoline, diesel, fuel oil, jet fuel, asphalts and others and the acquisition and wholesale distribution of natural gas.

1. Basis of preparation

The consolidated financial statements of Galp Energia SGPS, S.A. and its subsidiaries (collectively referred to herein as Galp or the Galp Group) have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU).

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, financial assets at fair value through comprehensive income and financial assets at fair value through profit or loss.

The accounting policies set out below have been applied consistently to the preparation of the consolidated financial statements for the years presented, except for the adoption as from January 1, 2023, of IFRS 17 Insurance contracts (IFRS 17) and IAS 12 Income taxes (IAS 12) amendments. The transition to the accounting pronouncements as listed below has no material impact on Galp's consolidated financial statements (Note 3).

The consolidated financial statements are presented in Euros, and all the values are rounded to the nearest million Euros, except where otherwise indicated. Therefore, the subtotals and totals of the tables presented in these consolidated financial statements and accompanying notes may not equal the sum of the amounts presented, due to rounding.

2. Information about material accounting policies, judgments, estimates and changes

2.1 Information about material accounting policies, judgments and estimates

Accounting policies

Galp's material accounting policies are disclosed in the related notes within these consolidated financial statements.

Applying materiality

The consolidated financial statements are the result of the aggregation of a large number of transactions by nature. When they are aggregated, the transactions are presented in classes of similar items. If a line item is not individually material, it is aggregated with other items of a similar nature in the consolidated financial statements, or in the notes thereto. Management makes the specific disclosures required by the IFRS unless the information is considered immaterial to the economic decision-making of the users of these financial statements or is otherwise not applicable.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company Galp Energia SGPS, S.A. and the entities under its control. Control exists where Galp has effective power over an entity and is exposed to variable returns arising from its involvement with the entity. Where necessary, adjustments are made to bring the financial statements of the subsidiaries in line with the Group's accounting policies. All intragroup transactions, balances, income and expenses are eliminated in full upon consolidation. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition up to the effective date of disposal. Non-controlling interests represent the equity in subsidiaries that is not attributable, directly or indirectly, to Galp's shareholders.

Translation of foreign currencies

Functional currency

Items included in the financial statements of Galp Group entities are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency). The presentation currency of the consolidated group is the Euro, which is the functional currency of the parent.

Translation of transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing as of the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities, are recognized in the income statement.

Translation of Group companies

Upon consolidation, the assets and liabilities of non-Euro entities are translated into Euros at the year-end rates of exchange, while their statements of income, other comprehensive income and cash flows are translated at the annual average rates. The resulting translation differences are recognized as currency translation differences within other comprehensive income.

The following exchange differences are recognized in other comprehensive income: (i) Foreign subsidiaries' statements of comprehensive income are translated at the historical average of the year-end exchange rates; (ii) Loans granted by shareholders to subsidiaries in currencies other than the parent's functional currency that have no stipulated repayment terms are treated as net hedges on the investments in these foreign subsidiaries. This means that the foreign exchange differences arising from these loans that have not been eliminated upon consolidation are reclassified in the income statement from shareholders' equity to the line item "Currency translation reserves".

Key accounting estimates and judgments

Inherent in the application of the accounting policies used for the preparation of these consolidated financial statements is the need for Galp's management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. The actual amounts could differ from the estimates and assumptions used.

Accounting judgments and estimates which could have a material impact on the results of the group are described in the Notes to the financial statements alongside the material accounting policies. Those areas requiring the most significant judgment and the use of estimates when preparing these consolidated financial statements are: (i) Accounting for interests in joint arrangements and associates (Note 9); (ii) Accounting for oil and natural gas properties, including the estimation of oil and gas reserves and future commodity prices (Note 5); (iii) Recoverability of the carrying value of assets (Notes 5, 6, 8 and 9); (iv) Provisions and contingencies (Note 18); (v) Pensions and other post-employment benefits (Note 17); (vi) Income taxes (Note 16); (vii) Leases (Note 7); (viii) Derivatives financial instruments, including fair value measurements of financial instruments (Note 19 and 20). Where an estimate carries a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities within the next financial year, this is specifically stated within the respective note.

Energy Transition

Energy transition refers to the gradual shift from fossil-based energy production and consumption to renewable energy sources such as wind, solar and hydropower, as well as lithium-ion batteries, hydrogen and biofuels.

While energy consumption is expected to continue rising, the higher penetration of renewable energy sources into the energy supply mix, the increasing electrification in transport, manufacturing and buildings, and the subsequent needs of improved energy storage, new mobility solutions and energy efficient technologies are all important drivers and challenges of the energy transition.

Galp aims to play an important role in the energy transition, adapting its business portfolio to accompany the shifting paradigm in energy sources, while taking advantage, as much as possible, of synergies with existing businesses and distribution networks. The Group has already taken, in recent years, significant steps to diversify its asset base, simultaneously working towards improved operational energy efficiency and electrification, with a view to mitigate the carbon footprint of fossil fuel related business areas, remaining committed towards its ongoing sustainability journey, as the integration of low carbon energies and the increased renewable power generation will be fundamental to preparing Galp to address future options and continue to decarbonise its portfolio, maintaining an alignment with society and EU targets.

Refer to section 2.1 to 2.3 in chapter 2, in the Integrated Management Report (Book I) for further details on strategic framework related to energy transition.

This note describes how Galp has considered climate-related impacts in some key areas of the financial statements and how this translates into the valuation of assets and measurement of liabilities as Galp progresses in the energy transition.

The material accounting policies, judgements and estimates section above provides the specific reference to the notes where the relevant uncertainties, including those that have the potential to have a material effect on the Consolidated Balance Sheet in the next 12 months, are described.

This note describes the key areas of climate impacts that potentially have short- and longer-term effects on amounts recognized in the Consolidated Balance Sheet at December 31, 2023. Where relevant, this note contains references to other notes to the Consolidated Financial Statements and aims to provide an overarching summary.

Financial planning and assumptions

Group's decarbonization ambitions (See above) are embedded in Galp's business plan. Galp will continue to revise its business plan, price outlooks and assumptions as it moves towards net-zero emissions by 2050.

The financial plan includes expected cost for evolving carbon regulations based on a forecast of Galp's equity share of emissions from operated and non-operated assets also considering the estimated impact of free allowances. Carbon cost estimates range around €120 per tonne of GHG emissions in 2030, €220 per tonne in 2040 and €330 per tonne in 2050 (nominal terms).

Potential Accounting Impact of Energy Transition

Changes in future commodity prices and potential impairments

As noted, in accordance with IFRS, Galp's financial statements are based on reasonable and supportable assumptions that represent management's current best estimate of the range of economic conditions that may exist in the foreseeable future.

Energy transition is expected to bring volatility and there is large uncertainty as to how commodity prices will develop over the next decades. External climate price scenarios differ with some presenting a structural lower price during the transition period, while other price lines see structural higher commodity prices as a result of changes in both supply and demand.

Refer to Note 5 for Galp's best estimate for future oil and gas prices, including refining margins, and related sensitivities. If different price outlooks from external and often normative climate change scenarios were used, this may impact the recoverability of certain assets recognized in the Consolidated financial position as at December 31, 2023. These external scenarios are not representative of management price reasonable estimate.

Change of portfolio

Galp's strategy to play an important role in the energy transition may also result in new asset investments and/or divestments, which will impact the balance sheet and the Group's future results. Portfolio changes have started in previous years with the closure of the Matosinhos refinery, the acquisition of Titan 2020, S.A. (obtaining full control in 2022 following the acquisition of the remaining 25% stake) a large solar PV player and the divestment from its mature upstream assets in Angola (Note 2.2.2), focusing on its lowest carbon intensity assets.

The Group continues to execute its strategy proposition focusing on the successful execution of key projects, combining growth and transformation in its portfolio with financial discipline and strong focus on profitable growth.

Earlier than expected termination of abandonment provisions

Energy transition may lead to earlier than planned decommissioning and restoration commitments. Galp has recognized in its accounts abandonment provisions for all assets where the abandonment commitments are material, except for Sines refinery industrial complex. Galp seeks to uphold its operations in its industrial site in Sines, naturally transforming and decarbonising towards the needs of a lower carbon energy system and ensuring longer-term viability. Recent final investment decision (FID) on one of the biggest electrolysers projects in Europe for renewable hydrogen production and a large advanced biofuels plant to produce HVO and SAF, showcase Galp's commitment to ensure the energy supplies of the future.

Climate Changes

As with the Energy Transition, Galp has been working in the assessment of the potential impact of climate change risks in its activities. This analysis has the double objective of valuing the resilience of Galp's strategy under different scenarios while at the same time identify relevant opportunities and threats.

Galp integrated the TCFD recommendations in the identification of climate change related risks. A set of physical and market variables were collected in order to estimate the impact of climate change risks in Galp's operations and value at risk.

Potential Accounting Impact of Climate Change

Physical risks of Assets due to weather catastrophes

Galp is in the process of conducting multiple studies aimed at expanding the understanding of physical risks. These studies will allow a better understanding of the resilience of Galp's physical assets in the short to medium term given the estimated pace of climate change.

Galp has several core assets near the coastline and holds interests in joint operations in deep waters with Floating Production and Offloading Vessels (FPSO). These core assets, as well as other Galp assets, are covered by insurance.

Change of commodity and CO_2 prices

Climate change may affect the supply and demand of energy both at a local and a global level which, in turn, may have an impact on the financial statements of Galp Group through variables such as CO_2 prices or the price and quantities traded of commodities in general. Such risks are closely monitored and are appropriately reflected in the financial statements when and if they occur.

2.2 Significant changes during the year

2.2.1 Change of Head-office address

On 2 January 2024 Galp has changed its head office address to Avenida da Índia, 8 in Lisbon, Portugal.

2.2.2 Non-current Assets and Liabilities classified as held for sale

On 16 December 2022, the Board of Directors decided to proceed with the divestment of the Angolan Upstream, through the sale of Galp Energia Overseas Block 32 BV and Galp Energia Overseas Block 14 BV. On 13 February 2023, Galp has signed an agreement for the sale of its upstream assets in Angola. Proceeds are expected to reach c.$830 m, already net of capital gain taxes, including c.$655 m to be received until completion and $175 m in contingent payments due in 2024 and 2025 dependent on Brent price. Completion of the transactions is now expected during 2024. In 2023, Galp has received €77 m of initial proceeds (down payment) (which is accounted in "Other deferred income" caption in Note 13) and €132 m of leakage (distribution of interim dividends).

The Board considered that the criteria to be classified as Non-current assets held for sale is still met: (i) the assets are available for immediate sale and can be sold to the buyer in its current condition; (ii) the actions to complete the sale were initiated and are expected to be completed within one year from the date of initial classification; (iii) a potential buyer has been identified and negotiations as at the reporting date are at an advance stage.

The respective assets and liabilities of the upstream entities in Angola are classified as 'Non-current assets held for sale' and 'Liabilities directly associated with non-current assets classified as held for sale', presented separately, as current, in the consolidated financial statements as at December 31, 2023.

The assets, liabilities and cumulative translation reserve in equity that comprise the values shown in the Primary statements are as following:

Unit: €m

	2023
Non-current assets held for sale	**537**
Intangible assets	7
Tangible assets	487
Right-of-use assets	1
Inventories	5
Other receivables	37
Liabilities directly associated with non-current assets held for sale	**(97)**
Deferred tax liability	(5)
Provisions	(78)
Other payables	(15)
Equity	**(142)**
Cumulative translation reserves	(142)

2.2.3 Changes to the consolidation perimeter

During the twelve-month period ended on the 31 December 2023 Galp has entered into the following main transactions:

Legal Entity	Country	%	Transaction	Consolidation Method
Acauã Solar Energia SPE Ltda	Brazil	100%	Returned to SER	-
Citrino Solar Energia SPE Ltda	Brazil	100%	Returned to SER	-
C-M-791 – joint operation	Brazil	20%	Returned to Brazilian authorities	-
PEPB-M-783 – joint operations	Brazil	20%	Returned to Brazilian authorities	-
PEPB-M-839 – joint operation	Brazil	20%	Returned to Brazilian authorities	-
Ventos de Santo Antão Energias Renováveis, S.A.	Brazil	100%	Acquisition	Full consolidation
Vereda Solar Energia, S.A. (8 entities from II-IX)	Brazil	100%	Founded	Full consolidation
Enacolgest, Lda	Cape Verde	48%	Merger	Merged with Enacol, S.A.R.L. (the surviving entity)
Carriço Cogeração, S.A.	Portugal	65%	Liquidation	-

For further details of Consolidation perimeter and Galp financial interests in entities see Note 31.

2.2.4. Non-bearing interest loans fair value determination

The Group has established back in 2017 a non-bearing interest loan with fixed term with Coral FLNG to support its activities. Under IFRS 9, at initial recognition the loan shall be measured at its fair value and, subsequently, measured at amortized cost, by estimating the loan reimbursement schedule up to the loan maturity and also, determining a discount rate that reflects both maturity and the Company credit risk for similar financial liabilities. At origination, the difference between the loan amount and its fair value (present value using current market rates for similar instruments) is treated as an equity contribution to Coral FLNG, which represents a further investment by the Group in Coral FLNG.

In 2023, as a result of the modification of the shareholders loan reimbursement schedule, Management reassessed the accounting treatment of the loan under IFRS 9 (which was previously being characterized for accounting purposes as a capital contribution – equity investment) (Note 9).

2.2.5 Acquisition of owns shares

Own equity instruments that are reacquired (own shares or treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Galp has initiated on 15 February 2023 a programme to repurchase Galp Energia SGPS, S.A. own shares in the amount of €500 m.

On 15 December 2023 Galp concluded this share repurchase programme. Pursuant to the conclusion of the programme, Galp's Board of Directors approved the reduction of the Company's share capital through the extinction of 42,028,823 own-shares, representative of approximately 5.16% of its share capital on 1 January 2023. Average price of the repurchase of the shares was €11.90/share.

3. Impact of new international financial reporting standards

3.1 New Standards and amendments endorsed by the European Union adopted on 1 January 2023 and to be adopted in future years

The IFRS standards endorsed and published on the Official Journal of the European Union (OJEU) during the year 2023 and enforceable for accounting purposes in 2023 or in subsequent years are presented in the table below:

IFRS/IFRIC Standards	Publication date in OJEU	Accounting application date	Enforcement year	Observations
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022)	21/11/2023	01/01/2024	2024	Without material accounting impact
Amendments to IAS 1 Presentation of Financial Statements: • Classification of Liabilities as Current or Noncurrent (issued on 23 January 2020); • Classification of Liabilities as Current or Noncurrent – Deferral of Effective Date (issued on 15 July 2020); and • Non-current Liabilities with Covenants (issued on 31 October 2022)	20/12/2023	01/01/2024	2024	No estimated accounting impact

IFRS/IFRIC Standards	Publication date in OJEU	Accounting application date	Enforcement year	Observations
Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued on 23 May 2023)	9/11/2023	01/01/2023	2023	**
Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021)	9/9/2022	01/01/2023	2023	Without material accounting impact.*
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)	12/8/2022	01/01/2023	2023	Without material accounting impact.
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)	3/3/2022	01/01/2023	2023	Accounting impact on disclosure.
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)	3/3/2022	01/01/2023	2023	Without material accounting impact.
IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17	23/11/2021	01/01/2023	2023	Without material accounting impact.*

* Immaterial impact on consolidation accounts regarding the reinsurance entity Tagus RE held by Group Galp. Galp has decided not to apply IFRS 17 in consolidation accounts in accordance with IAS 8 p.8.
** In 2023, the International Accounting Standards Board (IASB) issued amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules, whereas Galp Group (Galp) is included under these rules. Given the date of the approval of this legislation (still ongoing in some countries in which Galp is present) and given the extent of the information to be analysed, Galp, based on the application of the temporary exemption, will not recognize deferred taxes with respect to Pillar Two, or disclose information about them, yet as provided by IAS 12. Hence, Galp is currently carrying out the assessment of the impacts related to this topic, as such it is not possible to provide, for now, a reasonable estimate of the impact of these amendments.

4. Segment information

Operating segments

The Group operates across four different operating segments based on the types of products sold and services rendered: (i) Upstream, (ii) Industrial & Midstream; (iii) Commercial and (iv) Renewables & 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 on Brazil, Mozambique, Namibia and Angola[1] (until the end of 2022).

The Industrial & Midstream segment operates the Sines industrial site in Portugal, which includes all current refining activities, as well as all activities relating to the Midstream, namely the energy management of oil products, gas and electricity. This segment also comprises all storage and transportation infrastructure for oil, gas products and the sale of electricity to the grid in Portugal and Spain, for both export and import.

The Commercial segment encompasses the area of retail to final B2B and B2C customers of oil, gas, electricity and convenience.

The Renewables & New businesses segment represents Galp's presence in the renewable and new energies space.

Besides the four operating segments above, the Group classified in the category "Others" the holding company Galp Energia, SGPS, S.A., and companies with activities that differ from the Company's core business, including Tagus Re, S.A. and Galp Energia, S.A., a reinsurance company and a provider of shared services at the corporate level, respectively.

The segment reporting is presented on a replacement cost (RC) basis, which is the earnings measure used by the Chief Operating Decision Maker (in this case the Executive Board) to make decisions regarding the allocation of resources and the assessment of performance. Based on the RC method, the current method of measuring cost of sales under IFRS (the weighted average cost method) is replaced by the crude reference price (i.e. Brent-dated) as of the balance sheet date, as though the cost of sales had been measured at the replacement cost of the inventory sold. We have also disclosed in this note a reconciliation between the results under IFRS and those presented in the segment information.

[1] Despite Angolan upstream entities being classified as non-current Assets held for sale, their profit or loss is included in the consolidated income statement.

The financial information of the segments identified above, as of 31 December 2023 and 2022, is presented as follows:

Unit: €m

	Consolidated		Upstream		Industrial & Midstream		Commercial		Renewables & New businesses		Others		Consolidation adjustments	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Sales and services rendered	**20,769**	**26,840**	**3,717**	**4,401**	**8,317**	**11,000**	**10,296**	**13,410**	**161**	**190**	**293**	**236**	**(2,016)**	**(2,320)**
Cost of sales	**(14,521)**	**(20,956)**	**(193)**	**(367)**	**(6,542)**	**(9,904)**	**(9,444)**	**(12,472)**	**26**	**(91)**	**(19)**	**(8)**	**1,651**	**1,811**
of which Variation of Production	(121)	304	(136)	(28)	15	332	0	0	0	1	0	0	0	0
Other revenue & expenses	**(2,479)**	**(2,035)**	**(1,036)**	**(951)**	**(846)**	**(645)**	**(563)**	**(640)**	**(57)**	**(48)**	**(342)**	**(263)**	**365**	**509**
of which Under & Overlifting	24	55	24	55	0	0	0	0	0	0	0	0	0	0
EBITDA at Replacement Cost	**3,769**	**3,849**	**2,488**	**3,083**	**929**	**451**	**290**	**298**	**131**	**50**	**(69)**	**(34)**	**0**	**0**
Amortisation, depreciation and impairment losses on fixed assets	(987)	(1,380)	(532)	(855)	(154)	(266)	(157)	(217)	(113)	(18)	(32)	(24)	0	0
Provisions (net)	(105)	(124)	4	1	(82)	(119)	(1)	(7)	0	0	(25)	1	0	0
EBIT at Replacement Cost	**2,676**	**2,345**	**1,960**	**2,229**	**693**	**66**	**132**	**75**	**18**	**32**	**(126)**	**(57)**	**0**	**0**
Earnings from associates and joint ventures	49	152	(32)	28	51	(13)	7	8	21	126	2	3	0	0
Financial results	(81)	713												
Taxes and SPT at Replacement Cost	(1,017)	(1,432)												
Energy Sector Extraordinary Contribution	(44)	(34)	0	0	(21)	(20)	(14)	0	0	0	(9)	(14)	0	0
Windfall tax	(95)	(53)	(64)	0	0	0	(31)	0	0	0	0	(53)	0	0
Consolidated net income at Replacement Cost, of which:	**1,489**	**1,691**												
Attributable to non-controlling interests	209	251												
Attributable to shareholders of Galp Energia SGPS SA	1,280	1,440												
OTHER INFORMATION														
Segment Assets[1]														
Financial investments[2]	255	417	110	283	29	18	27	35	89	81	0	0	0	0
Other assets	16,351	15,678	8,528	7,540	3,538	3,263	2,850	2,889	1,704	2,061	2,743	2,536	(3,012)	(2,611)
Segment Assets	**16,606**	**16,096**	**8,638**	**7,823**	**3,567**	**3,281**	**2,877**	**2,924**	**1,792**	**2,142**	**2,743**	**2,536**	**(3,012)**	**(2,611)**
of which Rights of use of assets	1,630	1,116	1,070	702	235	165	159	167	91	70	75	12	0	(0)
of which tangible and intangible assets	6,732	6,442	3,860	3,825	741	662	700	711	1,308	1,168	123	76	0	(0)
Investment in Tangible and Intangible Assets[3]	**1,091**	**1,078**	**581**	**595**	**196**	**72**	**125**	**113**	**147**	**260**	**41**	**39**	**0**	**0**

[1] Net amount
[2] Includes "Investments in associates and joint ventures" (Note 9) and "Other financial assets – Financial assets not measured at fair value - Loans and capital subscription" (Note 12)
[3] Excludes Abandonment provisions (€53 m) and Carry interest of Upstream segment (€20 m)

The detailed information on sales and services rendered, tangible and intangible assets and investments in associates and joint ventures for each geographical region in which Galp operates is as follows:

Unit: €m

	Sales and services rendered [1]		Tangible and intangible assests		Financial investments	
	2023	2022	2023	2022	2023	2022
	20,769	**26,840**	**6,732**	**6,442**	**255**	**417**
Africa	758	757	830	710	130	301
Latin America	2,567	3,971	3,122	3,218	79	77
Europe	17,444	22,112	2,779	2,514	45	39

[1] Net consolidation operation

Commercial and financial transactions between related parties are performed according to the usual market conditions, similarly to the transactions between independent parties.

The reconciliation between the Segment Reporting and the Consolidated Income Statement for the year ended 31 December 2023 and 2022 is as follows:

Unit: €m

	2023	2022
Sales and services rendered	**20,769**	**26,840**
Cost of sales	**(14,580)**	**(20,920)**
Replacement cost adjustments (1)	59	(36)
Cost of sales at Replacement Cost	(14,521)	(20,956)
Other revenue and expenses	**(2,479)**	**(2,035)**
Amortisation, depreciation and impairment on fixed assets	(987)	(1,380)
Provisions (net)	(105)	(124)
Earnings from associates and joint ventures	49	152
Financial results	(81)	713
Profit before taxes and other contributions at Replacement Cost	**2,645**	**3,210**
Replacement Cost adjustments	(59)	36
Profit before taxes and other contributions at IFRS	**2,585**	**3,246**
Income tax	(997)	(1,434)
Income tax on Replacement Cost Adjustment (2)	(20)	2
Energy Sector Extraordinary Contribution	(44)	(34)
Windfall tax	(95)	(53)
Consolidated net income for the period at Replacement Cost	**1,489**	**1,691**
Replacement Cost (1) +(2)	(38)	35
Consolidated net income for the period based on IFRS	**1,451**	**1,726**

5. Tangible assets

Accounting policies

Recognition

Tangible assets are stated at cost, less accumulated depreciation and cumulative impairment losses. The acquisition cost includes the purchase amount, plus transport and assembly costs, any decommissioning obligations and financial interest incurred during the construction phase. Tangible work-in-progress assets refer to assets under construction and are stated at cost less cumulative impairment losses.

Major maintenance and repairs

Expenditure on major maintenance or repairs represents the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was depreciated separately is replaced, and it is probable that the future economic benefits associated with the item will flow to the group, the expenditure is capitalised, and the carrying amount of the replaced asset is derecognized. Inspection costs associated with major maintenance programmes are capitalised and amortized over the period until the next inspection. Overhaul costs for major maintenance programmes, and all other maintenance costs, are expensed as they are incurred.

Upstream Tangible Assets

Hydrocarbon exploration costs are accounted for under the successful efforts' method: exploration costs are recognized in income when incurred (i.e. expenditure related to G&G – Geological & Geophysical – and G&A – General & Administrative), except for exploratory drilling costs, which are included in tangible assets (work-in-progress assets) pending determination of proved reserves and are subject to impairment test when triggers are identified. Dry wells are recorded as expenses for the year. At the start of production capitalised costs are depreciated based on the depreciation policy in force.

Depreciation

Upstream Tangible Assets

Tangible assets related to hydrocarbon production activities, including related pipelines, mineral rights and future decommissioning costs are in principle depreciated on a unit-of-production (UOP) basis over the proved developed reserves of the field concerned.

The UoP rate for the depreciation of common facilities considers the expenditure incurred to date, together with the estimated future capital expenditure expected to be incurred in relation to the as-yet undeveloped reserves expected to be processed using these common facilities. Floating platforms (FPSOs) are currently depreciated using the straight-line method, based on the lower of the estimated asset's useful life and the concession period of the field where the platform is deployed.

Depreciation rates for Tangible Assets

The average annual depreciation rates used are as follows:

Depreciation rates	2023	2022
Buildings and other constructions	4.0%	2.2%
Machinery and equipment	10.0%	13.4%
Transport equipment	12.0%	11.0%
Tools and utensils	11.0%	20.0%
Administrative equipment	14.0%	27.0%
Reusable containers	11.0%	14.0%
Other tangible assets	12.0%	13.0%

Impairment analysis

Impairment testing is performed at the date of the financial statements and whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recoverable or previous years impairments are to be reversed. When performing impairment testing, tangible assets are allocated to the respective cash generating unit (CGU). The recoverable amount of an asset is estimated as part of the CGU to which it belongs, according to the discounted cash flow method. The discount rates are calculated by adjusting the post-tax rate to reflect the specific risk levels of the CGUs.

Industrial & Midstream and Commercial segments impairment tests

Tangible and intangible assets related to the Industrial & Midstream and Commercial segments are assessed by the Group for impairment at the end of each reporting period or when impairment indicators (or indicators for impairment reversal) are identified, considering internal and external sources of information.

Commercial

In its annual impairment testing of Commercial segment, the Group considers the service station cash generating unit as being each individual service station.

The impairment testing carried out by the Group is based on the estimated recoverable amount of each service station compared to its net book value at the end of each reporting period. The recoverable amount (value in use) determined by the Group corresponds to the present value of the expected future cash flow, which in turn is determined based on the annual budgets and business plans for the service station, using a post-tax discount rate adjusted for the specific risks of that segment.

Industrial & Midstream

Impairment testing is also performed on the other assets of the Industrial & Midstream segment, including Sines refinery and tangible assets associated with logistics and storage activities. The period of the cash flow projection varies as a function of the CGU's average economic useful life.

The determination of the value in use of refining assets was based on the assumptions defined in the business plan, as follows:

i. Refining margin
ii. Carbon prices
iii. Refinery availability
iv. Future operating and investments costs
v. Discount rate

Upstream segment impairment testing

Impairment on exploration and production assets are recorded when:

- Economically feasible reserves are not found;
- The exploration licence expires and is not expected to be renewed;
- When an acquired area is relinquished or abandoned; and
- When the carrying amount exceed its recoverable amount.

Tangible and intangible assets related to the Upstream segment are assessed for impairment by the Group periodically (annually, or quarterly where indications of impairment are identified). The selected CGU will be the project or the individual block, depending on the stage of maturity of the respective investment. The assessment for impairment is carried out in accordance with the expected monetary value (EMV model), comparing the carrying amount of the investment with the present value of the expected future cash flow using a post-tax discount rate adjusted for the risks specific to the asset for which the future cash flow estimates have not been adjusted, calculated considering the estimates of:

i. The probable reserves;
ii. The investment and future operating costs needed to recover the probable reserves;
iii. The amount of any contingent resources, adjusted to reflect the probability of geological success;
iv. The investment and future operating costs required to recover the contingent resources;
v. The reference price of a barrel of Brent crude;
vi. The applicable exchange rates;
vii. The CGU taxation mechanisms;
viii. The estimated production level and concession period; and
ix. The asset retirement obligations.

The EMV model considers in its calculation the PoS (the probability of geological success a.k.a. the probability of success), which is a conditional statistical probability (Bayesian probability). This probability is used in geological science as part of a probability matrix based on seismic information and other G&G information. This underlying information takes into account the quantity, quality and certainty of the reserves (data controls). The cash flow projection period is equal to the recovery of the reserves and resources during the concession period, up to the limit of the terms of the respective concession agreements, if applicable.

Galp can carry out impairment testing at any stage of exploration and production, i.e. in the exploration, development and production stages, when facts and circumstances suggest that the carrying amount of an exploration and production asset may exceed its recoverable amount.

In the exploration phase, the CGU depends on the stage at which the investment is made in each project. For example, at an early investment stage, the CGU will be the country-level entity, given that the investment also includes investments in signature bonuses and any generic research performed in the area. Once an overall area is divided into blocks by the relevant country's authorities, Galp will recognise each block as a CGU, down levelling the assessment for the purposes of impairment testing. As there are no reserves at this stage, Galp carries out impairment testing of prospective and contingent resources with a very low PoS.

If proved reserves are booked, the investment moves into the development stage, having already been subject to impairment testing. During the development phase and if required, the impairment analysis also considers the PoS (which is higher than at earlier stages, since there is now an estimate of the commercially viable reserves) and 2P reserves (probable reserves) in order to estimate the future cashflows that are expected to be generated by the block under analysis.

Accounting estimates and judgments

Commodity price assumptions

Future commodity price assumptions and refining margin used in the impairment testing in the Upstream and Industrial & Midstream (refining asset) segments, respectively, are regularly assessed by management.

Management's estimate of refining margins used in the impairment testing was based on a linear refinery simulation software considering the current refinery configuration and to generate, on an optimized basis, estimated refinery products yields and energy consumption data based on a refining mixture of available brent and other refinery feedstocks. Galp's refining margin also incorporates the costs associated with CO_2 emissions.

Future commodities prices and refining margins used in impairment testing provide a source of estimation uncertainty as referred to in paragraph 125 of IAS 1 Presentation of Financial Statements (IAS 1.125).

Information about the carrying amounts of assets and impairments and their sensitivity to changes in significant estimates are presented in this Note 5.

Oil and gas reserves

The estimate of oil and gas reserves is an integral part of the decision-making process relating to the exploration and development of Upstream assets. The volume of proved reserves is used to calculate the depreciation of exploration and production assets, in accordance with the units of production method. The expected production volumes, which comprise proved reserves and unproved volumes is used to assess the project's recoverable amount. The estimated proved reserves are also used to assess the annual abandonment costs. The estimated proved reserves are subject to judgment, and to future revision based on newly available information, including information relating to the development activities, drilling or production, prices or contract termination. The impact of any changes to the estimates of reserves are accounted for on a prospective basis.

The estimates of oil and gas reserves, and any movements occurring during the year, are described in the Supplementary Information of the Integrated Report, which is not audited.

Useful lives and residual values of tangible assets

The calculation of the assets' residual values and useful lives, as well as the method to be applied, are necessary to determine the depreciation to be recognized in the consolidated income statement for each period. These parameters are set based on management's judgment, as well as being in line with the practices adopted in the industry. Changes in assets' economic useful lives are accounted for on a prospective basis.

Unit: €m

	Land, natural resources and buildings	Plant and machinery	Other equipment	Assets under construction	Total
As at 31 December 2023					
Acquisition cost	1,338	11,401	534	2,641	15,913
Impairment	(37)	(226)	(3)	(234)	(501)
Accumulated depreciation and depletion	(812)	(8,131)	(441)	0	(9,384)
Net value	**489**	**3,044**	**90**	**2,406**	**6,029**
As at 31 December 2022					
Acquisition cost	1,300	11,167	523	2,189	15,179
Impairment	(39)	(232)	(3)	(279)	(553)
Accumulated depreciation and depletion	(801)	(7,668)	(456)	0	(8,925)
Net value	**459**	**3,267**	**64**	**1,910**	**5,700**

Movements in tangible assets in 2023 and 2022 are as follows:

Unit: €m

	Land, natural resources and buildings	Plant and machinery	Other equipment	Assets under construction	Total
Balance as at 1 January 2022	**462**	**2,866**	**46**	**1,794**	**5,169**
Additions	0	321	1	714	1,036
Depreciation, depletion and impairment	(36)	(763)	(19)	(176)	(994)
Disposals/Write-offs	(2)	(16)	(2)	(5)	(25)
Transfers	21	580	25	(625)	0
Currency exchange differences and other adjustments	13	279	13	209	514
Balance as at 31 December 2022	**459**	**3,267**	**64**	**1,910**	**5,700**
Balance as at 1 January 2023	**459**	**3,267**	**64**	**1,910**	**5,700**
Additions	1	56	0	1,056	1,113
Depreciation, depletion and impairment	(22)	(594)	(25)	(35)	(677)
Disposals/Write-offs	(3)	(34)	0	(50)	(87)
Transfers	54	443	51	(548)	0
Currency exchange differences and other adjustments	1	(94)	0	73	(20)
Balance as at 31 December 2023	**489**	**3,044**	**90**	**2,406**	**6,029**

During the year ended 31 December 2023, the Group made mainly investments in the Upstream segment in relation to projects in Brazil (€431 m), Mozambique (€43 m) and Namibia (€117 m). Investments were made also in the segments of Industrial & Midstream (€196 m), Commercial (€119 m), Renewables (€145 m) and Others (€14 m). The amounts mentioned above exclude the capitalisation of financial charges in the amount of €48 m (Note 27).

In the current year, Galp recognized an impairment on tangible assets of €40 m mainly related with renewables assets in Brazil (€5 m) and in Spain (€6 m), industrial and commercial assets in Portugal (€15 m) and retail distribution assets (Portugal and Spain) (€3,5 m). The disposals/write-offs in the period related with fully impaired exploration and appraisal assets in Brazil (€50 m) and industrial assets (€ 33 m).

Upstream segment assets

Details of assets under construction and assets in production for the Upstream segment for the years ended 31 December 2023 and 2022, including Tangible and Intangible Assets, are presented in the table below:

Unit: €m

	Africa		Latin America		Total	
	2023	2022	2023	2022	2023	2022
Exploration and Production Assets	**740**	**623**	**3.121**	**3,203**	**3,860**	**3,826**
Assets under construction	**541**	**382**	**1,616**	**1,161**	**2,157**	**1,543**
Mineral Rights	0	0	0	0	0	0
In exploration	389	322	0	137	389	459
In development	115	0	1,492	981	1,607	981
Financial interests	9	37	123	43	132	80
Others	28	23	0	0	28	23
Assets already in production	**199**	**241**	**1,505**	**2,042**	**1,704**	**2,283**
Mineral Rights	6	9	0	289	6	298
In production	193	216	1,503	1,639	1,696	1,855
Financial interests	0	16	2	113	2	129
Others	0	0	0	1	0	1

Impairment Analysis

Refinery, logistics and storage facilities

Impairment testing was carried out for several CGUs of the Industrial & Midstream segment, including *Refinery and Storage facilities*. Based on the impairment testing carried out, the expected future benefits from the assets are higher than the carrying amount.

The future cash flow projections at the CGU level have been discounted using an appropriate discount rate which reflects the asset's specific risks (2023: 8.3% and 2022: 9.2%).

Year-end analysis of the sensitivity of the carrying amount of the refining assets included fluctuations in the cashflows, refining margin and discount rates. The forecast refining margin (nominal terms) considered in the impairment testing were in a range from $6.7/bbl to $8.8/bbl during the business plan period, decreasing to around $4/bbl on the long term (2034 onwards).

The sensitivity test assumptions were a 10% decrease in cashflows or a 1% increase in the discount rate with no impairment identified.

Retail distribution assets

A total impairment of €3.5 m in Tangible assets regarding the retail distribution assets in Portugal and Spain.

The future cash flow projections at the CGU level have been discounted using an appropriate discount rate which reflects the asset's specific risks (2023:6.3-6.5% and 2022:6.6%).

The sensitivity test assumptions were a 10% decrease in cashflows or an increase of 1% in the discount rate, could lead to an additional potential impairment of €18 m regarding the retail distribution assets in Portugal and Spain.

Upstream segment assets

Tangible and intangible assets of the Upstream segment were subject to an impairment test and year-end analysis of the sensitivity of the carrying value of the main assets to fluctuations in the Brent price.

The forecast Brent prices (nominal terms) considered in the impairment testing were as follows: 80 $/bbl to 83 $/bbl during the period of 2024 to 2028, 81 $/bbl to 87 $/bbl from 2029 to 2033 and, for the long-term (2034 onwards) around 70 $/bbl (in real terms).

For those assets already in development and production, and despite the fact that no triggers were identified, the impairment assessments show that the expected future benefits from the assets are higher than the carrying value per CGU for the regions in which Galp operates (Mozambique and Brazil). For Angola a fair value analysis was made since the assets will be sold rather then used by Galp. No impairment is expected on the assets that are available for sale.

The discount rate used in the impairment test reflects the risks specific to the Upstream assets for which the future cash flow estimates have not been adjusted, calculated on a USD basis (2023:11.7% and 2022:11.6%).

A sensitivity analysis was carried out to test the impact of the volatility of the Brent price on the value of the main Upstream assets. The sensitivity analysis was prepared using a 10% decrease in cash flows and an increase of 1% in the discount rate. The results from the analysis indicate that no potential impairment in the geographical areas mentioned.

Renewables segment assets

Impairment test was done to tangible and intangible assets of the renewables segment. The cash flow projections at the CGU level were discounted using an appropriate discount rate which reflects the asset´s specific risks (2023:5.8%-6.2%; 2022:6.4%). An impairment of €52 m was recognised regarding renewables in Brazil (of which €5 m related to tangible assets and €42 m related to intangible assets) and in Spain (of which €6 m related to tangible assets). For other renewables assets a sensitivity analysis was conducted considering 10% decrease in cashflows or an increase of 1% in the discount rate. Using these assumptions could lead to a potential impairment of €8 m.

6. Intangible assets

Accounting policies

Recognition

Intangible assets are measured at cost, less accumulated amortisation and impairment losses. Intangible assets are identifiable non-monetary intangible assets, which are only recorded if it is probable that they will result in future economic benefits to the Group, these benefits are controlled by the Group and they can be reliably measured.

Intangible assets include costs incurred for the development of information systems, bonuses paid to retailers of Galp products, and land rights, which are amortized over the periods of the respective agreements.

Research and development

Research expenses not related to petroleum exploration and production activities are recognized as expenses for the period. Development expenses are only recognized as intangible assets if the Group has the technical and financial ability to develop the asset, decides to complete the development and starts commercially exploiting or using it, and it is probable that the asset created will generate future economic benefits.

Upstream

Signature bonuses (i.e. Mineral Rights) are ownership rights to explore oil and gas resources and are recognized as intangible assets.

See further details of the recognition policies for Upstream assets in Note 5.

Amortisation

Intangible assets with finite useful lives are amortized on a straight-line basis. The amortisation rates are set in accordance with the terms of the existing contracts, or with the expected use of the intangible assets. Intangible assets recognized in the exploration and production segment, namely signature bonuses, are recorded at their acquisition cost and are amortized on a UoP basis from the date on which production starts.

Impairment

The impairment testing of intangible assets is based on Management’s projections of the net present value of the estimated future cash flows. The residual values used are based on the expected lives of the related products, the forecast lifecycle and the cash flow over that period, and on the economically useful lives of the underlying assets.

Accounting estimates and judgments

Useful lives and residual values of intangible assets

The calculation of the assets’ residual values and useful lives, as well as the amortisation method to be applied, are essential to determine the amortisation recognized in the consolidated income statement for each period. These parameters are set based on the judgment of Management, as well as the practices adopted by peers in the industry.

Impairment of intangible assets

Determining whether impairment of assets has occurred requires a high level of judgment by management, specifically around identifying and evaluating indicators for impairment or impairment reversal, projection of future cashflows, applicable discount rates, useful lives and residual amounts. Refer to Note 5. for further details on impairment analysis.

Unit: €m

	Industrial properties and other rights	Intangible assets in progress	Total
As at 31 December 2023			
Acquisition cost	1,319	93	1,412
Impairment	(169)	(23)	(192)
Accumulated amortisation	(561)	0	(561)
Net Value	**589**	**69**	**659**
As at 31 December 2022			
Acquisition cost	1,247	126	1,372
Impairment	(156)	(24)	(180)
Accumulated amortisation	(520)	0	(520)
Net Value	**571**	**102**	**672**

Movements in intangible assets in 2023 and 2022 are as follows:

Unit: €m

	Industrial properties and other rights	Intangible assets in progress	Total
Balance as at 1 January 2022	**595**	**50**	**645**
Additions	(7)	48	41
Amortisation and impairment	(182)	0	(182)
Write-offs/Disposals	0	0	0
Transfers	37	(37)	0
Currency exchange differences and other adjustments	129	41	170
Balance as at 31 December 2022	**572**	**101**	**672**
Balance as at 1 January 2023	**572**	**101**	**672**
Additions	6	45	51
Amortisation and impairment	(92)	0	(92)
Write-offs/Disposals	(21)	0	(21)
Transfers	45	(45)	0
Currency exchange differences and other adjustments	81	(32)	48
Balance as at 31 December 2023	**589**	**69**	**659**

Additions to intangible assets occurred essentially in the Commercial segment of €24 m and Corporate of €27 m.

In the current year, Galp recognized an impairment of €42 m related with the renewables assets in Brazil.

7. Leases

Accounting policies

Recognition

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

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

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

- Fixed payments, including in-kind fixed payments;
- Variable lease payments that are pegged to an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to be able to exercise, lease payments over an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for the early termination of a lease, unless the Group is reasonably certain not to terminate it early.

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

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

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

Short-term leases and leases of low-value assets

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

Depreciation

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

Accounting estimates and judgments

Useful lives, residual values of assets and discount rates

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

Impairment of Right-of-use Assets

Identifying impairment indicators, estimating future cash flow and determining the fair value of assets requires Management to use significant judgment in terms of the identification and evaluation of the different impairment indicators, the expected cash flow, the applicable discount rates, useful lives and residual amounts. Rights-of-use assets are subject to existing impairment requirements as set out in "Tangible assets" (Note 5).

The details of right-of-use assets are as follows:

Unit: €m

	FPSO's[1]	Buildings	Service stations	Time Charter	Other usage rights	Total
As at 31 December 2023						
Acquisition cost	1,200	93	319	316	284	2,212
Accumulated depreciation	(237)	(18)	(78)	(132)	(83)	(549)
Impairment	0	0	(33)	0	0	(33)
Net Value	**963**	**75**	**208**	**184**	**200**	**1,630**
As at 31 December 2022						
Acquisition cost	697	37	291	227	288	1,540
Accumulated depreciation	(187)	(21)	(43)	(76)	(64)	(391)
Impairment	0	0	(33)	0	0	(33)
Net Value	**510**	**16**	**215**	**151**	**224**	**1,116**

Movements in right-of-use assets in 2023 and 2022 are as follows:

Unit: €m

	FPSO's[1]	Buildings	Service stations	Time Charter	Other usage rights	Total
As at 1 January 2022	**565**	**75**	**212**	**59**	**168**	**1,079**
Additions	0	0	29	137	23	189
Depreciation	(47)	(5)	(68)	(50)	(15)	(185)
Write-offs/Disposals	0	(54)	0	0	0	(54)
Currency exchange differences and other adjustments	(8)	0	41	5	48	86
Balance as at 31 December 2022	**510**	**16**	**215**	**151**	**224**	**1,116**
As at 1 January 2023	**510**	**16**	**215**	**151**	**224**	**1,116**
Additions	485	69	29	96	29	708
Depreciations and impairments	(58)	(7)	(36)	(59)	(18)	(178)
Write-offs/Disposals	0	0	0	0	0	0
Currency exchange differences and other adjustments	26	(3)	0	(4)	(35)	(15)
Balance as at 31 December 2023	**963**	**75**	**208**	**184**	**201**	**1,630**

[1] Floating, production, storage and offloading unit – floating oil production system, built on a ship structure, with a capacity for oil and natural gas production processing, liquid storage and transfer of oil to tankers (it includes the FLNG Vessel (Floating liquified natural gas)).

In the current year Galp had several new lease contracts, being the most relevant in relation to the Coral FLNG vessel (€485 m), the new head-office lease (€69 m) and the new longterm charter agreement for a LNG carrier (€90 m).

Lease liabilities are as follows:

Unit: €m

	2023	2022
Maturity analysis – contractual undiscounted cash flow	**2,649**	**1,835**
Less than one year	309	209
One to five years	1,038	697
More than five years	1,301	929
Lease liabilities included in the consolidated statement of financial position	**1,810**	**1,277**
Current	267	182
Non-current	1,543	1,095

The amounts recognized in consolidated profit or loss are as follows:

Unit: €m

	Notes	2023	2022
		769	**600**
Interest on lease liabilities	27	102	85
Expenses related to short term, low value and variable payments of operating leases [1]		667	515

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

The amounts recognized in the consolidated statement of cash flow are as follows:

Unit: €m

	2023	2022
Financing activities	**259**	**217**
Payments relating to leases	157	132
Payments relating to lease interests	102	85

8. Goodwill

Recognition

The differences between the investee's acquisition cost and the fair value of the identifiable assets and liabilities of the acquired entities at the acquisition date, if positive, are recorded within goodwill (when they result from goodwill in Group companies) or included in the line item "Investments in associated companies" (when they result from goodwill in associates). The negative differences are recognized immediately in the income statement.

Impairment

The carrying value of Goodwill is allocated to the respective CGU, and the recoverable amount is also estimated for the CGU, using the value in use methodology. The value in use represents the expected future cash flow from the CGU, discounted at an appropriate discount rate that reflects the risks specific to the CGU. The carrying amount of goodwill is tested for impairment annually. Refer to Note 5. for further details on impairment analysis.

Unit: €m

	2023	2022
	44	**70**
Galp Comercialização Portugal, S.A. (incorporated in Petrogal)	34	34
Galp Eswatini (PTY) Limited	0	21
Galpgest – Petrogal Estaciones de Servicio, S.L.U.	6	6
Empresa Nacional de Combustíveis – Enacol, S.A.R.L.	4	4
Galp Moçambique, Lda.	0	4
Others	0	1

The movement of Goodwill during 2023 and 2022 was as follows:

Unit: €m

	Goodwill
Balance as at 1 January 2023	**70**
Additions	0
Impairment	(25)
Currency exchange differences and other adjustments	(1)
Balance as at 31 December 2023	**44**
Balance as at 1 January 2022	**84**
Additions	1
Impairment	(16)
Currency exchange differences and other adjustments	0
Balance as at 31 December 2022	**70**

Impairment losses in 2023 related to African commercial business (retail assets), amounting to €25 m.

Impairment losses in 2022 related with retail distribution assets in Portugal. Goodwill impairment was reflected in the Consolidated Income Statement in the caption of “Amortisation, depreciation and impairment losses on fixed assets”.

9. Investments in associates and joint ventures

Accounting policies

Joint Arrangements and Associates

Arrangements under which Galp has contractually agreed to share control with another party or parties are deemed to be joint arrangements. These may be joint ventures where the parties have rights to the net assets of the arrangement, or joint operations where the parties have rights to the assets and obligations arising from the liabilities relating to the arrangement. Investments in entities over which Galp has the right to exercise significant influence but has neither control nor joint control, are classified as associates.

Investments in joint ventures and associates are accounted for using the equity method, under which the investment is initially recognized at cost and subsequently adjusted for Galp's share of post-acquisition net results. The investments are also adjusted for the dividends received and for Galp's share of other comprehensive income. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects Galp's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of Galp's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, Galp recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between Group Galp and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as Galp Group.

When necessary, adjustments are made to the financial statements of joint ventures and associates to bring the accounting policies used into line with those of Galp. Galp recognises its assets and liabilities relating to its interests in joint operations, including its share of any assets held jointly and liabilities incurred jointly with other partners.

Impairment

After application of the equity method, Galp determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, Galp determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, Galp calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within "Earnings from associates and joint ventures" in the statement of profit or loss.

Accounting estimates and judgements

Impairment

Determining whether impairment of assets has occurred requires a high level of judgment by management, specifically around identifying and evaluating indicators for impairment or impairment reversal, projection of future cashflows and applicable discount rates. The key assumptions used to determine the recoverable amount for the relevant joint venture (Coral FLNG), which belongs to Upstream segment are disclosed in Note 5.

Information about joint arrangements and associates can be found in Note 31.

As of 31 December 2023 and of 31 December 2022, the net book values of investments in joint ventures and associates were as follows:

Unit: €m

	2023	2022
	255	**417**
Joint ventures	131	292
Associates	124	125

Movements in Joint Ventures are as follows:

Unit: €m

	As at 31 December 2022	Share capital increase/ decrease	Equity Method	Other adjustments	Dividends	Reclassification	As at 31 December 2023
	292	**(182)**	**(23)**	**47**	**(4)**	**0**	**131**
Coral FLNG, S.A.	279	(174)	(23)	28	0	0	110
Other joint ventures	13	(7)	0	19	(4)	0	21

The decrease of €174 m in Coral FLNG stake is related to the "Shareholder Loan Agreement" reclassification into "Financial assets not measured at fair value (Note 12). The non-bearing interest loan has a final repayment date of 31 January 2035 and was discounted using current market interest rates for similar instruments. The difference between the loan amount and its fair value, which, at origination, is treated as an equity contribution to Coral FLNG (being presented under this caption), amounts to €76 m.

A summary of the financial indicators of the significant joint ventures as of 31 December 2023 is shown below:

Unit: €m

	Coral FLNG, S.A.*
Total non-current assets	**7,247**
Total current assets	**624**
Of which cash and cash equivalents	434
Total assets	**7,871**
Total non-current liabilities	**5,783**
Of which debt	4,200
Total current liabilities	**854**
Of which debt	-
Total liabilities	**6,637**
Total operating income	**102**
Total operating costs	**(120)**
Operating results	(18)
Net financial results	(144)
Profit before taxes	**(161)**
Income taxes	28
Net income for the year	**(133)**

* Provisional financial statement as of the closing date used to apply the equity method, converted at the spot and average exchange rates, respectively, for balance sheet and results indicators.

Movements in Associates are as follows:

Unit: €m

	As at 31 December 2022	Share capital increase/ decrease	Equity Method	Foreign exchange rate differences and other adjustments	Dividends	Reclassification	As at 31 December 2023
	125	(17)	33	(7)	(9)	0	124
Belém Bioenergia Brasil, S.A.	73	(19)	25	3	(3)	0	79
Floene Energias, S.A.	8	0	0	0	0	0	8
Other associates	43	2	8	(10)	(6)	0	37

For comparative information on Joint Ventures and Associates, please refer to the consolidated financial statements for the year ended 31 December 2022.

Earnings from associate and joint ventures amount to a gain of €10 m.

Dividends received in the period plus share capital reductions distributions amounted to €31 m (2022: €26 m).

Based on the impairment analysis carried out for the relevant investments in joint ventures and associates, no evidence of impairment exists and, as such, no impairment has been recorded.

Transactions with joint ventures and associates

Refer to Note 29 for details on the nature of the transactions and balances.

10. Inventories

Accounting policies

Inventories, other than Crude Oil held for trading, are stated at the lower of the acquisition cost (in the case of goods and raw and subsidiary materials) or the production cost (in the case of finished and semi-finished products and work in progress) or the inventories' net realisable value. The net realisable value corresponds to the normal selling price less costs to complete production and to sell. Whenever the cost exceeds the net realisable value, the difference is recorded in operating costs as part of the cost of sales.

Unit: €m

	2023	2022
	1,447	**1,361**
Raw, subsidiary and consumable materials	383	276
Crude oil	19	103
Crude oil in transit	115	0
Other raw materials	96	126
Gas	4	0
Raw materials in transit	150	46
Finished and semi-finished products	713	811
Finished and semi-finished products in transit	44	0
Goods	375	389
Write-downs	(69)	(115)

The changes to write-downs were as follows:

Unit: €m

	Notes	Raw, subsidiary and consumable materials	Finished and semi-finished products	Goods	Total
Write-downs at the beginning of the year		**43**	**57**	**14**	**115**
Net reductions	25	(33)	(17)	13	(37)
Other adjustments		0	0	(9)	(9)
Write-downs at the end of the year		**10**	**40**	**18**	**69**

11. Trade and other receivables

Accounting policies

Accounts receivable are initially recorded at the transaction value and subsequently measured at amortized cost, less any impairment losses. The amortized cost of these assets does not differ from their nominal value or their fair value. Galp undertakes over – and underlifting activities for its share of crude. Under – and overlifting are common industry practices intended to optimise the allocation of transportation costs between partners. Payments and receipts related to over – and underlifting are made at a subsequent date in barrels of crude, as defined by the applicable production sharing agreement (PSA).

Trade and other receivables are derecognized when the contractual rights to the cash flow expire (i.e. they are collected), when they are transferred (e.g. sold) or when they are impaired.

Accounting estimates and judgments

Impairment of accounts receivable

The Group applies the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. Trade receivables were grouped by business segment for the purposes of the assessment of expected credit losses. The credit risk of the accounts receivable balance is evaluated at each reporting date, taking into consideration the client's credit risk profile. The credit risk analysis is based on the annual default probability, and also takes into account the loss in the event of default. The default probability represents an annual probability of default, reflecting the current and projected information and taking into account macroeconomic factors, whereas the loss in the event of default represents the expected loss when a default occurs.

Accounts receivable are adjusted for Management's estimate of the collection risks as of the statement of financial position date, which may differ from the actual impairment to be incurred.

Credit Risk

For Credit Risk purposes, if wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Credit Risk assessment considers the credit quality of the customer, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. Wholesale customers' compliance with credit limits is regularly monitored by Management.

Sales to retail customers are required to be settled in cash or using major credit cards, thus mitigating the credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

For further credit risk mitigation measures, guarantees and insurance policies for eventual credit defaults are a standard part of Galp's overall risk policy.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics.

Trade receivables

Unit: €m

	Notes	2023	2022
		1,395	**1,464**
Trade receivables		1,507	1,595
Allowance for doubtful amounts		(111)	(131)
Ageing of trade receivables	**Exposure to risk**	**1,395**	**1,464**
Not yet due	Low	1,304	1,382
Overdue up to 180 days	Medium	74	24
Overdue between 181 days and 365 days	High	3	16
Overdue over 365 days	Very High	14	42
Movements in allowance for doubtful trade receivables			
Allowance at the beginning of the year		**131**	**136**
Increase	25	38	9
Decrease	25	(50)	(4)
Utilisation		(7)	(7)
Other adjustments		0	(3)
Allowance at the end of the year		**111**	**131**

Other receivables

Unit: €m

	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
		931	**305**	**942**	**263**
State and other Public Entities		**109**	**0**	**82**	**0**
Other debtors		**328**	**225**	**320**	**167**
Non-operated oil blocks		26	0	65	0
Underlifting		108	0	90	0
Other receivables		195	225	165	167
Related Parties		**2**	**0**	**2**	**0**
Contract Assets		**347**	**48**	**401**	**64**
Sales and services rendered but not yet invoiced		224	0	323	0
Adjustment to tariff deviation – "pass through"		26	0	27	0
Other accrued income		97	48	51	64
Deferred charges		**154**	**32**	**147**	**32**
Energy sector extraordinary contribution	16	6	11	8	16
Deferred charges for services		4	11	4	13
Other deferred charges		144	11	134	3
Impairment of other receivables		**(10)**	**0**	**(10)**	**0**

Non-operated oil blocks debtors decrease is mainly related to the decrease in Petrogal Brasil, S.A. debtors.

Non-current other deferred charges include the amount of €9 m (2022: €1 m) related to the post-employment benefits asset (Note 17). Other deferred charges (current) include €73 m (2022: €85 m) of acquired CO_2 licenses to be used essentially in 2024 to satisfy environmental obligations.

Other non-current receivables include a €222 m (2022: €164 m) judicial deposit in relation to a claim between the BM-S-11 consortium and ANP. The ANP agency stated that the oilfields of Lula and Cernambi, which are within BM-S-11, should be unified for SPT purposes, although the consortium claims otherwise; thus, the judicial deposit represents part of the difference between the two criteria under discussion.

Sales and services rendered but not yet invoiced decreased compared to prior year reflecting a lower commodity price environment (gas and power) at year-end and lower demand on natural gas.

Other accrued income (current) includes mainly accruals regarding other operating revenue while non-current includes natural gas tariffs deviations from regulated market.

12. Other financial assets

Accounting policies

For accounting policies regarding Other financial assets, please refer to the disclosure in Note 20.

Unit: €m

	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
		207	**351**	**339**	**256**
Financial Assets at fair value through profit & loss – derivatives	19	165	96	304	110
Financial Assets at fair value through comprehensive income		0	1	0	3
Financial Assets not measured at fair value – Loans and Capital subscription		41	235	34	102
Others		1	19	1	42

Financial assets at fair value through profit or loss refer to financial derivatives (Note 19). The increase of Financial assets not measured at fair value – Loans and Capital subscription includes a reclassification of a loan from Investments in joint ventures amounting to €174 m (Note 9). As at 31 December 2023, the fair value of Coral FLNG "Shareholder Loan Agreement" amounts to € 169 m (Note 29).

During the year the loan to Galp IPG Matola Terminal Lda. was fully reimbursed (€ 39 m).

13. Cash and cash equivalents

Accounting policies

The amounts included in cash and cash equivalents correspond to cash values, bank deposits, time deposits and other cash investments with maturities less than three months, and which can be immediately mobilised with a risk of insignificant changes in value.

For the purposes of the cash flow statement, cash and cash equivalents also include bank overdrafts recorded as loans and overdrafts in the statement of financial position.

Financial resources consist of cash and cash equivalents, marketable securities with original maturities less than three months and undrawn committed credit facilities expiring after more than one year.

For the periods ending 31 December 2023 and 2022, the details of cash and cash equivalents were as follows:

Unit: €m

	Notes	2023	2022
		2,071	**2,421**
Cash in banks		2,200	2,432
Bank overdrafts	14	(129)	(11)

14. Debt

Accounting policy

Loans are initially recorded at fair value, net of the expenses incurred on the issuance of these loans. Loans are subsequently measured at amortized cost. Interest expenses are calculated at the effective interest rate and recorded in the income statement on an accruals basis in accordance with each loan agreement.

Unit: €m

	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
		575	**3,026**	**800**	**3,187**
Bank loans		**279**	**1,392**	**50**	**1,470**
Origination fees		0	(6)	(0)	(6)
Loans and commercial paper		150	1,398	39	1,476
Bank overdrafts	13	129	0	11	0
Bonds and notes		**295**	**1,634**	**750**	**1,717**
Origination fees		0	(5)	0	(7)
Bonds		295	1,139	250	1,224
Notes		0	500	500	500

The average cost of financial debt for the period under review, including charges for credit lines and overdrafts, amounted to 3.53% (1.68% in 2022). As of 31 December 2023, of the total amount of €3,601 m related to total debt (excluding credit lines and overdrafts), approximately €1,489 m refers to loan at fixed-rate interest.

The fair value of the note was €484 m as of 31 December 2023 and €460 m as of 31 December 2022, measured based on observable market variables, and classified at Level 1 of the Fair Value hierarchy (see Fair Value Hierarchy in Note 20).

Current and non-current loans and bonds, excluding origination fees and bank overdrafts, have the following repayment plan as of 31 December 2023:

Unit: €m

Maturity	Loans		
	Total	Current	Non-current
	3,483	**445**	**3,038**
2024	445	445	0
2025	543	0	543
2026	784	0	784
2027	1,046	0	1,046
2028 onwards	665	0	665

For comparative information, please refer to the consolidated financial statements for the year ended 31 December 2022.

Changes in debt during the period from 31 December 2023 to 31 December 2022 were as follows:

Unit: €m

	Initial balance	Loans obtained	Principal Repayment	Changes in Overdrafts	Foreign exchange rate differences and others	Ending balance
	3,987	**1,904**	**(2,409)**	**118**	**(0)**	**3,600**
Bank Loans:	**1,520**	**1,685**	**(1,654)**	**118**	**2**	**1,671**
Origination fees	(6)	0	0	0	0	(6)
Loans and commercial papers	1,515	1,685	(1,654)	0	2	1,548
Bank overdrafts	11	0	0	118	0	129
Bonds and Notes:	**2,467**	**219**	**(755)**	**0**	**(2)**	**1,929**
Origination fees	(7)	0	0	0	2	(5)
Bonds	1,474	219	(255)	0	(4)	1,434
Notes	1,000	0	(500)	0	0	500

For comparative information, please refer to the consolidated financial statements for the year ended 31 December 2022.

The bonds issued during 2023 were as follows:

Unit: €m

Issuance	Due amount	Interest rate	Maturity
	219		
GALP ENERGIA/2023	150	Euribor 6M + spread	March 2028
GALP PARQUES FOTOVOLTAICOS DE ALCOUTIM/2023	69	Euribor 6M + spread	June 2043

The bond reimbursements during 2023 were as follows:

Unit: €m

Reimbursements	Due amount	Interest rate	Maturity	Reimbursement
	750			
GALP ENERGIA/2017-EMTN-EUR 500.000.000 FIXED RATE NOTES	500	Fixed	February 2023	February 2023
EUR 100,000,000 Floating Rate Notes due 2023	100	Euribor 6M + spread	February 2023	February 2023
EUR 150,000,000 Floating Rate Notes due 2023	150	Euribor 6M + spread	March 2023	March 2023

Additionally, Galp reimbursed €5m of scheduled Project Finance debt during 2023.

15. Trade payables and other liabilities

Accounting policy

Trade payables and other payables are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method. Usually, the amortized cost does not differ from the nominal value.

Unit: €m

	2023		2022	
	Current	Non-current	Current	Non-current
Suppliers	**1,268**	**0**	**1,005**	**0**
Other creditors	**1,758**	**95**	**1,506**	**99**
State and other public entities	**421**	**0**	**346**	**0**
Payable VAT	264	0	246	0
"ISP" – Tax on oil products	107	0	88	0
Other taxes	51	0	12	0
Other payables	**279**	**43**	**331**	**44**
Tangible and intangible assets suppliers	184	43	196	44
Other Creditors	95	0	135	0
Related parties	**38**	**(3)**	**20**	**0**
Other accounts payables	**130**	**11**	**88**	**10**
Accrued costs	**781**	**23**	**701**	**36**
External supplies and services	579	0	515	0
Holiday, holiday subsidy and corresponding contributions	102	1	83	6
Other accrued costs	101	21	103	30
Contract liabilities	**28**	**0**	**17**	**0**
Other deferred income	**81**	**21**	**4**	**10**

The amounts recorded as suppliers mainly relate to purchases of crude oil, natural gas, electricity and goods in transit on those dates.

"State and other public entities – other taxes" includes an amount of €33 m referring to amounts payable related to the windfall taxes.

"Other creditors" include €18 m of advances from Clients (2022: €49 m) and €75 m of payables to non-operating oil blocks (2022: €89 m).

"Other deferred income" includes €77 m of the initial proceeds (downpayment) related to the sale of Angola Upstream assets (Note 2.2.2).

16. Taxes, deferred income taxes and contributions

Accounting policies

Income tax is calculated based on the taxable results of the companies included in the consolidation in accordance with the applicable tax rules in each country in which Galp operates.

Deferred income taxes arise from temporary differences between the accounting and taxable values of the individual consolidated companies and from the realisable tax loss carried forward. The taxable value of the tax loss carried forward is included in deferred tax assets to the extent that these are expected to be utilised against future taxable income. The deferred income taxes are measured according to the current tax rules and the tax rates substantially enacted up to the end of the reporting period.

The Group pays taxes and Special Participation Tax on its Upstream activity, which the Company classifies as income taxes and Special Participation Tax, namely:

- Petroleum income tax (IRP) in Angola, as regulated under Law 13/04. The rate applicable to the PSA contracts is 50% on the projects' "profit oil". The IRP calculation is in all respects similar to an income tax. Thus, oil companies subject to IRP are not subject to other income taxes in Angola;

- Special Participation Tax (SPT) in Brazil, as regulated under Decree-Law No 2.705 issued by the Agencia Nacional do Petroleo, Gas Natural e Biocombustiveis (ANP). SPT is a contribution, due on a quarterly basis, calculated by oil and natural gas concessionaires based on the production from each project. The Special Participation is calculated on the determined income, from which operational costs related to the production of hydrocarbons are deducted. The SPT rate varies between 0% and 40% depending on the project's production level.

Accounting estimates and judgments

Galp is subject to income taxes in the locations in which it operates. Significant judgments and estimates are required to determine the worldwide accrual for income taxes, deferred income tax assets and liabilities, and the provision for uncertain tax positions.

Deferred tax assets

Deferred tax assets are recognized only when there is reasonable assurance that future taxable profits will be available against which the temporary differences can be used, or when there are deferred tax liabilities for which reversal is expected within the same period as that in which the deferred tax assets are reversed. Deferred tax assets are evaluated by Management at the end of each period, taking into account expectations of the Group's future performance (i.e. the Budget Plan), and such assets are only recognized if there is a high expectancy of future recovery.

Estimates regarding uncertain tax positions

As part of conducting business globally, tax and transfer pricing disputes with tax authorities may occur. Management's judgment is used to assess the possible outcome of such disputes. The most-probable-outcome method is applied when making provisions for uncertain tax positions and Galp considers the booked provisions to be adequate. Nevertheless, the actual obligation may differ, and depends on the results of litigation and settlements with the relevant authorities.

As of 31 December 2023, and 31 December 2022, the current income tax payable is as follows:

Unit: €m

	Assets		Liabilities	
	2023	2022	2023	2022
	0	**3**	**(311)**	**(361)**
State and other public entities	0	3	(311)	(361)

The total income tax, IRP, SPT and CESE I paid during the year 2023 was €1,355 m (2022: €1,087 m).

Taxes for the year ended 31 December 2023 and 2022 were as follows:

Unit: €m

	2023			2022		
	Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
Taxes for the year	**1,147**	**(149)**	**997**	**1,615**	**(181)**	**1,434**
Current income tax	507	(152)	355	771	(180)	591
"IRP" – Oil Income Tax	25	2	28	26	(1)	25
"SPT" – Special Participation Tax	615	0	615	818	0	818

As of 31 December 2023, the extraordinary taxes for the energy sector were as follows:

Unit: €m

	Statement of financial position						Income statement	
	State and other public entities	Provisions (Note 18)			"CESE II" Deferred Charges (Note 11)		Energy Sector Extraordinary Contribution	Windfall tax
	Other taxes	Windfall tax	CESE I	CESE II	Current	Non-current		
As at 1 January 2023	**0**	**(53)**	**(133)**	**(247)**	**8**	**16**	**0**	**0**
Increase	(95)	0	(11)	(11)	0	0	44	95
Decrease	0	0	1	0	(3)	(6)	0	0
Utilisation	116	0	79	0	0	0	0	0
Other adjustments	(53)	53	0	0	0	0	0	0
31 December 2023	**(33)**	**0**	**(64)**	**(258)**	**6**	**11**	**44**	**95**

In the caption "Windfall tax" the other adjustments are regarding to a reclassification from "Provisions- Windfall tax" (Note 18) to the caption "State and other public entities – Other taxes".

During the period a cost of €95 m (2022: €53 m) was recognised as "Windfall tax" (€31 m of Iberian windfall tax and €64 m of Brazilian windfall tax – temporary levy on export of oil products), which was reflected in the statement of financial position in the caption "State and other public entities – Other taxes".

During the period an amount of €116 m was paid in respect of windfall taxes (Iberia and Brazil), plus €79 m in respect of CESE I (Note 18).

Additionally, a cost of €44 m (2022: €34 m) was recognised as "Energy Sector Extraordinary Contribution" in the period, of which €14 m already paid.

The Caption "State and other public entities – Other taxes" of the table above is referring only to Windfall tax.

Galp Group operates across various geographies, through locally established legal entities, whose taxable income is calculated based on the legal rates in force in each jurisdiction, varying between 25% in Spain, 25.8% in the Netherlands, 31.5% in Portugal and 34% in Brazil.

Unit: €m

	2023	2022
Effective tax rate	**38.50%**	**44.50%**
Corporate income tax rate of Galp Energia SGPS, SA	31.50%	31.50%
Application of the equity method	(0.60%)	(1.30%)
"SPT" – Special participation and "IRP" – Tax on Oil Income *	24.80%	26.10%
Other additions and deductions	(17.20%)	(11.80%)

* The SPT expense recorded through profit or loss is deductible for income tax purpose in Brazil.

During the year ended 31 December 2023, the movements in deferred tax assets and liabilities were as follows:

Unit: €m

	As at 1 January 2023	Impact on the income statement	Impact on equity	Foreign exchange rate changes	As at 31 December 2023
Deferred Taxes – Assets	**559**	**70**	**(19)**	**4**	**616**
Adjustments to tangible and intangible assets	126	58	0	2	187
Retirement benefits and other benefits	73	(7)	0	0	66
Tax losses carried forward	36	(7)	0	0	29
Regulated revenue	8	(5)	0	0	2
Temporarily non-deductible provisions	246	(12)	0	2	237
Others	70	43	(19)	0	95
Deferred Taxes – Liabilities	**(555)**	**79**		**0**	**(476)**
Adjustments to tangible and intangible assets	(540)	83	0	0	(457)
Regulated revenue	(14)	5	0	0	(9)
Others	(1)	(9)	0	0	(10)

Tax losses for which deferred tax assets were recognized were as follows:

Unit: €m

	Tax losses carried forward	Limit year to use	Deferred Tax
Tax losses carried forward	**110**		**27**
Spain	65	No limit	16
Mozambique	34	2029	8
Portugal	11	No limit	2

In addition to the €110 m above, there are €65m (2022: €105 m) of tax losses carried forward in Spain for which no deferred tax assets have been booked, based on management judgement regarding the likely timing and the level of future taxable profits.

17. Retirement benefit obligations

Accounting policies

Defined-contribution plans

Galp has a defined-contribution plan funded by a pension fund which is managed by an independent entity. Galp's contributions to the defined-contribution plan are charged to the statement of income in the relevant year.

Defined-benefit plans

Galp has a defined-benefit plan that provides the following benefits: pension supplements for retirement, disability and pension supplements for survivors; pre-retirement; early retirement; retirement bonuses; and voluntary social insurance.

The payment of pension supplements for old age and disability, as well as survivors' pensions, is funded by a pension fund managed by independent entities.

Recognition of defined benefit plans

The costs for the year for defined benefit plans are determined using the projected unit credit method. This reflects services rendered by employees as of the valuation dates, and is based on actuarial assumptions, primarily regarding the discount rates used to determine the present value of benefits and the projected rates of remuneration growth. The discount rates are based on the market yields of Euro denominated high-rated corporate bonds of the euro-zone. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income during the period in which they arise. Past service costs are recognized immediately in the income statement. The surplus of a net defined benefit plan (i.e. asset) is only recognized to the extent that Galp is able to derive future economic benefits, such as refunds from the plan, or reductions in future contributions. Where a plan is unfunded, a liability for the retirement benefit obligation is recognized in the statement of financial position. Costs recognized for retirement benefits are included in employee costs. The net obligation recognized in the statement of financial position is reported within non-current liabilities.

Other post-employment benefits

Along with the aforementioned plans, Galp provides additional benefits related to healthcare, life insurance and a minimum benefit (for disability and survival).

Accounting estimates and judgments

Demographic and financial assumptions used to calculate the retirement benefit liabilities

Accounting for pensions and other post-retirement benefits requires estimates to be made when measuring the group's pension plan surpluses and deficits. These estimates require assumptions to be made regarding uncertain events, including discount rates, inflation and life expectancy.

Post-employment benefits

Unit: €m

	Notes	2023	2022
Asset under the heading of "Other Receivables"(non-current)	11	9	1
Liability		(225)	(252)
Net responsibilities		**(216)**	**(250)**
Obligations, of which:		**(414)**	**(453)**
Past service liability covered by the pension fund		(188)	(202)
Other employee benefit liabilities		(226)	(251)
Assets		**198**	**203**

Post-employment obligations

Unit: €m

	2023	2022
Past service liability at the end of the current year	**414**	**453**
Past service liability at the end of the previous year	453	500
Current service cost	5	6
Interest cost	13	7
Actuarial (gain)/loss	(3)	1
Benefit payments made by the fund	(21)	(21)
Benefit payments made by the company	(30)	(34)
Changes in the benefit plan	0	0
Cut back – Early retirement	0	0
Cut back – Pre-retirement	1	1
Cut back – Migration to DC	0	1
Other changes	(4)	(8)

The average maturity of the liabilities under the defined benefit plans is 8.3 years (in 2022: 8.5 years).

As of 31 December 2023, the breakdown of the expected value of future benefit payments for the next four years is as follows:

Unit: €m

Payment expectation by the Group	Total	Retirement benefits	Other benefits
	97	**51**	**46**
2024	29	18	12
2025	26	14	12
2026	22	11	11
2027	20	8	11

Defined-benefit pension fund

Unit: €m

	Notes	2023	2022
Assets at the end of the current year		**198**	**203**
Assets at the end of the previous year		203	248
Net interest	26	6	4
Associates' contribution		0	0
Benefit payments		(21)	(21)
Cut back		0	1
Financial gain/(loss)		10	(29)

The hierarchy of fair value of the assets is mainly Level 1 for Shares and Other Investments, and an even mix of Level 1 and 2 for Bonds and Real Estate. Level 1 includes financial instruments valued based on liquid market quotations, including from Bloomberg. Level 2 includes financial instruments valued based on observable prices in current liquid markets for the same financial instruments supplied by external counterparties, available through Bloomberg.

Type of assets 2023	
Liquidity	0%
Other investments	2%
Shares	20%
Real Estate	22%
Bonds	56%

Unit: €m

	2023	2022
Real return on plan assets (%)	8.36%	(10.45%)
Real return on plan assets	16	(26)

The number of participants in the pension funds was 5,385 in December 2023 and 5,564 in December 2022.

Post-employment benefit expenses

Unit: €m

	Notes	2023	2022
Current service cost	26	5	6
Interest cost	27	7	3
Net cost for the year before special events		**12**	**9**
Cut back impact – early retirement	26	0	0
Cut back impact – pre-retirement	26	1	1
Other adjustments	26	(6)	(9)
Net cost for the year of defined-benefit plan expenses		**8**	**1**
Defined contribution	26	6	5
Net cost for the year of defined-contribution plan expenses		**6**	**5**
Total		**14**	**6**

Remeasurements

Unit: €m

	Notes	2023	2022
		(13)	**(30)**
Gains recognised through comprehensive income		**(13)**	**(30)**
(Loss)/Gains from actuarial experience		(23)	(14)
(Loss)/Gains from changes in actuarial assumptions		0	12
Financial (loss)/gain		10	(29)
Other gains/losses		0	0
Taxes related to actuarial gains and losses	**16**	**0**	**0**

Assumptions

	Retirement benefits		Other benefits	
	2023	2022	2023	2022
Rate of return on assets	3.75%	3.00%	-	-
Discount rate	3.75%	3.00%	3.75%	3.00%
Rate of increase in salary costs	3% (2024);2% (2025);1% (2026-)	4% (2023-24);1% (2025-)	3% (2024);2% (2025);1% (2026-)	4% (2023-24);1% (2025-)
Rate of increase in pension costs	1.50% (2024);1.00% (2025);0.5% (2026-)	[1.40% – 4.00%] -2023-24: [0.5%-1.40%]-2025-	[1.40% – 3.00%] -2024-25: [0.5%-1.40%]-2026-	4.00% (2023-24);1.00% (2025-)
Current personnel and pre-retiree mortality table	TV88/90	TV88/90	TV88/90	TV88/90
Retired personnel mortality table	TV88/90	TV88/90	TV88/90	TV88/90
Disability table	50% EVK 80	50% EVK 80	50%EVK80	50%EVK80
Common age for retirement	67 years, except for the cases of anticipation to 66 or 65 years with at least 43 or 46 years of S.S. contributions at 65 years respectively	67 years, except for the cases of anticipation to 66 or 65 years with at least 43 or 46 years of S.S. contributions at 65 years respectively	67 years, except for the cases of anticipation to 66 or 65 years with at least 43 or 46 years of S.S. contributions at 65 years respectively	67 years, except for the cases of anticipation to 66 or 65 years with at least 43 or 46 years of S.S. contributions at 65 years respectively
Method	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit

Sensitivity Analysis

Sensitivity analysis of the discount rate

Unit: €m

Discount rate 3.75%		-0.25%
Total	**414**	**8**
Retirement benefits	263	4
Other benefits	151	4

Sensitivity analysis of the growth rate of health insurance costs

Unit: €m

Growth rate of 3%		-1.00%	1.00%
Past Service	132	(13)	16

18. Provisions and contingent assets and liabilities

Accounting policies

Provisions are recorded when, and only when: 1) the Group has a present obligation resulting from a past event; 2) it is probable that an outflow of resources entailing economic benefits will be required to settle the obligation; and 3) a reliable estimate can be made of the amount of the obligation. Galp calculates its estimate based on an evaluation of the most likely outcome. Disputes for which no reliable estimate can be made are disclosed as contingent liabilities.

Provisions for decommissioning and restoration costs of blocks are intended to cover all the costs incurred by Galp at the end of the useful production life of oil fields. Provisions are based on the operator's estimate of the total abandonment costs, which are recognized by Galp on a proportional basis as it builds each production well. These provisions are capitalized as part of the assets (Note 5).

Provisions for environmental expenditures arises principally in connection with oil products manufacturing facilities, such as refinery, logistics and storage facilities. Environmental expenditures that are required in order for the Group to obtain future economic benefits from its assets are capitalized as part of those assets. Expenditures that relate to an existing condition caused by past operations that do not contribute to future earnings are expensed. Liabilities for environmental costs are recognized when a legal or constructive obligation arises or a clean-up is probable and the associated costs can be reliably estimated. Such obligations may also crystalize during the period of operation of a facility or item of plant through change in legislation or through a commitment to a formal plan of action, a decision to terminate operations or, if earlier, on divestment or on closure of inactive sites. The amount recognized is the best estimate of the expenditure required to settle the obligation. Provisions for environmental liabilities are estimated using existed technology, at future prices and discounted using a nominal discount rate.

Other provisions are recognized in the period in which an obligation arises, and the amount can be reasonably estimated.

Provisions for legal disputes include ongoing legal disputes namely related to taxation matters. Management makes estimates regarding provisions and contingencies, including the probability of the outcomes of pending and potential future litigation. These are by nature dependent on inherently uncertain future events. When determining the likely outcomes of litigation, Management considers the input of external counsel, as well as past experience.

Although Management believes that the total amounts of provisions for legal proceedings are adequate based on the currently available information, there can be no assurance that there will be no changes in the facts, or that the amounts of any future lawsuits, claims, proceedings or investigations will not be material.

Accounting estimates and judgments

Provisions for lawsuits and other litigations

The estimated final costs of lawsuits, settlements and other litigation can vary based on different interpretations of the rules, opinions and final assessments of the losses. Consequently, any changes in circumstances relating to these types of contingencies could have a significant effect on the recorded amounts of contingencies.

Decommissioning provisions

Provisions for decommissioning and restoration costs, which arise principally in connection with hydrocarbon production facilities and pipelines, are measured on the basis of current requirements, technology and price levels; the present value is calculated using amounts discounted over the useful economic life of the assets. The liability is recognized (together with a corresponding amount as part of the related tangible asset) once a legal or constructive obligation to dismantle an item of property, plant and equipment and to restore the site on which it is located exists and when a reasonable estimate can be made. The effects of changes resulting from revisions to the timing or the amount of the original estimate of the provision are reflected on a prospective basis, generally by adjustment to the carrying amount of the related tangible asset. However, where there is no related asset, or the change reduces the carrying amount to nil, the effect, or the amount in excess of the reduction in the related asset to nil, is recognized in income. The discount rate applied at 31 December 2023, was between 3.68% – 4.25% (2022: 3% - 4.6%).

Environmental provisions

Galp makes judgments and estimates to calculate its known obligations relating essentially to the known requirements regarding abandonment of facilities and soil decontamination, based on current information relating to the expected intervention costs and plans. Such costs can vary due to changes in the legislation and regulations, changes in the condition of a specific location, as well as changes in decontamination technologies. Consequently, any changes in the circumstances relating to such provisions, as well as in the legislation and regulations, could significantly affect the provisions for such matters. The timing and amount of future expenditures relating to environmental provisions are reviewed annually, together with the interest rate used in discounting the cashflows.

The discount rate applied at 31 December 2023, was between 2.11%-3.63% (2022: 3%-4.6%).

Costs of abandonment of facilities (dismantling) associated with refining, logistics and storage facilities are generally not recognized since potential obligations cannot be measured, given their indeterminate settlement dates. In respect of refining assets (Sines), management is developing plans for the existing site remaining in the portfolio, which would be compatible with the Energy Transition strategy of Galp (Note 2.1). Galp periodically reviews its long-live refinery, logistics and storage facilities assets on a regular basis to determine any changes in facts and circumstances, including expected life, that could result in the recognition of a provision.

As of 31 December 2023 and 31 December 2022, the provisions were as follows:

Unit: €m

	December 2023					December 2022
	Decommissioning/ environmental provisions	CESE (I and II)	Windfall tax	Other provisions	Total	
At the beginning of the year	**715**	**380**	**53**	**282**	**1,430**	**1,208**
Additional provisions and increases to existing provisions	33	22	0	58	113	219
Decreases of existing provisions	(11)	(1)	0	(1)	(13)	(2)
Amount used during the year	(6)	(79)	0	(11)	(96)	(30)
Regularisation	52	0	(53)	(44)	(45)	(64)
Adjustments during the year	(14)	0	0	62	48	99
At the end of the year	**769**	**322**	**0**	**346**	**1,437**	**1,430**

Increases and decreases in provisions during the year are as follows:

Unit: €m

	Judicial processes	Provisions	Tangible Assets	Financial (income) and expenses	CESE	Deferred charges CESE	Results from financial investments	Other	Total
2023	**34**	**49**	**(42)**	**16**	**30**	**(8)**	**0**	**22**	**100**
Decommissioning/environmental costs	0	47	(42)	16	0	0	0	1	22
Windfall tax	0	0	0	0	0	0	0	0	0
CESE I and II	0	0	0	0	30	(8)	0	(1)	21
Other provisions	34	2	0	0	0	0	0	21	57

For comparative information, please refer to the consolidated financial statements for the year ended 31 December 2022.

Decommissioning of blocks and environmental costs

The amount of €769 m includes essentially a provision for the abandonment of blocks (€389 m), established to cover the costs to be incurred for asset retirement obligations at the end of the useful lives of those areas (€370 m in Brazil and €19 m in Mozambique) and a provision for environmental costs established in connection with dismantling, decommissioning and decontamination costs of Matosinhos refinery (€269 m) and provisions for dismantling and decontamination of service stations and logistic parks (€70 m).

CESE I and II

In the year ending 31 December 2023, the caption of CESE (I and II) – "Energy Sector Extraordinary Contribution I and II" in the amount of €322 m represents the total responsibility as of that date and corresponds to the contributions for the years 2014 to 2023. In 2023, the Group has paid an amount of €79 m, in respect of CESE I for the years of 2014 to 2017.

In 2014, the Group was subject to a special tax (Energy Sector Extraordinary Contribution CESE I), pursuant to Article 228 of Law 83C/2013 of 31 December, which states that energy companies that carry net assets in certain activities, from 1 January 2014, are subject to a tax calculated on the balance of the eligible net assets as of that date.

In 2015, the Group was subject to a special tax (Energy Sector Extraordinary Contribution CESE II), pursuant to Law 33/2015 of 27 April and Order No. 157-B/2015 of 28 May. CESE II applies to the value of future sales, based on the four existing long-term LNG sourcing contracts which are on a take-or-pay basis. In 2017, pursuant to Order No. 92-A/2017 of 2 March, the economic value of the take-or-pay contracts changed, which was reflected in the increase of the CESE provision.

Following the law and tax regulations, Galp properly accounted for the legal obligation from CESE I and II, although these obligations are currently subject to legal dispute.

Other provisions

The amount of €344 m of other provisions includes a provision of €222 m (2022: €162 m) that relates to the dispute between ANP and the BM-S-11 consortium, as explained in Note 11, and a provision of €26 m (2022: €72 m) regarding the commitment to reimburse CESE I to the shareholders of Floene as per share sale and purchase agreement. The regularization in the period, amounting to €44 m, relates to a partial reversal of the obligation (CESE I) resulting from the favourable decision of the constitutional court to an entity belonging to Floene Energias, S.A. Group regarding to the existing dispute with the tax authority. The adjustments in the period, amounting to €62 m, mainly relates to the increase of € 60 m of ANP dispute.

Contingent liabilities

As of 31 December 2023, the Company and its subsidiaries had additional Corporate Income Tax assessments under dispute amounting to €33 m, for which a provision of €11 m was recorded in prior years.

No provisions were recognized for tax contingencies related to Brazilian operations in the amount €318 m (2022: €230 m), essentially related with withholding tax (IRRF) and other taxes and levies (PIS/COFINS and CIDE) related to rental payments on overseas vessels (2023: €185 m and 2022: €159 m). It is not expected that a payment will be required to settle the obligation. Should Galp be required to pay such taxes and levies, it could result in a potential total liability of approximately €318 m (€230 m in 2022).

19. Derivative financial instruments

Accounting policies

Derivative financial instruments

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

The realised gains and losses on the financial settlement of commodities (i.e. Brent, electricity and gas) futures and swaps are presented within cost of sales, except if commodity futures are physically settled where the gain or loss will be recorded in sales as a price adjustment of the commodity sold. Changes in the fair value of open positions are presented in financial income, within income from financial instruments. As futures are exchange-traded, subject to central clearing, gains and losses are continuously recorded within income from financial instruments until the maturity date of the derivative, unless designated in cash flow relationships in which case they are recorded in the cash flow hedge reserve.

Realised gains and losses on Forwards and FX Swaps are presented within cost of sales if they are connected to commodities transactions, and are otherwise presented in financial income, under realised FX differences. Changes to the fair values of open positions are presented in financial income, under unrealised FX differences.

Some physically settled TTF bilateral contracts are accounted for as derivatives because they meet the net settlement criteria and do not meet the own use exemption criteria. The fair values of these contracts are presented together as Swaps in the financial statements.

Financial assets and liabilities are offset if Galp has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or to realise the asset and liability simultaneously.

Day 1 gain or losses on derivatives that are categorized as level 3 in the fair value hierarchy do not qualify for recognition in the financial statements. These day 1 gains and losses are disclosed in the financial statements and only recognized when the prices become sufficiently observable or as the contract matures. The cumulative amounts of MTM of day 1 gains not recognised where €5.7 m (2022: €6.3 m). The cumulative amount is recognised during the life span of the derivative.

Hedge accounting

Derivative instruments that qualify for hedge accounting are designated in cash flow hedges of commodity price risk associated with highly probable forecast gas purchases. Derivative instruments used by the Group to hedge the interest rate risk of floating rate debt are designated in qualifying cashflow hedges of interest rate risk. The indices are the same as those applicable to the contracts signed with customers and banks reducing hedge in-effectiveness. Certain derivatives that are entered into for risk management purposes, such as those that hedge the overall net position of commodity prices (oil margins) and forecast purchases of electricity and gas, are not designated in qualifying IFRS 9 hedge relationships and are therefore accounted for as trading derivatives with their changes in fair value recorded immediately in the statement of profit or loss.

Changes in the fair values of derivatives designated in qualifying cash flow hedge relationships are recorded in equity in the cash flow hedge reserve.

Where the derivative instrument no longer meets the criteria for recording as a cashflow hedge, the accumulated fair value differences deferred in equity within hedging reserves are added to the book value of the asset which gave rise to the hedging transaction only if the derivative was mature and is effective. Otherwise, if the hedge is not effective, subsequent revaluations are recognized directly in the income statement. If the hedge is discontinued because the transaction is no longer expected all of the deferred MTM in equity is reclassified to profit or loss. If there is a change in risk management objective but the hedged transaction is still expected to occur, the amount in the cash flow hedge reserve is taken to profit or loss when the previously hedged transaction affects the statement of profit or loss. Hedge accounting is discontinued prospectively.

Hedge accounting is discontinued when all of the derivative instruments mature, are sold, when management changes the risk management strategy or objective, or when a hedged transaction is no longer highly probable.

In 2023, the hedge of highly probable forecast purchase of electricity has been discontinued and matured, with all amounts previously deferred in the cash flow hedge reserve being reclassified to profit and loss with previously hedged transactions.

Financial derivatives are measured at fair value.

For further explanation of valuation methods used and risk management activities using derivatives, see Note 20.

The financial position of derivative financial instruments as of 31 December 2023 and 2022 is detailed as follows:

Unit: €m

	2023					2022				
	Assets (Note 12)		Liabilities		Equity	Assets (Note 12)		Liabilities		Equity
	Current	Non-current	Current	Non-current		Current	Non-current	Current	Non-current	
	169	**96**	**(100)**	**(99)**	**71**	**304**	**110**	**(373)**	**(48)**	**18**
Designated hedge derivatives										
Gas										
Swaps	44	29	0	0	74	0	0	0	0	0
Electricity										
Futures	0	0	0	0	0	15	0	0	0	15
Interest rate										
Swaps (IRS)	0	2	0	(6)	(4)	0	3	0	0	3
Non designated hedge derivatives										
Oil										
Futures	0	0	0	0	0	1	0	0	0	0
Swaps	1	0	(1)	0	0	125	0	(205)	0	0
Gas										
Futures	4	0	0	0	0	25	0	0	0	0
Swaps	87	36	(89)	(39)	0	60	29	(155)	(36)	0
Options	18	2	(7)	(1)	0		0	0	0	0
Electricity										
Futures	7	0	0	0	0	13	0	0	0	0
Swaps	8	1	(3)	(53)	0	63	38	(10)	(12)	0
Foreign Exchange										
Forwards	0	0	0	0	0	4	0	(3)	0	0
Interest rate										
Swaps (IRS)	0	26	0	0	0	0	40	0	0	0

Derivatives are classified as current and non-current in accordance with the expected settlement.

During 2023 and 2022 the Group entered into derivative financial instruments with the objective of hedging the economic exposure mainly related to changes in crude, power, natural gas prices and interest rates. Derivatives to cover interest rates, and some derivatives to cover gas prices were designated in qualifying Cashflow hedges.

The notional prices of the open derivatives and their respective maturities are shown below:

Unit: €m

		December 2023		December 2022	
		Maturity		Maturity	
		Less than 1 year	1 year and more	Less than 1 year	1 year and more
		34	**(418)**	**(48)**	**(437)**
Designated hedge derivatives					
Futuros	Purchase	0	0	(6)	0
	Sales	0	0	0	0
Commodity swaps	Purchase	0	0	0	0
	Sales	126	99	0	0
IRS	Purchase	0	(130)	0	(16)
	Sales	0	0	0	0
Non designated hedge derivatives					
Commodity futures	Purchase	(237)	(2)	(875)	(4)
	Sales	205	2	876	4
Commodity swaps	Purchase	(243)	(291)	(547)	(231)
	Sales	209	160	525	75
Commodity options	Purchase	(62)	(8)	0	0
	Sales	36	5	0	0
IRS	Purchase	0	(253)	0	(265)
	Sales	0	0	0	0
Currency forwards and swaps	Purchase	0	0	(43)	0
	Sales	0	0	22	0

Notional = Fixed Price x Quantity

The accounting impact as of 31 December 2023 and 31 December 2022 of the gains and losses on derivative financial instruments is presented in the following table:

Unit: €m

	2023				2022			
	Income statement			Equity	Income statement			Equity
	MTM	Realised (Note 25)	MTM + Realised		MTM	Realised (Note 25)	MTM + Realised	
	(23)	**47**	**24**	**53**	**787**	**(983)**	**(196)**	**(13)**
Designated hedge derivatives								
Gas								
Swaps (Cash flow hedge)	0	0	0	74	0	0	0	0
Electricity								
Futures	0	0	0	(15)	0	35	35	(34)
Swaps	0	0	0	0	0	(12)	(12)	18
Interest rate								
Swaps (IRS)	0	1	1	(7)	0	0	0	3
Non designated hedge derivatives								
Oil								
Futures	0	0	0	0	0	10	10	0
Swaps	80	(77)	3	0	(84)	(363)	(447)	0
Options	0	0	0	0	4	(4)	0	0
Gas								
Futures	(97)	140	43	0	590	(899)	(308)	0
Swaps	95	(5)	89	0	318	153	471	0
Options	13	0	13	0	0	0	0	0
Electricity								
Futuros	32	(45)	(13)	0	1	(40)	(39)	0
Swaps	(131)	20	(111)	0	(44)	78	34	0
Foreign Exchange								
Forwards	0	5	5	0	(19)	59	40	0
Interest rate								
Swaps (IRS)	(14)	8	(6)	0	21	0	21	0

MTM relating to FX Swaps and Forwards (2023: nill) is recognized in Financial Results within Exchange differences and realized amounts are recognized within Other operating costs (positive €5 m) among settlement of other Foreign exchanges of Invoices with Clients and Suppliers.

The 2023 financial position shows in shareholders' equity, under the heading hedging reserves, the positive amount of €71 m relating to cash flow hedges. The cash flow hedges reflected in equity, when settled, are reclassified to the statement of profit or loss in the same period or periods during which the hedged expected cash flows affect profit or loss (when hedged forecast sale occurs). The amount of settled hedging instruments regarding cash flow hedges amounts to positive €1 m in 2023 and positive €23 m in 2022 and was recognized under the heading cost of sales.

In 2022, realised MTM on commodity futures included a cost of €401 m that relates to gas futures that were physically settled with the Exchange, which was reflected in sales as an adjustment of the price of gas sold (Note 24).

Significant accounting estimate

Unrealised MTM on undesignated electricity swaps of (negative €131 m) includes negative MTM of (€119 m), related to Synthetic Power Purchase Agreements (PPA) of solar projects in Spain, for which the fair value valuation was not based on observable market data (level 3). The derivatives have several commencement dates, the first beginning in the second half of 2020 and all have a life span of c. 12 years. Included in these Synthetic Power Purchase Agreements is a fixed quantity of Guarantees of Origin that transferred from the solar projects to Galp during the same time frame. The entire agreement is accounted for as a single unit of account at FVTPL without any separate accounting for the Guarantee of Origin.

Inputs into the valuation model include fixed contractual volumes, forecast electricity prices, selection of scenario for the forward price and tax on energy production in Spain.

The fair value estimate is highly sensitive to changes in unobservable inputs and changes in those inputs might result in a significantly higher or lower fair value measurement. The total MTM of these PPA's at 31 December 2023 is €48 m liability.

The heading income from financial instruments includes the unrealised value of MTM of commodities derivatives, as shown in the following table:

Unit: €m

	2023	2022
	(22)	**806**
Commodity Swaps	44	170
Options	13	4
Commodity Futures	(65)	591
Interest rate swaps	(14)	41
Other trading operations	(0)	0

The table above includes MTM of all financial derivatives, except FX derivatives which are accounted in the heading exchange differences.

The maturities of derivative liabilities in the statement of financial position are as follows:

Unit: €m

	Less than 1 year	Between 1 and 2 years	2 years and more	Total
2023				
Commodity swaps	93	51	41	185
IRS	0	0	6	6
Commodity options	7	1	0	7
2022				
Commodity swaps and options	370	35	13	418
Foreign exchange forwards	3	0	0	3

Note that despite the current position of liabilities is €198 m (2022: €422 m), Group Galp has a €165 m (2022: €414 m) current position of assets regarding derivatives to receive. Net position is a liability of €33 m (2022: €8 m).

20. Financial assets and liabilities

Accounting policies

Galp classifies financial assets and liabilities into the following categories:

a) Financial assets at fair value through other comprehensive income;

b) Financial assets and liabilities carried at amortized cost;

c) Financial assets and liabilities at fair value through profit or loss (derivatives).

Management determines the classification of its financial assets on initial recognition and re-evaluates it at the end of each reporting period if, and only if, there is a change in the business model. For financial liabilities, such changes in classification are not allowed.

Recognition and measurement

Purchases and sales of investments are recognized as of the trade date. Investments are initially recognized at fair value. Financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss are subsequently carried at fair value. Fair value disclosures are made separately for each class of financial instruments at the end of the reporting period.

Nevertheless, assets at fair value through other comprehensive income are measured at cost as a proxy for their fair value. As, they are not quoted on a stock exchange, no recent available information is available to measure their fair value reliably, and the amounts involved are immaterial.

Derecognition of financial assets

Financial Assets are derecognized from the statement of financial position when the rights to receive cash flow from investments have expired or have been transferred and Galp has transferred substantially all of the risks and rewards of ownership.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income consist mainly of equity investments. When these kinds of financial assets are derecognized, the gain or loss will be kept in equity. Dividends received are recognized in profit or loss.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are non-derivative financial assets which are held solely for payments of principal and interests (SPPI). If collection is expected within one year (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables and other receivables are recognized initially at fair value. Subsequently they are measured at amortized cost using the effective interest method, less impairment.

Fair value hierarchy

In accordance with the accounting rules, an entity must classify the fair value measurement based on a fair value hierarchy that reflects the meaning of the inputs used for measurement.

The fair value hierarchy has the following levels:

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

Accounting estimates and judgements

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using internal valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets when possible, but when this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in valuation methodologies and in assumptions relating to these factors could affect the reported fair value of financial instruments.

Unit: €m

2023			Fair value measurement using			
		Total Fair value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Carrying amount
Financial assets at FVTPL	**Note**					
Swaps	19	236	0	236	0	236
Options	19	18	0	18	0	18
Commodity Futures	19	7	7	0	0	7
Financial assets measured FV OCI						
Equity investment	12	1	0	0	1	1
		262	**7**	**254**	**1**	**262**
Financial assets measured at amortized cost for which fair value is required to be disclosed						
Loans and Capital Subscription	12	277	0	0	277	277
Trade receivables and other debtors	11	2,631	0	0	2,631	2,631
Financial liabilities measured FVTPL						
Swaps	19	(191)	0	(149)	(42)	(191)
Options	19	(7)	0	(7)	0	(7)
		(198)	**0**	**(156)**	**(42)**	**(198)**
Financial liabilities measured at amortized cost for which fair value is required to be disclosed						
Loans and Commercial paper	14	1,547	0	1,547	0	1,547
Trade payables and other payables	15	3,121	0	0	3,121	3,121
Bonds	14	1,434	0	1,434	0	1,434
Notes	14	484	484	0	0	500

Unit: €m

2022		Fair value measurement using				
		Total Fair value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Carrying amount
Financial assets at FVTPL	**Note**					
Swaps	19	355	0	265	90	355
Commodity Futures	19	53	53	0	0	53
Forwards	19	4	4	0	0	4
Financial assets measured FV OCI						
Equity investment	12	3	0	0	3	3
		414	**56**	**265**	**93**	**414**
Financial assets measured at amortized cost for which fair value is required to be disclosed						
Loans and Capital Subscription	12	136	0	0	136	136
Trade receivables and other debtors	11	2,669	0	0	2,669	2,669
Financial liabilities measured FVTPL						
Swaps	19	(418)	0	(399)	(19)	(418)
Forwards	19	(3)	(3)	0	0	(3)
		(421)	**(3)**	**(399)**	**(19)**	**(421)**
Financial liabilities measured at amortized cost for which fair value is required to be disclosed						
Loans and Commercial paper	14	1,515	0	1,515	0	1,515
Trade payables and other payables	15	2,609	0	0	2,609	2,609
Bonds	14	1,474	0	1,474	0	1,474
Notes	14	959	959	0	0	1,000

21. Financial risk management

Accounting policy

Galp Group has standards, models, methodologies, and systems in place to support the identification, evaluation, monitoring and mitigation of various risks it is exposed to, including financial risks, and uses various financial instruments to hedge, in accordance with the corporate guidelines that are applicable across the Company.

Management has assessed the following key financial risks:

Type	Exposure to risk
Commodity-price risk	High
Exchange-rate risk	Medium
Interest-rate risk	Medium
Liquidity & Insurance risk	High
Credit risk	Medium

Commodities price risk

Factors such as macroeconomic uncertainties, geopolitical risks (including the prolonged conflict in Ukraine and a potential escalation of the conflict between Israel and Hamas), technological risks, supply constraints, and operational circumstances can impact the supply and demand for oil, petroleum products, natural gas, LNG, and electricity. Changes in consumption patterns, increased demand for lower-carbon solutions, natural disasters, and extreme situations like pandemics can also affect the demand and supply of oil and gas, influencing the prices of these commodities.

The volatility risk in commodities prices is mitigated through hedging instruments available in the exchange and over the counter (OTC) markets, such as Futures and Swaps. (Note 19). The management of these risks is set out in a specific risk policy, including hedging strategies and exposure limits, and a Strategic Hedging Program is annually defined/reviewed.

Additionally, in regard to oil, natural gas and electricity activities, the Group mitigates this risk by establishing brent, natural gas and electricity purchase and sale contracts with similar indexes to protect the business margin against adverse market changes.

Analysis of commodity price sensitivity

The sensitivity analysis was performed for balances relating to financial derivatives on commodities. An immediate 10% devaluation in the following commodities price would impact Galp's income, as outlined in the table below:

Unit: €m

	2023		2022	
	Risk exposure	Impact on Income Statement	Risk exposure	Impact on Income Statement
Derivatives on natural gas commodities[1]	84	(2)	13	(1)
TTF's (natural gas) contracts	0	0	(90)	10
Derivatives on oil commodities	4	0	(79)	12
Derivatives on electricity[2]	(42)	4	91	(31)

[1] Excludes the impact of derivatives classified as cash flow hedges on 31/12/2023.
[2] Excludes the impact of derivatives classified as cash flow hedges on 31/12/2022

Exchange-rate risk

Associated with macroeconomic factors, exchange rate risk results from fluctuations in the exchange rates of the currencies in which the Company conducts its business and in which it prepares its financial statements. The US Dollar is the currency used as the reference price in the oil and natural gas markets, however, Galp prepares its financial statements in Euros, which, among other factors, exposes its operations to exchange rate risk. Given that the operating margin is most sensitive to fluctuations in the US Dollar, the Company is exposed to fluctuations in exchange rates, which can contribute positively or negatively to income and margins.

Considering that this risk is associated with other variables, such as oil and natural gas prices, and that the level of the cash flow exposure, and especially the financial position statement, is a function of these prices. The Group adopts a cautious approach to hedging exchange-rate risk, as there are natural hedges between the statement of financial position and the cash flow.

As a result of the above, Galp controls its exchange-rate exposure on an integrated basis rather than on an individual transaction basis, except in specific cases. Given that the purpose of exchange rate risk management is to limit the uncertainty resulting from exchange rates fluctuations, Galp manages this risk centrally through variable and fixed rate financial instruments and hedging derivatives. As of 31 December 2023, Galp held derivatives such as FX Forwards and Swaps to minimise exchange-rate risk (Note 19).

Foreign exchange sensitivity analysis

The sensitivity analysis includes the significant balances of monetary assets and liabilities denominated in foreign currency that impact Galp's income statement. A 10% devaluation of the Euro against other currencies would impact Galp's income, as outlined in the table below:

Unit: €m

	2023		2022	
	Risk exposure	Impact on Income Statement	Risk exposure	Impact on Income Statement
Loans obtained and Finance Lease debt	(83)	(8)	(94)	(9)
Marketable securities (included in cash and cash equivalents)	50	4	222	22
Derivatives[1]	0	0	(78)	(6)
Trade and Other Receivables	535	54	379	38
Trade and Other Payables	(290)	(29)	(830)	(83)

[1] Includes derivatives in USD and FX Forwards, taking into account fluctuations in MTM.

Key currencies exchange rate

Unit: €m

	2023		2022	
	Average	Year-end	Average	Year-end
EUR/USD	1.08	1.10	1.05	1.07
EUR/BRL	5.40	5.36	5.44	5.64
USD/BRL	5.00	4.87	5.17	5.22
EUR/CHF	1.08	0.93	1.01	0.99

Interest rate risk

The interest rate risk, linked to the volatility of interest rates on bank loans or other debt instruments used by the company to finance its activities,

Galp's debt, mainly bank loans and interest-bearing bonds is exposed to interest rate volatility, stemming from both economic and political factors. Adverse changes in interest rates may have a material adverse effect on Galp's financial performance and results.

To reduce the volatility of financial costs in the income statement, Galp centrally manages interest rate risk through variable and fixed-rate financial instruments and hedging derivatives, following an interest-rate risk management policy. As of 31 December 2023, Galp holds interest-rate derivatives (IRS) positions to cover variability in interest rates on project financing loans.

Interest rate sensitivity analysis

An analysis of interest rate risk includes variable interest rate loans. A 0.5% increase in the interest rate would impact Galp's financial income as outlined in the table below:

Unit: €m

	2023		2022	
	Exposure risk	Impact on Income Statement	Exposure risk	Impact on Income Statement
Loans obtained	(3,600)	(9)	(4,000)	(9)
Fixed rate interest	(1,607)	0	(1,441)	0
Variable-rate interest	(1,992)	(9)	(2,559)	(9)
Derivatives (IRS)[1]	22	5	43	6
Marketable securities	1,316	0	864	1

Note: Cash and equivalents in the statement of financial position comprise marketable securities
[1] Excludes impact of derivatives qualified as Cash-flow hedges.

Interest rate derivatives reduce the exposure to interest rate fluctuations on the P&L regarding project finance loans in Titan Group.

Liquidity & Insurance risk

Liquidity risk is associated with the capacity to access the financial and capital markets to obtain the necessary financial resources to execute Galp's strategy. Insurance risk is associated with insurers lower appetite for the O&G sector. The inability to access funds to finance its strategy and obtain insurance quotes for its investment projects may have a negative effect on the Group's profit and/or cash flow.

Galp finances itself through the cash flow generated by its operations and maintains a diversified portfolio of loans and bonds. The Group has access to credit lines that are not fully used, but that are at its disposal. The available short term and medium/ long-term credit lines that are not being used amount to €1.6 bn at 31 December 2023 (€1.5 bn at 31 December 2022). Galp has readily available cash equivalents amounting to €2.2 bn at 31 December 2023 (€2.5 bn at 31 December 2022). These combined amounts add up to €3.8 bn at 31 December 2023 (€4.0 bn at 31 December 2022).

With regard to insurance, Galp has a broad Insurance programme (property damage, third party liability, business interruption, environmental liability, trade credit, among others) aligned with its business structure and risk appetite.

Credit risk

Credit risk arises from the possibility that a counterparty may not fulfil its contractual payment obligations, including those related to financial investments and hedging instruments (relating to exchange rates, interest rates or others), as well as those arising from commercial relationships between the Company and its counterparties, associated with the counterparty's risk level.

Credit risk is mitigated through a diversified portfolio of both financial counterparties and customers, the selection of reference financial counterparties, the careful drafting of contracts including appropriate commercial terms, and the establishment of collaterals, when relevant. The management of this risk follows internal standards, namely the Credit Management Manual, which establishes procedures for assessing exposure to credit risk and ensures its transversal management. A risk rating is assigned to each customer, to establish its credit limit and to calculate the respective risk-return ratio.

See Note 11 for further risk assessments, specifically regarding Trade receivables and other receivables.

22. Capital structure

As of 31 December 2023, the Galp Group presents equity in the amount of €5.3 bn (2022: €5.1 bn).

Share capital, distribution to shareholders and earnings per share

Share capital

The share capital of Galp Energia SGPS, S.A. is comprised of 773,082,725 shares, with a nominal value of 1 Euro each and fully subscribed. During 2023 Galp has executed its buyback programme of €500 m. The number of shares that were acquired was 42,028,823 shares at an average price of €11.90 per share. These shares were cancelled at 31 December 2023 (Note 2.2.5).

Distribution to shareholders

In accordance with a resolution of the General Shareholders' Meeting held on 03 May 2023, Galp Energia, SGPS, S.A.'s shareholders were granted dividends amounting to a maximum of €425 m (€0.52/share) related to the distribution of net income for the year 2022, which was paid on 20 September 2022 (€213 m) and on 23 May 2023 (€209 m), in accordance with outstanding shares on the date of payment. During the year ending 31 December 2023, an anticipated dividend of €213 m (€0.27/share) regarding profits of year 2023 was paid on 25 August 2023. Dividends amounting to €169 m (2022: €245 m) have been paid by the subsidiaries of the Galp group to non-controlling shareholders during 2023.

As a consequence of the above, during the year ending 31 December 2023, the Group made distributions amounting to €591 m (2022: €665 m).

Other reserves

Other reserves on the financial position amount to €1,449 m which refer to Cumulative translation reserves of (€128 m), Cashflow hedging reserves of €48 m (net of deferred tax), Share-based payments (Long term incentives (LTI) reserve) of €25 m and other reserves of €1,504 m.

23. Non-controlling interests

As of 31 December 2023, the changes in non-controlling interests during the year and included in equity are as follows:

Unit: € m

31/12/2022	Net profit for the period	Currency translation reserves	Dividends	Liquidation of Carriço Cogeração	31/12/2023
956	209	-46	-197	-2	920

Dividends during 2023 were attributed mainly to Sinopec (stake in Petrogal Basil, S.A.).

24. Revenue and Income

Accounting policies

For the Industrial & Midstream, the Commercial and the Renewables and New Businesses segments, revenue is recognized when Galp has satisfied a performance obligation by transferring the promised products or services to the customer. The product is transferred when the customer obtains control of the same.

Sales are measured at the fair value of the consideration received or receivable. Sales are recognized net of taxes, with the exception of tax on petroleum products, discounts and rebates.

For the Upstream segment, revenue resulting from hydrocarbon production from properties in which Galp has an interest in joint arrangements is recognized on the basis of Galp's working interest (entitlement method). Revenue resulting from the production of oil under production-sharing contracts is recognized for those amounts relating to Galp's cost recovery, and Galp's share of the remaining production.

As mentioned in Note 11, Galp undertakes under- and overlifting activities. Underlifting occurs when the overtaker lifts the barrels from Galp and sells them. When this happens, underlifting income is recognized against an asset (debtor). In similar ways, overlifting occurs when Galp lifts the barrels to which it is not yet entitled. These balances are presented in Other operating income and Other operating costs (Note 25), respectively.

Exchange differences arising from supplier and customer balances are recognized in the operating results.

The IFRS 15 accounting principle considers a principal vs. agent framework in relation to cost incurred and goods and services provided. In accordance with this, Galp analyzed, among others, a service related to the natural gas and electricity commercialization activities, namely due to the electricity and gas tariffs paid to distribution entities and recognized as costs. Services provided or promised to final customers contains the cost of the tariffs included in the price tag and recognized as operating income. Galp concluded that each contract performance obligation to provide the specified goods or services is the responsibility of the Group, thus controlling the goods or services before delivering them to the final customers. Galp is therefore a Principal rather than an Agent when performing its contract obligations.

Unit: €m

	Notes	2023	2022
		21,394	**28,188**
Total sales		**20,455**	**26,485**
Goods		10,121	14,875
Products		10,333	11,609
Services rendered		**314**	**355**
Other operating income		**441**	**321**
Underlifting income		24	55
Others		417	265
Earnings from associates and joint ventures	**9**	**49**	**152**
Financial income	**27**	**134**	**877**

Services rendered include, among others, the recharge of costs related to electricity and gas tariffs, storage and logistics services, freight and transportation services.

Other operating income – others include mainly the recharge of costs related to freight and other costs and charges to third party for the use of gas assets associated with the upstream segment activity.

In 2022, Sales - Goods included a negative effect of €401 m regarding an adjustment of the price of gas sold due to the settlement of Futures (Note 19).

Earnings from associate and joint ventures of €49 m includes Galp's share of the results (equity method) of associates and joint ventures amounting to €10 m (Note 9) and a gain of €39 m mainly resulting from a partial reversion of the provision of CESE I assumed by Galp in relation to Floene Energias, S.A. (€44 m) and an impairment of €5 m regarding a minority stake held in a research entity.

25. Costs and Expenses

The operating costs for the years ended 31 December 2023 and 2022 were as follows:

Unit: €m

	Notes	2023	2022
Total costs and expenditure:		**18,807**	**24,942**
Cost of sales		**14,580**	**20,920**
Raw and subsidiary materials		3,123	4,352
Goods		8,837	13,682
Tax on oil products		2,494	2,402
Variation in production		121	(304)
Write downs on inventories	10	(36)	70
Costs with the emissions of CO_2		74	81
Financial derivatives	19	(33)	640
Exchange differences		(0)	(2)
External supplies and services		**2,224**	**1,888**
Subcontracts – network use		88	176
Transport of goods		338	249
E&P – production costs		392	167
Royalties		282	345
E&P – exploration costs		14	25
Other costs		1,110	926
Employee costs	**26**	**450**	**370**
Amortisation, depreciation and impairment losses on fixed assets	**5/6/7**	**987**	**1,380**
Provision and impairment losses on receivables	**11/18**	**162**	**133**
Other costs		**189**	**88**
Other taxes		49	39
Other operating costs		140	49
Financial expenses	**27**	**215**	**164**

The heading "subcontracts – network use" refers to charges for the use of: (i) the distribution network (URD); (ii) the transportation network (URT); and (iii) the global system (UGS) as included in the tariffs.

The amount of €282 m of royalties mainly relates to the exploration and production of oil and gas in Brazil. Royalties are calculated taking into account an applicable rate of 10% for the production volumes in proportion to Galp's share valued at ANP's reference price.

"Other costs" include, among others, subcontracts and specialized services, freight costs, lease rents, insurance costs, electricity, steam, water and fuel costs, storage costs and maintenance and repair.

Financial derivatives include the financial settlement of derivatives, with the exception of FX derivatives which are recognized in other cost (positive €5 m) (2022: €59 m).

26. Employee costs

Accounting policies

Employee costs

Wages, salaries, social security contributions, annual leave and sick leave, bonuses and non-monetary benefits are recognized in the year in which the respective services are rendered by Galp employees.

Remuneration of the Board of Directors

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

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments on the date which they are granted and is recognised as an expense from the date of grant over the vesting period with a corresponding increase (credit) directly in equity. Galp measure the fair value of the services received by reference to the fair value of the equity instruments granted.

The cost of cash-settled transactions is recognized as an expense over the vesting period, measured by reference to the fair value of the corresponding liability which is recognized on the financial position (as other payables). The liability is remeasured at fair value at each balance sheet date until settlement, with changes in fair value recognised in income statements (as employee costs).

Unit: €m

	Notes	2023	2022
Employee costs		**450**	**369**
Capitalised employee costs		0	0
Total employee costs for the year		**450**	**369**
Statutory board salaries		5	8
Employee salaries		336	274
Social charges		76	63
Retirement benefits – pensions and insurance	17	8	4
Other insurances		13	11
Exchange differences		0	0
Other costs		12	10
Remuneration of the Board Members		**5**	**8**
Galp Energia SGPS Board Members		**4**	**6**
Salaries and cash bonuses		3	5
Pension funds contribution		1	1
Subsidiaries Board Members		**1**	**1**
Salaries and cash bonuses		1	1
Year-end number of full-time employees		**7,054**	**6,715**

The share-based employee compensation plans are the long-term incentive (LTI). Awards of shares of the Company under the LTI are granted upon certain conditions to eligible employees. The actual number of shares that may vest ranges from 0% to 160% of the awards, depending on the outcome of the prescribed performance conditions over a three-year period beginning on January 1 of the award year. The LTI plan comprises a 3 year rolling incentives plan, whereas in each year an incentives plan will be concluded and fulfilled by delivering Galp Energia SGPS, S.A. own stock. Total cumulative amount booked in Equity with the share-based payment plan is €25 m on 31 December 2023 and the amount recognised as cost was €23 m. Other former LTI plans to employees that were paid in cash were cancelled.

LTI plans by triennium and cumulative amounts recognised in Equity against P&L as at:

Unit: €m

	2023
Total	**25**
Plan 1 (2021-2023)	8
Plan 2 (2022-2024)	13
Plan 3 (2023-2025)	4

27. Financial income and expenses

Accounting policies

Financial income and expenses include interest on loans and bonds, leasing and retirement and other benefit plans. Other financial income and expenses from other financial assets or liabilities are not included in this caption.

The financial charges on loans obtained are recorded as financial expenses on an accruals basis. Financial charges arising from general and specific loans obtained to finance investments in fixed assets are assigned to tangible and intangible assets in progress, in proportion to the total expenses incurred on those investments net of investment government grants, until the commencement of operations. The remainder is recognized under the heading of financial expenses in the income statement for the year. Any interest income from loans directly related to the financing of fixed assets which are in the process of construction is deducted from the financial charges capitalized. Those financial charges included within fixed assets are depreciated over the useful lives of the respective assets.

Unit: €m

	Notes	2023	2022
		(81)	**713**
Financial income		**134**	**877**
Interest on bank deposits		108	51
Interest and other income with related companies		21	11
Other financial income		5	9
Results from derivative financial instruments	19	0	806
Financial expenses		**(215)**	**(164)**
Interest on bank loans, bonds, overdrafts and others		(121)	(61)
Interest on related party loans		0	(1)
Interest capitalized in fixed assets	5	49	30
Interest on lease liabilities	7	(102)	(85)
Net interest on retirement and other benefits	17	(7)	(3)
Charges relating to loans, bonds and credit lines		(10)	(10)
Exchange gains/(losses)		29	(8)
Results from derivative financial instruments	19	(22)	0
Other financial costs		(32)	(26)

In previous year, Financial income of €877 m relate mostly to Results from derivative financial instruments €806 m. This gain arose mostly due to derivatives that were liabilities in 2021 (losses) maturing during 2022 with the realized MTM losses being presented in cost of sales and sales. The negative impact of the settlement of derivatives (€983 m) in relation with financial net settlement is reflected in Cost of Sales (negative €640 m) (Note 25), settlement of FX derivatives (positive €59 m) is reflected in other costs (Note 25) and physical settlement of derivatives with gas sold (negative €401 m) in Sales (Note 24).

28. Commitments

The total contractual obligations and recognized non-current liabilities can be specified as follows (payments due for each period):

Unit: €m

	1-3 years	4-5 years	More than 5 years	Total
Total obligation recognized in the statement of financial position	**78**	**38**	**101**	**216**
Post-employment benefits	43	16	1	60
Other benefits	35	22	99	157
Total obligation not recognized in the statement of financial position	**3,092**	**861**	**10,867**	**14,820**
Natural gas purchases	4,134	1,789	13,772	19,695
Natural gas sales	(1,042)	(928)	(2,905)	(4,874)

These contracts require a minimum purchase quantity and are subject to price revision mechanisms indexed to international oil/gas quotes. The amounts were calculated based on the outstanding period of time of each of the different contracts, and management assumption of future natural gas prices as of 31 December 2023.

As part of its ongoing business operations, the Group has entered into agreements where commitments have been given for commercial, regulatory or other operational purposes. As of 31 December 2023 and 2022 obligations subject to collaterals granted are as follows:

Unit: €m

	2023	2022
Guarantees provided	**10,956**	**9,492**
Rio Grande LNG, LLC	1,962	2,032
Venture Global, LLC	1,810	1,875
Charter Agreement FPSO	1,778	1,516
Coral South FLNG project	445	472
Grenergy	155	155
Cercena Investments, S.L.U.	125	151
Solar power guarantees given to government agencies	75	53
Brazilian ANP	50	23
Petrobras	35	38
Others related to core activities	4,521	3,177

Under the contracts with Venture Global LLC and Rio Grande LNG LLC, related to the LNG Sales and Purchase Agreement, Galp provided a Parent Company Guarantee in the total amount of the contract €1,810 m (2022: €1,875 m) and €1,962 m (2022: €2,032 m), respectively.

Related to the six charter agreements for FPSOs, Galp provided a Parent Company Guarantee amounting to €1,778 m (2022: €1,516 m), in the name of Tupi, B.V., which represents Galp's proportion of the BM-S-11 consortium.

Under the financing of the Coral South FLNG project, Galp Energia SGPS S.A. is providing a Parent Company Guarantee related to the Debt Service Undertaking (DSU) agreement, on the total outstanding debt amount at any time in proportion to its participation. This guarantee expires at the time of the Actual Completion Date (estimated for the year 2024) if no obligations are outstanding under the DSU. As of 31 December 2023, Galp's stake in the obligation amounted to €401 m (2022: €425 m). Also within the scope of this financing, Galp Energia SGPS S.A. provides a guarantee covering 1/9 of the DSU on behalf of ENH Empresa Nacional de Hidrocarbonetos (ENH), one of consortium members of the Coral South FLNG project, which corresponds to Galp's share of the consortium, excluding ENH. As of 31 December 2023, Galp's stake in the responsibility taken on in relation to ENH amounts to €45 m (2022: €48 m).

The Group has entered into Power Purchase Agreement (PPA) with X-Elio (aka Cercena Investments) and Grenergy to supply solar energy for which it has provided Parent Company Guarantees amounting to €125 m and €155 m, respectively (2022: €151 m and €155 m, respectively).

The collateral granted to Petróleo Brasileiro S.A. ("Petrobras") amounting to €35 m is due to guarantees for gas supply contracts from the development modules of Lula Pilot and Lula NE.

The collateral for crude oil exploration concession agreements has been granted to the Brazilian Agency of Petroleum, Natural Gas and Biofuels ("ANP"), for an amount of €50 m (2022: €23 m). The collateral has been granted in connection with the Minimum Exploration Programmes where Galp, as a consortium member, is required to perform certain seismic and drilling and well activities during the exploration period.

Other guarantees related to core activities are essentially in relation to commercial and oil trading activity. The increase of the amount in guarantees is due to guarantees given for commercial activity.

Galp Group has financial debt that, in some cases, have covenants that can, if triggered by banks, lead to the early repayment of debt amounts. As of 31 December 2023, the total debt amounted to €3.6 bn, of which €2bn with covenants. The existing covenants are essentially designed to ensure compliance with financial ratios that monitor the financial position of the Company, including its ability to service debt. The Total Net Debt to consolidated EBITDA RC (excluding leases - IFRS 16) ratio is the most frequently used and, as of 31 December 2023 was 0.37 x in accordance with the methodology stated in the loan agreements. The ratio stipulated in the contracts in general must be equal or below the range of 3.25 – 3.75 x EBITDA.

29. Related party transactions

Accounting policies

A related party is a person or entity that is related to the entity preparing its financial statements, as follows:

(a) A person or a close member of that person's family is related to a reporting entity if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies: (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); (iii) Both entities are joint ventures of the same third party; (iv) One entity is a joint venture of a third entity, and the other entity is an associate of the third entity; (v) The entity is a post-employment defined benefit plan for the benefit of the employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity; (vi) The entity is controlled or jointly controlled by a person identified in (a); (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The Group has had the following material transactions with related parties:

Unit: €m

	2023		2022	
	Current	Non-current	Current	Non-current
Assets:	**64**	**168**	**53**	**29**
Associates	61	0	48	29
Joint ventures	1	169	3	0
Other related entities	2	0	2	0

Unit: €m

	2023		2022	
	Current	Non-current	Current	Non-current
Liabilities:	**(102)**	**(26)**	**(68)**	**(53)**
Associates	(5)	(26)	(3)	(53)
Joint Ventures	(59)	0	(44)	0
Winland International Petroleum, S.A.R.L.	(37)	0	(20)	0
Other related entities	(1)	0	(1)	0

Unit: €m

	2023			2022		
	Purchases	Operating cost/income	Financial costs/income	Purchases	Operating cost/income	Financial costs/income
Transactions:	**0**	**(36)**	**13**	**(2)**	**(18)**	**0**
Associates	0	(28)	4	(2)	(34)	0
Joint Ventures	0	(15)	9	0	(11)	0
Other related entities	0	7	0	0	27	0

30. Environmental matters

Greenhouse gas emissions (CO_2 emissions)

Accounting policies

Galp makes judgements and estimations for the calculation of environmental obligations such as those resulting from greenhouse gas (CO_2) emissions. Galp receives annually free licenses, Emission Unit allowances (EUA), from the Portuguese Environment Agency to meet the emission of greenhouse gases. If the free allowances are insufficient to meet greenhouse gas emissions, Galp may purchase complementary allowances (EUA) assuming a cost that is recorded under "Cost of sales – Cost with the emissions of CO_2". However, if greenhouse gas emissions are higher than the equivalent of the allowances in the portfolio at the end of the financial year, a cost is specialized for the best estimate of the expenditure to be made at the spot market quotation of the allowances.

CO_2 emissions from the Group's industrial installations and CO_2 allowances allocated to it under the National CO_2 Allowance Allocation Plan do not give rise to any asset recognition, provided that: (i) the existence of costs to be incurred by the Group with the acquisition of emission allowances on the market is not estimated, situation in which a cost specialization is recognized or; (ii) it is considered that they are not sold. In case of surpluses and sale of these allowances a profit is recognized.

Galp has recognized in "Cost of sales – Costs with the emissions of CO_2" an amount of €74 m (Note 25). As of 31 December 2023, the certificates held in the portfolio are recognized in "Other receivables – Deferred charges – Other deferred charges", amounting to €73 m (2022: €85 m) (Note 11) and the estimated cost to cover the shortage of certificates in "Other payables – Accrued costs – other accrued costs", amounting to €74 m (2022: €87 m) (Note 15). CO_2 allowances (portfolio of allowances held) and the liability for CO_2 emissions are both derecognized on the settlement of the liability (which usually occurs in the following year with the delivery of the respective allowances) with the official environment agency.

Biofuels certificates

Accounting policies

In the absence of specific guidance on the accounting of biofuel certificates, IAS 20 allows non-monetary government grants and related assets (in this case biofuel certificates) received to be measured at nominal value.

Biofuel certificates awarded free of charge by ENSE, E.P.E. (National Energy Sector Entity, E.P.E.) are recognized at nominal value (i.e. at zero value).

The obligation for biofuels is recognized under "Other payables" when the obligation arises under local regulations. To the extent that covered by the biofuel certificates held for the purposes of legal compliance, liability is measured according to the value of those certificates held and the remaining part not covered at market value.

Biofuel certificates and biofuel liability are both derecognized on the settlement of the liability with the government environment agency.

Annually, national targets and obligations for biofuel incorporation are defined. Biofuels are mixed with existing fuels, such as petrol and diesel, to reduce net emissions. The biofuel quota in the total fuel sales mix is used to meet regulatory requirements. This can be achieved by mixing biofuels in refineries and/or distribution warehouses, by importing biofuels (to jurisdictions granting biofuel certificates at the point of importation) or by purchasing certificated from third parties (for jurisdictions that have a tradable biofuel certificate mechanism).

As of 31 December 2023, the following impacts were recognized on the financial statements:

- Operating cost – recognized under "Cost of sales": €125 m (2022: €172 m)
- Asset (arising from the purchase of certificates) – recognized under "Inventories": €17 m (2022: €20 m)
- Liabilities – recognized under "Other payables – Accrued costs – other accrued costs": €0 m (2022: €0 m)

31. Companies in the Galp Group

Judgment is required whenever an entity is acquired or modified in order to give a proper and clear image of the consolidated financial statements. In order to do this, several items are analysed to support the accounting decisions, namely:

- Power over the investee;
- Exposure or rights in relation to the variable results arising through its relationship with the investee; and
- Ability to use its power over the investee to impact the amounts of the results to the investors.

Shareholder agreements are also thoroughly analysed to identify any contract clauses which give substantive power or give only protection rights to the investor. An analysis of the substance rather than the legal form is necessary for proper accounting treatment.

Consolidation perimeter

The Companies consolidated in accordance with the full consolidation method are disclosed below:

Activity: • Upstream • Industrial & Energy Management • Commercial • Renewables & New Businesses • Others

Company and country	Percentage of shares owned	Activity
Parent company		
Galp Energia, SGPS, S.A., Portugal		
Subsidiaries by groups		
Galp Energia, S.A., Portugal	100%	•
Galp Energia E&P Subgroup		
Galp Energia E&P, BV, The Netherlands	100%	•
Galp Sinopec Brazil Services BV, The Netherlands	70%	•
Galp E&P Brazil BV, The Netherlands	100%	•
Galp Energia Brasil, S.A., Brazil	100%	•
Cascudo Solar Energia I, Ltd, Brazil	100%	•
Cascudo II Solar Energia, S.A., Brazil	100%	•
Cascudo III Solar Energia, S.A., Brazil	100%	•
Cascudo IV Solar Energia, S.A., Brazil	100%	•
Cascudo V Solar Energia, S.A., Brazil	100%	•
Cascudo VI Solar Energia , S.A., Brazil	100%	•
Cascudo VII Solar Energia, S.A., Brazil	100%	•
Murion Solar Energia SPE Ltda, Brazil	100%	•
Murion II Solar Energia, S.A., Brazil	100%	•
Murion III Solar Energia, S.A., Brazil	100%	•
Murion IV Solar Energia, S.A., Brazil	100%	•
Murion V Solar Energia, S.A., Brazil	100%	•
Murion VI Solar Energia, S.A., Brazil	100%	•
Murion VII Solar Energia, S.A., Brazil	100%	•
Murion VIII Solar Energia, S.A., Brazil	100%	•
Ventos de Santo Antão Energias Renováveis, S.A., Brazil	100%	•
Ventos de Santo Antão II Energias Renováveis, S.A., Brazil	100%	•
Ventos de Santo Antão III Energias Renováveis, S.A., Brazil	100%	•
Ventos de Santo Antão IV Energias Renováveis, S.A., Brazil	100%	•
Chalana Solar Energia Ltda, Brazil	100%	•
Açucena Solar Energia Ltda, Brazil	100%	•
Cerrado Solar Energia Ltda, Brazil	100%	•
Vereda II Solar Energia S.A., Brazil	100%	•
Vereda III Solar Energia S.A., Brazil	100%	•
Vereda IV Solar Energia S.A., Brazil	100%	•
Vereda V Solar Energia S.A., Brazil	100%	•
Vereda VI Solar Energia S.A., Brazil	100%	•
Vereda VII Solar Energia S.A., Brazil	100%	•
Vereda VIII Solar Energia S.A., Brazil	100%	•
Vereda IX Solar Energia S.A., Brazil	100%	•
Petrogal Brasil, BV, The Netherlands	100%	•
Petrogal Brasil, S.A., Brazil	70%	•
Petrogal Brasil Comercializadora, Lda.(ex-Galp Exploração Serviços do Brasil, Lda), Brazil	70%	•
Galp East Africa BV, The Netherlands	100%	•
Galp Energia Portugal Holdings BV, The Netherlands[1]	100%	•

Activity: • Upstream • Industrial & Energy Management • Commercial • Renewables & New Businesses • Others

Company and country	Percentage of shares owned	Activity
Galp Energia Rovuma BV, The Netherlands	100%	Upstream
Galp Energia Rovuma BV(Mozambique branch), Mozambique	-	Upstream
Galp West Africa, SA (ex-Galp Exploração e Produção Petrolífera, S.A.), Portugal	100%	Upstream
Galp São Tomé e Príncipe Unipessoal, Limitada, São Tomé and Príncipe	100%	Upstream
Windhoek PEL 23 BV, The Netherlands	100%	Upstream
Windhoek PEL 23 BV (Branch in Namibia), Namibia	-	Upstream
Windhoek PEL 28 BV,The Netherlands	100%	Upstream
Windhoek PEL 28 BV (Branch in Namibia), Namibia	-	Upstream
Galp Energia Overseas Block 14 BV, The Netherlands*[2]	100%	Upstream
Galp Energia Overseas Block 14 BV – Branch in Angola, Angola*	-	Upstream
Galp Energia Overseas Block 32 BV, The Netherlands*[2]	100%	Upstream
Galp Energia Overseas Block 32 BV – Branch in Angola, Angola*	-	Upstream
Galp Trading, S.A., Switzerland	100%	Industrial & Energy Management
Tagus Re, S.A., Luxembourg	100%	Others
Galp New Energies Subgroup		
Galp New Energies, S.A., Portugal	100%	
GDP Gás de Portugal, S.A. (ex-GDP – Gás de Portugal, S.A.), Portugal	100%	Renewables & New Businesses
Enerfuel, S.A., Portugal	100%	Industrial & Energy Management
Galp Bioenergy BV, The Netherlands	100%	Renewables & New Businesses
Galp Parques Fotovoltaicos de Alcoutim Lda, Portugal	100%	Renewables & New Businesses
GowithFlow, S.A., Portugal	100%	Commercial
Enercapital Power Italia Uno SRL, Italy	100%	Renewables & New Businesses
Fornax Energy, S.L.U., Spain	100%	Renewables & New Businesses
Magallon 400, S.L., Spain[3]	68%	Renewables & New Businesses
ISDC International Solar Development Corporation, Lda., Portugal	100%	Renewables & New Businesses
QNO – Sociedade Agrícola, Unipessoal, Lda, Portugal	100%	Renewables & New Businesses
Bujeo 2021, SLU (ex-Éter Solarbay S.L.), Spain	100%	Renewables & New Businesses
Jerjes Energia, SLU (ex-Cíclope Solarbay, S.L.), Spain	100%	Renewables & New Businesses
Duplexia Experts, S.L.U., Spain	100%	Renewables & New Businesses
Gastroselector Market, S.L.U., Spain	100%	Renewables & New Businesses

* Entities classified as Non-current assets held for sale on 31 December 2023 and expected to be sold in 2024.

Company and country	Percentage of shares owned	Activity
Pitarco Energia, S.L.U., Spain	100%	Renewables & New Businesses
Ventinveste, S.A., Portugal	100%	Renewables & New Businesses
Parque Eólico de Vale Grande, S.A., Portugal	100%	Renewables & New Businesses
Titan 2020, S.A.U., Spain	100%	Renewables & New Businesses
Renovables Spínola I, S.L.U., Spain	100%	Renewables & New Businesses
Energia de Suria, S.L.U., Spain	100%	Renewables & New Businesses
Energia Faetón, S.L.U., Spain	100%	Renewables & New Businesses
Logro Solar, S.L.U., Spain	100%	Renewables & New Businesses
Ictio Solar Orion, S.L.U., Spain	100%	Renewables & New Businesses
Navabuena Solar, S.L.U., Spain	100%	Renewables & New Businesses
PV XXVI Rescesvinto, S.L., Spain	100%	Renewables & New Businesses
Ictio Toledo Solar, S.L.U., Spain	100%	Renewables & New Businesses
Ictio Solar, S.L.U., Spain	100%	Renewables & New Businesses
Ictio Solar Auriga, S.L.U., Spain	100%	Renewables & New Businesses
Ictio Manzanares Solar, S.L.U., Spain	100%	Renewables & New Businesses
Caliza Solar, S.L.U., Spain	100%	Renewables & New Businesses
Taburete Solar, S.L.U., Spain	100%	Renewables & New Businesses
PV XXIX Égica, S.L.U., Spain	100%	Renewables & New Businesses
Ahín PV Solar, S.L.U., Spain	100%	Renewables & New Businesses
Ictio Solar Andrómeda, S.L.U., Spain	100%	Renewables & New Businesses
Ictio Solar Berenice, S.L.U., Spain	100%	Renewables & New Businesses
Alcañiz Solar, S.L.U., Spain	100%	Renewables & New Businesses
Ictio Solar Perseus, S.L.U., Spain	100%	Renewables & New Businesses
Instalaciones y Servicios Spínola I, S.L.U., Spain	100%	Renewables & New Businesses
Instalaciones y Servicios Spínola II, S.L.U., Spain	100%	Renewables & New Businesses
Energia Sierrezuela, S.L.U., Spain	100%	Renewables & New Businesses
Titan 2020 PV, S.L.U., Spain	100%	Renewables & New Businesses
Palabra Solar, S.L.U., Spain	100%	Renewables & New Businesses
Planta Solar Alcázar 1, S.L.U., Spain	100%	Renewables & New Businesses
Planta Solar Alcázar 2, S.L.U., Spain	100%	Renewables & New Businesses
PE Valdecarro, S.L.U., Spain	100%	Renewables & New Businesses
Energías Ambientales de Soria, S.L.U., Spain	100%	Renewables & New Businesses
El Robledo Eólica, S.L.U., Spain	100%	Renewables & New Businesses

Activity: 🔴 Upstream 🔴 Industrial & Energy Management 🟡 Commercial 🟢 Renewables & New Businesses 🟣 Others

Company and country	Percentage of shares owned	Activity
Ribagrande Energia, S.L.U., Spain	100%	🟢
Valdelagua Wind Power, S.L.U., Spain	100%	🟢
Escarnes Solar, S.L.U., Spain	100%	🟢
Envitero Solar, S.L.U., Spain	100%	🟢
Mocatero Solar, S.L.U., Spain	100%	🟢
Escatrón Solar, S.L.U., Spain	100%	🟢
Ignis Solar Uno, S.L.U., Spain	100%	🟢
Emoción Solar, S.L.U., Spain	100%	🟢
Mediomonte Solar, S.L.U., Spain	100%	🟢
Esplendor Solar, S.L.U., Spain	100%	🟢
Hazaña Solar, S.L.U., Spain	100%	🟢
Talento Solar, S.L.U., Spain	100%	🟢
Petrogal Subgroup		
Petrogal, S.A., Portugal	100%	🔴 🟡
Petrogal, S.A. (Branch in Spain), Spain	-	🟡
Galp Energia España, S.A.U., Spain	100%	🟡
Galpgest – Petrogal Estaciones de Servicio, S.L.U., Spain	100%	🟡
Galp Energia Independiente, S.L.U. (ex-Recule Investments SL), Spain	100%	🟡
Galp Energia Independiente SL (Branch in Portugal), Portugal	-	🟡
EI Galp, S.A. (ex-Perfeito e Empolgante, S.A.), Portugal	100%	🟡
Galp Açores S.A., Portugal	100%	🟡
Saaga – Sociedade Açoreana de Armazenagem de Gás, S.A., Portugal	68%	🟡
Galp Madeira S.A., Portugal	100%	🟡
CLCM – Companhia Logistica de Combustíveis da Madeira, S.A., Portugal	75%	🟡
Sacor Marítima, S.A., Portugal	100%	🔴
C.L.T. – Companhia Logística de Terminais Marítimos, S.A., Portugal	100%	🔴
Sempre a Postos – Produtos Alimentares e Utilidades, Lda., Portugal	75%	🟡
Tanquisado – Terminais Marítimos, S.A., Portugal	100%	🔴
Galpgeste – Gestão de Áreas de Serviço, S.A., Portugal	100%	🟡
Portcogeração, S.A., Portugal	100%	🔴
Galp Marketing Internacional, S.A., Portugal	100%	🟡

Company and country	Percentage of shares owned	Activity
Petrogal Guiné-Bissau, Lda., Guinea-Bissau	100%	🟡
Petromar – Sociedade de Abastecimentos de Combustíveis, Lda., Guinea-Bissau	80%	🟡
Petrogás – Importação, Armazenagem e Distribuição de Gás, Lda., Guinea-Bissau	65%	🔴
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda., Guinea-Bissua	90%	🔴
Empresa Nacional de Combustíveis – Enacol, S.A.R.L, Cape Verde*	48%	🟡
Enamar – Sociedade Transportes Marítimos, Sociedade Unipessoal, S.A., Cape Verde	48%	🔴
Petrogal Moçambique, Lda., Mozambique	100%	🟡
Galp Moçambique, Lda., Mozambique	100%	🟡
Galp Moçambique, Lda. (Branch in Malawi), Malawi	-	🟡
Galp Eswatini (PTY) Limited, Eswatini	100%	🟡
Petrogal Angola, Lda., Angola	100%	🟡
Galp Gás Natural, S.A., Portugal	100%	🔴 🟡
GDP – Gás de Portugal, S.A. (ex-Transgás Armazenagem, S.A.), Portugal	100%	🟡
Transgás, S.A., Portugal	100%	🟡
Lisboagás Comercialização, S.A., Portugal	100%	🟡
Lusitaniagás Comercialização, S.A., Portugal	100%	🟡
Setgás Comercialização, S.A., Portugal	100%	🟡
Agroger – Sociedade de Cogeração do Oeste, S.A., Portugal	100%	🔴
LGA – Logística Global de Aviação, Lda, Portugal	60%	🔴

* During 2023 Enacolgest merged with Enacol, S.A.. The Group controls Enacol's financial and operational policies and is expected to continue to do so by means of a representative majority of votes at the Board of Directors' meetings.
[1] 73.24% of the interest held by Galp Energia E&P, BV and 26.76% held by Petrogal, S.A.
[2] 61.84% of the interest held by Galp Energia E&P, BV and 38.16% held by Galp West Africa, S.A.
[3] 53.24% of the interest held by Fornax Energy, SLU, 7.14% held by Duplexia Experts, SL and 7.14% held by Gastroselector Market, SL.

Unincorporated joint operations

Joint operations – Oil Consortia

Consortium	Galp's participation interest
Oil Consortium in Brazil	
BM-S-8	20%

Joint operations – Oil Consortia

Consortium	Galp's participation interest
BM-S-11	10%
BM-S-11 A[1]	10%
BM-S-24[2]	20%
BAR-300	10%
BAR-342	10%
BAR-344	10%
BAR-388	10%
Carcará Norte	20%
Block Uirapuru	14%
Cabinuas	10%
Oil Consortium in Mozambique	
Area 4	10%
Oil Consortium in Namibia	
PEL83	80%
Oil Consortium in São Tomé and Príncipe	
Block 6	45%
Block 11	20%
Block 12	41%
Oil Consortium in Angola	
Block 14**	9%
Block 14K**	4.5%
Block 32**	5%
Sonagas*	10%
Oil Consortium in Uruguay*	
Area 3	20%
Area 4	20%

* Joint operations with no activity during 2023 and in process of closing
** In sales process
[1] Includes the field Atapú (Galp share 1.7%)
[2] Includes the field Sépia (Galp share 2.4%)

Incorporated Joint Operations

Activity: • Upstream • Industrial & Energy Management • Commercial • Renewables & New Businesses • Others

Company and country	Percentage of shares owned	Activity
Sigás – Armazenagem de Gás, A.C.E., Portugal	60.00%	• Industrial & Energy Management
Pergás – Armazenamento de Gás, A.C.E., Portugal	51.00%	• Industrial & Energy Management
Comunidad de Bienes Chiprana Este, Spain	100.00%	• Renewables & New Businesses
Comunidad de Bienes Jarrina, Spain	100.00%	• Renewables & New Businesses
Comunidad de Bienes Aragon Sul, Spain	100.00%	• Renewables & New Businesses
Comunidad de Bienes Samper de Calanda, Spain	100.00%	• Renewables & New Businesses
Comunidad de Bienes Peaker, Spain	83.33%	• Renewables & New Businesses
Comunidad de Bienes El Corralito, Spain	68.08%	• Renewables & New Businesses
Multiservicios Galp Barcelona, Spain	50.00%	• Commercial

Joint Ventures

Activity: • Upstream • Industrial & Energy Management • Commercial • Renewables & New Businesses • Others

Company and country	Percentage of shares owned	Activity
Tupi B.V., The Netherlands*	6.48%	• Upstream
Iara B.V., The Netherlands*	1.20%	• Upstream
Coral FLNG, S.A., Mozambique*	10.00%	• Industrial & Energy Management
Coral South FLNG DMCC, United Arab Emirates*	10.00%	• Industrial & Energy Management
Rovuma LNG, S.A., Mozambique*	10.00%	• Industrial & Energy Management
Rovuma LNG Investments (DIFC) LTD., United Arab Emirates*	10.00%	• Industrial & Energy Management
C.L.C. – Companhia Logística de Combustíveis, S.A., Portugal*	65.00%	• Industrial & Energy Management
Asa – Abastecimento e Serviços de Aviação, Lda., Portugal	50.00%	• Industrial & Energy Management
Aurora Lith, S.A., Portugal	50.00%	• Renewables & New Businesses
Talar Renewable Energy, S.L., Spain	50.00%	• Renewables & New Businesses

*Galp has joint control for the selected entities even if it holds more or less than 50% of the shares by means of a Shareholder agreement that conveys substantive power to conclude joint control for the joint shareholder or Galp.

Investment in Associates

Activity: • Upstream • Industrial & Energy Management • Commercial • Renewables & New Businesses • Others

Company and country	Percentage of shares owned	Activity
Aero Serviços, SARL – Sociedade Abastecimento de Serviços Aeroportuários, Guinea-Bissau*	50.00%	•
EMPL – Europe Maghreb Pipeline, Ltd, Spain	22.80%	•
Galp IPG Matola Terminal Lda, Mozambique	45.00%	•
Geo Alternativa, S.L., Spain	25.00%	•
IPG Galp Beira Terminal Lda, Mozambique	45.00%	•
Metragaz, S.A., Marocco	22.64%	•
Sodigás-Sociedade Industrial de Gases, S.A.R.L, Cape Verde	23.05%	•
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda., Angola	49.00%	•
Hytlantic, S.A., Portugal	28.50%	•
Terparque – Armazenagem de Combustíveis, Lda., Portugal	15.90%	•
Imopetro – Importadora Moçambicana de Petróleos, Lda, Mozambique	5.88%	•
CMD – Aeroportos Canarios S.L., Spain***	15.00%	•
SABA – Sociedade abastecedora de Aeronaves, Lda., Portugal	25.00%	•
Belem Bioenergia Brasil, S.A., Brazil	49.99%	•
Galp Gás Natural Distribuição Subgroup		
Floene Energias, S.A. (ex-Galp Gás Natural Distibuição, S.A.), Portugal**	2.49%	•
Beiragás – Companhia de Gás das Beiras, S.A., Portugal**	1.48%	•
Dianagás – Soc. Distrib. de Gás Natural de Évora, S.A., Portugal**	2.49%	•
Duriensegás – Soc. Distrib. de Gás Natural do Douro, S.A., Portugal**	2.49%	•
Lisboagás – Sociedade Distribuidora de Gás Natural de Lisboa, S.A., Portugal**	2.49%	•
Lusitaniagás – Companhia de Gás do Centro, S.A., Portugal**	2.42%	•
Medigás – Soc. Distrib. de Gás Natural do Algarve, S.A., Portugal**	2.49%	•
Paxgás – Soc. Distrib. de Gás Natural de Beja, S.A., Portugal**	2.49%	•
Setgás – Sociedade de Produção e Distribuição de Gás, S.A., Portugal**	2.49%	•
Tagusgás – Empresa de Gás do Vale do Tejo, S.A., Portugal**	2.47%	•

* Galp has significant influence even though it holds 50%, of the shares of Aero Serviços SARL.
** Galp has significant influence even though it holds less then 20% of the shares.
*** The shares held on CMD (15%) results of a liquidation process of former entity Galp Disa Aviación whereas Galp had a stake of 50%

32. Subsequent events

Accounting policy

Events occurring after the date of the financial statements and which provide indications of conditions that exist after the date of the financial statements, if material, are disclosed in the Notes to the consolidated financial statements.

Shares buyback programme 2024

On 12 February 2024, Galp has announced the start of a €350 m share repurchase of Galp Energia SGPS, S.A. shares with the purpose to reduce the issued share capital of the Company, following the capital allocation guidelines related to the 2023 fiscal year and the authorisations in place. The buyback is planned to be done in 2024. In addition, Galp's Board of Directors has approved a share-based remuneration plan as part of the Company's long-term incentives. Hence, Galp will also repurchase shares for such purpose, up to 1% of the share capital as per the authorisations in place.

Namibia Exploration (PEL 83)

Galp together with its partners, has drilled and logged the first exploration well (Mopane-1X) in block PEL83, offshore Namibia, which had begun in November 2023.

Galp confirmed on 10 January 2024 the discovery of a significant column of light oil in reservoir-bearing sands of high quality. In addition, on 14 March 2024, Galp has successfully drilled the second exploration well (Mopane-2X), discovering a significant column with light oil in reservoirs of high quality.

No impact on the Consolidated Statement of Income, Consolidated Statements of Financial Position or Consolidated Statement of Cash Flows from the events mentioned above.

33. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors on 5 April 2024. However, they are still subject to approval by the General Meeting of Shareholders, in accordance with the commercial law applicable in Portugal.

Chairman:

Paula Amorim

Vice-chair and Lead Independent Director:

Adolfo Mesquita Nunes

Vice-chair and CEO:

Filipe Silva

Members:

Maria João Carioca

Georgios Papadimitriou

Ronald Doesburg

Rodrigo Vilanova

João Diogo Silva

Marta Amorim

Francisco Teixeira Rêgo

Carlos Pinto

Jorge Seabra de Freitas

Rui Paulo Gonçalves

Diogo Tavares

Cristina Neves Fonseca

Javier Cavada Camino

Cláudia Almeida e Silva

Fedra Ribeiro

Ana Zambelli

Accountant:

Cátia Cardoso

34. Explanation regarding translation

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

Building a better working world

Ernst & Young
Audit & Associados - SROC, S.A.
Avenida da Índia, 10 – Piso 1
1349-066 Lisboa
Portugal

Tel: +351 217 912 000
www.ey.com

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

Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Galp Energia, SGPS, S.A. (the Group or Galp), which comprise the Consolidated Statement of Financial Position as at 31 December 2023 (showing a total of 16.606 million of euros and a total equity of 5.329 million of euros, including a net profit for the year of 1.451 million of euros), and the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flow for the year then ended, and Notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Galp Energia, SGPS, S.A. as at 31 December 2023, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. We are independent of the entities comprising the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the current year audit are the following:

1. Recoverability of non-current assets, including the potential impacts of climate change and energy transition

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As of December 31, 2023, the amount of non-current assets recognized in the Group's consolidated financial statements totals 6.688 million euros, of which 3.860 million euros are in the Upstream segment (Notes 5 and 6). Auditing the recoverability of non-current assets is subjective due to the significant amount of judgement involved in determining whether indicators of impairment or impairment reversal exist, particularly for longer term assets. Indicators should reflect significant upward or downward revisions in assumptions impacting the future potential long-term value of an asset, rather than drivers of short-term fluctuations in value. Key judgements in determining whether indicators of impairment or impairment reversal exist include changes in forecast commodity price and refining margin assumptions, movements in oil and gas reserves, the expected useful lives of assets, changes in asset performance and future development plans, including those relating to Group's carbon emission reduction targets. As described in Notes 2 and 5, the most complex of these judgements relate to management's view on the long-term oil and gas price outlook. Forecasting future prices is inherently difficult, as	Our approach included the following procedures: ► Understanding and evaluating management´s process for defining cash-generating units and for the identification of indicators of impairment and reversals of impairment. ► Related to oil and gas price projections and refining margins our procedures included: ► Assessing the reasonableness of future short and long-term oil and gas price assumptions by comparing these to an independently developed reasonable range of forecasts based on consensus analysts' forecasts and those adopted by other energy companies; ► Comparing Galp's oil and gas price scenarios to the IEA's Net Zero Emissions 2050 (NZE) and to the IEA's Announced Pledges Scenario (APS) price assumptions as potential contradictory evidence for best estimates of future oil and gas prices. The APS assumes that all climate commitments made by governments around the world, including Nationally Determined Contributions (NDCs) and longer-term net zero targets, will be met in full and on time; and ► Evaluating the reasonableness of Galp's refining margin assumptions by comparing these to independent market and consultant forecast. ► Related to oil and gas reserves our procedures included: ► Assessing the professional qualifications, independence and objectivity of Management's independent expert responsible for preparing the oil and gas reserves estimate and comparing the certified volumes with those included in the impairment analyses and prior year estimates; ► Performing back-testing of historical data to identify indications of estimation bias over time; and ► In order to assess the risk of the reserves not ultimately being produced we analyzed the carbon intensity of Galp's Upstream segment assets, focusing on those with higher carbon intensity and assessing the potential impact on the long-term value of these assets.

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
it requires forecasts that reflect developments in demand such as global economic growth, technology efficiency, policy measures and, on the supply side, consideration of investment and resource potential, cost of development of new supply and behavior of major resource holders. These judgements are particularly difficult because of increased demand uncertainty and pace of decarbonization due to climate change and the energy transition.	► Related to individual assets impairment assessments our procedures included: ► Separately from management, for material assets, assessing whether or not indicators of impairment or reversal triggers exist and considered the existence of contradictory evidence, such as public comments or commitments made by Galp in relation to its energy transition strategy and whether these could impact the recoverable amount of any of Group's assets; ► Challenging management's identification of CGUs based on industry practice and how cash flows are generated; ► Testing the Group discount rates, with the support of our professionals with specialized knowledge in valuations, through comparison with relevant market and industry data; ► Where triggers were identified, assessing the most relevant inputs to the impairment assessment by comparing asset forecasts to Group's business plan and life fields plans, historical actuals and other independent expectations. We also performed a consistency check on the assumptions to other assumptions applied by the Group, including those related to Galp's carbon reduction targets; ► Testing the model integrity of material impairment assessments; and ► Performing sensitivity analyses on critical assumptions of the impairment analyses, namely on future oil and gas prices, refining margins, $CO2$ prices and oil and gas reserves. ► Related to exploration and evaluation (E&E) assets our procedures included, assessing the recoverability risk of these assets against the impairment criteria within IFRS 6 Exploration for and Evaluation of Mineral Resources, challenging management on the likelihood of progressing these assets, including the strategic fit of the assets, planned capex and project economics, considering Group's energy transition targets. We have assessed the disclosures in Notes 5 and 6 related to non-current assets, including the sensitivity of the carrying value of assets to changes in future oil and gas price assumptions.

2. Accounting for complex transactions within Galp's Energy Management Function and the valuation of derivative financial instruments

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As described in Note 19, Galp recognised commodity derivatives assets of 261 million euros and commodity derivatives liabilities of 199 million euros, having recognized non-realized losses and realized gains on derivative financial instruments of 23 million euros and 47 million euros, respectively. Galp's Energy Management function, which is integrated within the different group's business offices and its financial contribution reported under the Industrial and Midstream segment, executes and settles a significant number of trades a day across multiple geographic locations. The volume and complexity of these transactions have increased year on year as Galp's Energy Management undertakes an important role in Galp's energy supply activities and the value maximization of the supply and trading of all products. The IT environment supporting the function is complex which mandates timely control activities. The global regulatory requirements for commodity traders continue to increase, which, together with the increase in complexity of trades, means there is greater financial, reputational and operational risk within the business. Auditing unrealized trading gains and losses is complex because of the significant judgement used in determining the appropriate accounting treatment, and the key assumptions used in valuing the trades. Trading is not always carried out in active markets where prices are readily available, increasing subjectivity used in determining the pricing curve and volatility assumptions, which are key inputs to valuing the trades. Furthermore, the business inherent risks may create the opportunity for unauthorized trading activity or deliberate misstatement of Galp's trading positions or mismarking of positions. This creates a risk of	Our approach included the following procedures: ► Understanding and evaluating Energy Management function's processes and controls; ► Testing the completeness of the complex deal register, to ensure it contained all material, complex and long dated trades; ► Obtaining an understanding of the commercial rationale of complex and long-dated deals by analyzing transaction documentation and agreements, and through discussions with management; ► Assessing the compliance of accounting policies for derivative financial instruments with the principles of IFRS 9 Financial instruments, including assessment of the designation of qualifying cash flow hedges; ► Analyzing, through analytical review procedures, of balances related to derivative financial instruments in order to confirm whether the changes occurred are consistent with the expectations formed, taking into account changes in the business environment and in the prices of major commodities and the number of transactions; ► Testing the forward pricing curve and other relevant assumptions in management's valuation models, including comparisons to external broker quotes, market consensus providers and our independent assessments; ► Involving specialists to assist us in performing independent testing of complex valuation models used for the valuation of derivatives that do not have quoted prices and whose valuation is based on predominantly unobservable inputs (Level 3) on fair value hierarchy. Our testing was based on independently sourced inputs from external broker quotes and benchmarking for certain unobservable parameters; ► Reconciling, on a sample basis, of open positions at the date of the consolidated statement of financial position with independent or counterparty statements; and ► Review, reconciliation and verification of the adequacy and consistency of the calculations performed by the information systems and spreadsheets relating to derivative financial instruments.

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
understated trading losses, overstated trading profits and/or individual bonuses being manipulated through inappropriate inter-period profit/loss allocations.	We have reviewed of the adequacy of disclosures related to derivative financial instruments and hedge accounting (Notes 19, 20 and 27), including those related to fair value, in accordance with applicable accounting standard.

3. Termination of refining activities in Matosinhos

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As announced in December 2020, Galp has decided to concentrate its refining activities in Sines, discontinuing refining operations in Matosinhos. Subsequently, Galp announced a protocol with the municipality of Matosinhos and CCDR-N, to jointly develop an integrated solution aimed at creating an innovation district that will renovate the area where the refinery was installed. In October 2023, the Group has initiated the demolition work of the Matosinhos refinery following the first phase of the deactivation plan submitted to the Portuguese Environment Agency, having updated the expected future financial impacts based on the most updated information. Accordingly, at December 31, 2023, the Group carries a provision for dismantling, decommissioning and decontamination of the Matosinhos refinery in the amount of 269 million euros (Note 18). The materiality of the amounts and the degree of judgement associated with (i) assessing the recoverable amount of certain assets located at the Matosinhos refinery in the context of their future use and (ii) estimating closure costs, namely due to the limited past experience in activities considered reference for future cost estimates, which often depend on the extent of the contamination of the assets	Our approach included the following procedures: ► Understanding Galp's updated plan for the discontinuation of the refining operations in Matosinhos, including interactions with Galp's team specially created for this purpose, with special focus on the changes from the previous year and the adaptation of the park area to the operational requirements considering its future use; ► Testing the completeness of assets subject to impairment and assessing the reasonableness of the assumptions and significant judgements underlying the determination of its recoverable amount. For assets not subject to impairment we've assessed the existence of potential impairment indicators, namely by understanding their future use and projecting the recoverable amount of these assets based on technical documentation; ► Understanding the process and assumptions used by management for determining changes to the estimate of costs to be incurred with the dismantling, decommissioning and decontamination. Our procedures included assessing the consistency of this estimate with the technical evaluation performed by the independent experts and industry practice; ► Evaluating the reasonableness of the key data and assumptions used in determining future closure costs, namely: (i) size of the industrial area and tank storage capacity, comparing this data with available public sources or technical documentation; (ii) cost drivers, by reviewing studies and documentation related to previously decommissioned facilities or sites;

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
to be decommissioned, the impact and timing of the necessary corrective actions as well as environmental requirements that must be followed, justify that this was considered as a key audit matter.	► Assessing the professional qualifications and objectivity of the Management independent experts responsible for preparing the cost estimate for decontamination and decommissioning; ► Reviewing contracts and other documentation (including research on any litigations and claims against the Group) to assess potential obligations or disclosures of contingent liabilities; and ► Assessing the reasonableness of the measurement criteria for the provision taking into consideration the expected timing of the activities and the reasonableness of the discount rate, for which we engaged our professionals with specialized knowledge in valuations. We have verified the appropriateness of the disclosures presented in Note 18, in accordance with applicable accounting standards.

Responsibilities of management and the supervisory board for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that presents a true and fair view of the Group´s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union;
- the preparation of the Integrated Management Report, the Corporate Governance Report, the consolidated non-financial statement and the remuneration report, in accordance with the applicable legal and regulatory requirements;
- designing and maintaining an appropriate internal control system to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Group´s ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group 's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, including the supervisory body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- we also provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, which measures have been taken to eliminate the threats or which safeguards have been applied.

Our responsibility includes the verification of the consistency of the Integrated Management Report with the consolidated financial statements, and the verifications under nr. 4 and nr. 5 of article 451 of the Commercial Companies Code in matters of corporate governance, as well as the verification that the consolidated non-financial statement and the remuneration report have been presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Integrated Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Integrated Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatement.

On the Corporate Governance Report

Pursuant to article 451, nr. 4, of the Commercial Companies Code, it is our understanding that the Corporate Governance report, includes the information required the Group to provide as per article 29-H of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and l) of the nº1 of the referred article.

On non-financial information

Pursuant to article 451, nr. 6, of the Commercial Companies Code, we hereby inform that the Group has prepared a report separate from the Integrated Management Report, which includes the consolidated non-financial information, as provided for in Article 508-G of the Commercial Companies Code, and has been disclosed together with the Integrated Management Report.

On the Remuneration Report

Pursuant to article 26-G, nr. 6, of the Securities Code, we inform that the Group has included in an autonomous chapter in its Corporate Governance Report the information provided for in nr. 2 of the referred article.

On additional items set out in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed as auditors of the Galp Energia SGPS, S.A. (Group's parent entity) for the first time in the shareholders' general meeting held on 12 April 2019 for a mandate from 2019 to 2022. We were reappointed in the shareholders' general meeting held on 3 May 2023 for a second mandate from 2023 to 2026.
- Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work we have not identified any material misstatement to the financial statements due to fraud;
- We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the supervisory body of the Entity on 5 April 2024; and
- We declare that we have not provided any prohibited services as described in article 5, of the Regulation (EU) nr. 537/2014, of the European Parliament and of the Council, of 16 April 2014 and we have remained independent of the Entity in conducting the audit.

European Single Electronic Format (ESEF)

Galp Energia, SGPS, S.A.'s consolidated financial statements for the year ended 31 December 2023 must comply with the applicable requirements set out in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (the "ESEF Regulation").

Management is responsible for preparing and disclosing the annual report in accordance with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements, included in the annual report, are presented in accordance with the requirements set out in the ESEF Regulation.

Our procedures considered the Institute of Statutory Auditors' Technical Application Guide on ESEF reporting and included, among others:

- Obtaining an understanding of the financial reporting process, including the presentation of the annual report in valid XHTML format; and
- Identifying and assessing the risks of material misstatement associated with marking up the consolidated financial statement information in XBRL format using iXBRL technology. This assessment was based on an understanding of the process implemented by the Group to mark up the information.

In our opinion, the consolidated financial statements included in the annual report are presented, in all material respects, in accordance with the requirements set out in the ESEF Regulation.

Lisbon, 5 April 2024

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

(Signed)

Rui Abel Serra Martins - ROC n.º 1119
Registered with the Portuguese Securities Market Commission under license nr. 20160731

Statement of financial position

Galp Energia, SGPS, S.A.

Statement of financial position as at December 31, 2023 and December 31, 2022

(Amounts stated in thousand Euros – €k)

	Notes	2023-12	2022-12
Right-of-use assets	6	165	137
Investments in subsidiaries, associates and joint ventures	9	5,870,011	3,914,942
Deferred tax assets	16	181	181
Other receivables	11	90	90
Other financial assets	12	150	1,332,850
Non-current assets		**5,870,597**	**5,248,199**
Other financial assets	12	122,766	1,079,780
Trade receivables	11	787	3,718
Other receivables	11	5,144	10,080
Current income tax receivable	16	182,934	344,227
Cash and cash equivalents	13	288,918	459,061
Current assets		**600,549**	**1,896,866**
Total assets		**6,471,146**	**7,145,065**
Share capital and share premium	22	773,083	897,117
Reserves	22	188,092	193,828
Retained earnings		813,800	1,143,543
Total equity		**1,774,975**	**2,234,488**
Financial debt	14	2,418,067	2,880,302
Lease liabilities	6	96	68
Other payables	15	1,433	2,106
Non-current liabilities		**2,419,596**	**2,882,476**
Financial debt	14	428,457	767,400
Lease liabilities	6	73	72
Trade payables	15	980	472
Other payables	15	41,113	35,391
Current income tax payable	16	136,240	331,376
Other financial liabilities	12	1,669,714	893,389
Current liabilities		**2,276,577**	**2,028,101**
Total liabilities		**4,696,171**	**4,910,577**
Total equity and liabilities		**6,471,146**	**7,145,065**

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

Income statement and statement of comprehensive income

Galp Energia, SGPS, S.A.

Income statement and statement of comprehensive income for the years ended December 31, 2023 and December 31, 2022

(Amounts stated in thousand Euros – €k)

	Notes	2023-12	2022-12
Services rendered	23	9,002	10,363
Other operating income	23	4,041	269
Financial income	23 and 26	112,659	58,209
Earnings from associates and joint ventures	9 and 23	468,220	1,020,187
Total income and gains		**593,921**	**1,089,028**
Supplies and external services	24	(5,631)	(4,776)
Employee costs	24 and 25	(6,267)	(8,293)
Amortization, depreciation and impairment losses on fixed assets and right-of-use	6 and 24	(85)	(74)
Other operating expenses	24	(804)	(1,221)
Financial expenses	24 and 26	(152,018)	(68,479)
Total expenses and losses		**(164,805)**	**(82,843)**
Profit/(Loss) before taxes and other contributions		**429,116**	**1,006,185**
Income tax	16	8,528	2,223
Net profit for the year		**437,644**	**1,008,408**
Basic Earnings per share (in Euros)		**0.55**	**1.24**
Diluted Earnings per share (in Euros)		**0.55**	**1.24**
Net profit for the year		**437,644**	**1,008,408**
Total comprehensive income for the year		**437,644**	**1,008,408**

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

Statement of changes in equity

Galp Energia, SGPS, S.A.

Statement of changes in equity for the years ended December 31, 2023 and December 31, 2022

(Amounts stated in thousand Euros – €k)

	Notes	Share capital	Own shares	Share premium	Reserves	Retained earnings	Net profit for the year	Total
Balance as at 1 January 2022		**829,251**	**0**	**82,006**	**193,828**	**191,206**	**500,387**	**1,796,676**
Net profit for the year		0	0	0	0	0	1,008,408	1,008,408
Comprehensive income for the year		**0**	**0**	**0**	**0**	**0**	**1,008,408**	**1,008,408**
Dividends distributed	22	0	0	0	0	(420,446)	0	(420,446)
Increase/Decrease in Reserves through distribution of profit		0	0	0	0	500,387	(500,387)	0
Repurchase of shares		0	(150,151)	0	0	0	0	(150,151)
Cancelling of shares		(14,139)	150,151	0	0	(136,012)	0	0
Balance as at 31 December 2022		**815,112**	**0**	**82,006**	**193,828**	**135,134**	**1,008,408**	**2,234,488**
Balance as at 1 January 2023		**815,112**	**0**	**82,006**	**193,828**	**135,134**	**1,008,408**	**2,234,488**
Net profit for the year		0	0	0	0	0	437,644	437,644
Comprehensive income for the year		**0**	**0**	**0**	**0**	**0**	**437,644**	**437,644**
Dividends distributed	22	0	0	0	0	(422,226)	0	(422,226)
Increase/Decrease in Reserves through distribution of profit		0	0	(82,006)	(30,805)	1,121,219	(1,008,408)	0
Repurchase of shares		0	(500,000)	0	0	0	0	(500,000)
Cancelling of shares		(42,029)	500,000	0	0	(457,971)	0	0
Long-term Incentives		0	0	0	25,069	0	0	25,069
Balance as at 31 December 2023		**773,083**	**0**	**0**	**188,092**	**376,155**	**437,644**	**1,774,975**

The accompanying notes are an integral part of statement of changes in equity and should be read in conjunction.

Statement of cash flows

Galp Energia, SGPS, S.A.

Statement of cash flows for the years ended December 31, 2023 and December 31, 2022

(Amounts stated in thousand Euros – €k)

	Notes	2023-12	2022-12
Cash received from customers		19,694	16,413
Cash paid to suppliers		(10,138)	(9,779)
Cash paid to employees		(3,272)	(3,589)
Income tax received/(paid)		(25,720)	(1,979)
Other (payments)/receipts from operating activities		(7,121)	(18,687)
Dividends received		468,420	1,020,187
Cash flows from operating activities (1)		**441,862**	**1,002,566**
Cash receipts relating to:			
Financial investments		920,000	0
Interest and similar income		92,558	37,404
Loans granted		996,932	17,225
Cash payments relating to:			
Financial investments		(1,517,500)	(817,421)
Loans granted		(21,027)	(771,788)
Cash flows from investment activities (2)		**470,963**	**(1,534,580)**
Cash receipts relating to:			
Interest-bearing liabilities		2,025,985	6,542,678
Cash payments relating to:			
Repurchase of shares	22	(500,000)	(150,150)
Interest-bearing liabilities	14	(2,114,187)	(5,714,774)
Interests on interest-bearing liabilities		(90,593)	(35,894)
Interests and similar expenses		(1,918)	(8,407)
Leases	6	(86)	(74)
Leases interest	6	(4)	(5)
Dividends/profit distribution		(422,226)	(420,446)
Cash flows from financing activities (3)		**(1,103,029)**	**212,927**
(Decrease)/Increase in cash and cash equivalents (4) = (1) + (2) + (3)		(190,203)	(319,087)
Effect of exchange rate change on cash and cash equivalents		(21)	2,336
Cash and cash equivalents at the beginning of the year		459,061	775,812
Cash and cash equivalents at the end of the year		**268,837**	**459,061**

The accompanying notes are an integral part of the statement of cash flows and should be read in conjunction.

Notes to the financial statements

1. Corporate information

Galp Energia, SGPS, S.A. (hereinafter referred to as "Galp" or the "Company"), was incorporated as a government-owned corporation under Decree-Law 137-A/99 of 22 April 1999, under the name Galp – Petróleos e Gás de Portugal, SGPS, S.A., having adopted its current designation of Galp Energia, SGPS, S.A. on 13 September 2000.

The Company's registered office is in Lisbon and its main purpose is the management of other companies having, as of the date of its incorporation, taken control of the Portuguese state's direct shareholdings in the following companies: Petróleos de Portugal – Petrogal, S.A. (currently named Petrogal, S.A.); GDP — Gás de Portugal, SGPS, S.A. (currently named Galp New Energies, S.A.) and Transgás – Sociedade Portuguesa de Gás Natural, S.A. (currently named Galp Gás Natural, S.A.).

The Company's corporate purpose is to manage shareholdings of other companies in the energy sector, as an indirect way of carrying out economic activities.

During the previous years, the Company shareholders positions suffered several changes and the Company shareholder position as at December 31, 2023 is stated in Note 22.

Part of the Company's shares, representing 92% of its share capital, are listed on the Euronext Lisbon stock exchange.

2. Material information on accounting policies, estimates and judgements

Basis of presentation

The Company's financial statements were prepared on a going concern basis, at historical cost, except for financial derivative instruments, which are stated at fair value, based on the accounting records of the Company, maintained in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), effective for the year beginning 1 January 2023. These standards comprise International Financial Accounting Standards ("IFRS") issued by the International Accounting Standard Board ("IASB") and International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and related interpretations – SIC and IFRIC, issued by the Standing Interpretation Committee ("SIC") and International Financial Reporting Interpretation Committee ("IFRIC"). These standards and interpretations are hereinafter referred to as IFRS.

The Company's Board of Directors believes that the accompanying financial statements and the notes to the financial statements ensure an adequate presentation of the financial information.

The accompanying financial statements are presented in thousands of Euros (units: €k), functional currency, rounded to the nearest thousand, unless otherwise stated. Therefore, the subtotals and totals of the tables presented in these financial statements and explanatory notes may not be equal to the sum of the amounts presented, due to rounding.

Material accounting policy information is presented, according to their content, in the respective accompanying note. Material accounting policy information which are common or generic to the various notes are presented in this note.

Judgments and estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires estimates that affect the recorded amount of assets and liabilities, the disclosure of contingent assets and liabilities at the end of each year and income and expenses recognized each year. The actual results could be different depending on the estimates made.

Certain estimates are considered critical if: (i) the nature of the estimates is considered to be significant due to the level of subjectivity and judgment required to record situations in which there is great uncertainty or are very susceptible to changes in these situations; and (ii) the impact of the estimates on the financial situation or operating performance is significant.

The accounting principles and areas that require the greatest number of judgments and estimates in the preparation of the financial statements are: (i) financial investments in subsidiaries, associates and joint ventures (Note 9); (ii) impairment of accounts receivable and other financial assets (Notes 11 and 12); and (iii) deferred tax assets and estimates of uncertain tax positions (Note 16).

General accounting policies

Translation of foreign currency transactions and balances

Transactions are recorded in the Company's financial statement in its functional currency, at the exchange rates in force on the transaction date. Gains and losses resulting from differences between the exchange rates in force on the dates of the transactions and those prevailing at the date of collection, payment or at the end of the reporting period are recorded as income and/or expenses, respectively, in the income statement in the same captions where the revenue and expenses associated with these transactions are reflected, except those related to non-monetary values whose change in fair value is recorded directly in equity.

Changes in the year

In order to improve the readability of the financial position and to highlight matters that are considered relevant, in accordance with IAS 1, the statement of financial position includes a new caption "Other financial liabilities" (Note 12), which only includes the Company's loan/cash pooling liabilities with Galp Group companies. For comparative purposes, these captions were reclassified from previous year caption "Other payables" (Note 15) to the new caption "Other financial liabilities" (Note 12).

Acquisition of own shares

Own equity instruments that are reacquired (own shares or treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

On 15 February 2023, Galp initiated a share repurchase program worth €500 million.

In 15 December 2023 Galp concluded this share repurchase program. Pursuant to the conclusion of the program, Galp's Board of Directors approved the reduction of the Company's share capital through the extinction of 42,028,823 own-shares, representative of approximately 5.16% of its initial share capital as at 1 January 2023. The average repurchase price was €11.90/share.

3. Impact of the adoption of new or amended international financial reporting standards

Standards and interpretations endorsed and published by the European Union

The IFRS standards endorsed and published on the Official Journal of the European Union (OJEU) during the year ended December 31, 2023 and enforceable for accounting purposes in subsequent years are presented in the table below:

IAS Standards	Date of publication in the OJEU	Date of accounting enforcement	Enforcement year	Observations
Amendments to IFRS 16 Leases: Lease liabilities in sale and leaseback transactions (issued on September 22, 2022)	21-11-2023	01-01-2024	2024	No material accounting impact.
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current (issued on January 23, 2020); Classification of Liabilities as Current or Non-current—Deferral of Effective Date (issued on July 15, 2020); Non-current Liabilities with Covenants (issued on October 31, 2022)	20-12-2023	01-01-2024	2024	No foreseeable impact.

The IFRS standards endorsed and published in the Official Journal of the European Union (OJEU) applicable to the year 2023 are presented in the table below:

IAS Standards	Date of publication in the OJEU	Date of accounting enforcement	Enforcement year	Observations
Amendments to IAS 12 Income Taxes: International Tax Reform—Pillar Two Model Rules (issued on May 23, 2023)	09-11-2023	01-01-2023	2023	No foreseeable impact. *
Amendment to IFRS 17 Insurance Contracts: Initial application of IFRS 17 and IFRS 9—Comparative Information (issued on December 9, 2021)	09-09-2022	01-01-2023	2023	Not applicable.
Amendments to IAS 12 Income Taxes: Deferred tax related to assets and liabilities associated to a single transaction (issued on May 7, 2021)	12-08-2022	01-01-2023	2023	No foreseeable impact.
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of accounting policies (issued on February 12, 2021)	03-03-2022	01-01-2023	2023	No accounting impacts.
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure of accounting estimates (issued on February 12, 2021)	03-03-2022	01-01-2023	2023	No accounting impacts.
IFRS 17 Insurance contracts (issued on May 18, 2017); including amendments to IFRS 17	23-11-2021	01-01-2023	2023	Not applicable.

* Not yet enacted into Portuguese tax law.

4. Tangible Assets

As at December 31, 2023 and December 31, 2022, Tangible assets were fully depreciated.

5. Intangible assets

As at December 31, 2023 and December 31, 2022, Intangible assets were fully depreciated.

6. Right-of-use of assets and lease liabilities

Accounting policy

Recognition

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

The lease liability is initially measured at the present value of the lease payments that have not yet been paid up to the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot readily be determined, the Company's incremental borrowing rate. In general, the Company uses its incremental borrowing rate as the discount rate. The types of lease payments included in the measurement of the lease liability are as follow:

- fixed payments, deducted of any incentives received;
- variable lease payments, dependent on a certain rate or index;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the lessee is reasonably certain to be able to exercise; and
- payment of penalties for the early termination of a lease, unless the Company is reasonably certain not to terminate it early.

the lease liability is measured at amortized cost using the effective interest method. It is remeasured when there are changes in future payments derived from a change in the rate or index or fee, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

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

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

Short-term leases or leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for lease agreements that have lease terms of 12 months or less, and leases of low-value assets. The Company recognizes the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

Amortization

The right-of-use asset is subsequently amortized using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined as those used for the tangible assets.

Impairment

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

Accounting estimates and judgments

Useful lives, residual values of assets and discount rates

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

Impairment of Right-of-use Assets

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

The details of right-of-use assets are as follows:

Unit: €k

	Vehicles	2023-12	2022-12
Cost	436	436	322
Accumulated amortization	(270)	(270)	(186)
Total	**165**	**165**	**137**
Opening balance	**137**	**137**	**149**
Increases	114	114	62
Depreciation/Amortization	(85)	(85)	(74)
Closing balance	**165**	**165**	**137**

Lease liabilities are as follows:

Unit: €k

	2023-12	2022-12
Less than one year	76	75
One to five years	99	69
Maturity analysis — contractual undiscounted cash flows	**175**	**144**
Current	73	72
Non-current	96	68
Lease liabilities in the Statement of financial position	**168**	**141**

The amounts recognized in the income statement are as follows:

Unit: €k

	Notes	2023-12	2022-12
Lease interest	24 and 26	4	5
Expenses related to short term, low value, and variable payments of operating leases	24	105	18
		109	**23**

The amounts recognized in the statement of cash flow are as follows:

Unit: €k

	2023-12	2022-12
Payments relating to leases	(86)	(74)
Payments relating to lease interests	(4)	(5)
Financing activities	**(90)**	**(79)**

7. Grants

Not applicable.

8. Goodwill

Not applicable.

9. Investments in subsidiaries, associates and joint ventures

Accounting policy

Investments in subsidiaries and associates are recorded at the acquisition cost net of impairment losses, when applicable.

Dividends received from subsidiaries and associates are recorded in the Income Statement, when assigned. Whenever the recoverable amount determined is less than the carrying amount of the shareholding, the Company records the respective impairment loss in the same caption.

Impairment

Every impairment loss is immediately recorded in the Statement of financial position as a deduction from the value of the asset and in the Income statement under Earnings from associates and joint ventures.

The recoverable value of financial investments is estimated based on the amount in use, which is determined by updating the estimated future cash flows of the respective cash-generating unit. The recoverable amount is estimated for the cash-generating unit to which it may belong, according to the discounted cash flow method. The discount rate used in updating the discounted cash flows reflects the cash-generating unit's specific risks.

Investments in subsidiaries, associates and joint ventures are as follows:

Company	Country	Percentage of interest held	
		2023-12	2022-12
Subsidiaries:			
Galp Energia, S.A.	Portugal	100%	100%
Galp Energia E&P, B.V.	The Netherlands	100%	100%
Galp New Energies, S.A.	Portugal	100%	100%
Petrogal, S.A.	Portugal	100%	100%

Unit: €k

	Financial investments			Gains/(losses) from financial investments		
	Acquisition cost	Impairment	Net amount	Dividends	Other	Total
Investments in subsidiaries	**5,870,011**	**0**	**5,870,011**	**468,420**	**0**	**468,420**
Galp Energia, S.A.	104,272	0	104,272	0	0	0
Galp Energia E&P, B.V.	1,278,722	0	1,278,722	355,338	0	355,338
Galp New Energies, S.A.	991,805	0	991,805	113,082	0	113,082
Petrogal, S.A.	3,495,213	0	3,495,213	0	0	0
Financial assets at fair value through other comprehensive income (Note 12)				**0**	**(200)**	**(200)**
	5,870,011	**0**	**5,870,011**	**468,420**	**(200)**	**468,220**

For comparative information, please refer to the financial statements for the year ended December 31, 2022.

During the year ended December 31, 2023, the following events occurred:

- During the year ended December 31, 2023, Petrogal, S.A. repaid additional capital contributions of €920,000 k.
- During the year ended December 31, 2023, the Company increased the share capital of its subsidiary Petrogal, S.A. by €2,250,000 k.
- During the year ended December 31, 2023, the Company paid additional capital contributions of €550,000 k to its subsidiary Galp New Energies, S.A..
- During the year ended December 31, 2023, the Company paid additional capital contributions of €50,000 k to its subsidiary Galp Energia, S.A..

As part of the Long-Term Incentive Plan (Notes 22 and 25), the Company has charged the following amounts against free reserves in the cost of acquisition of its subsidiaries:

	Unit: €k
Subsidiaries:	
Galp Energia, S.A.	11,117
Galp Energia E&P, B.V.	2,255
Galp New Energies, S.A.	41
Petrogal, S.A.	11,656
	25,069

During the year ended December 31, 2023, as result of the liquidation of ISPG – Instituto de Petróleo e Gás, the Company wrote off the shareholding, recording a loss of €200 k.

10. Inventories

Not applicable.

11. Trade receivables and other receivables

Accounting policy

Accounts receivable are initially recorded at the transaction value and subsequently measured at amortized cost, less any impairment losses, recognized as Impairment losses on accounts receivable. The amortized cost of these assets does not usually differ from their nominal value or their fair value.

Trade receivables and other receivables are derecognized when the contractual rights to the cash flow expire (i.e. they are collected), when they are transferred (e.g. sold) or when they are impaired.

Accounting estimates and judgments

Impairment of accounts receivable

The Company applies the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all accounts receivable. Accounts receivable were grouped by business segment for the purposes of the assessment of expected credit losses. The credit risk of the accounts receivable balance is evaluated at each reporting date, taking into consideration the customer's credit risk profile. The credit risk analysis is based on the annual default probability and takes into account the loss in the event of default. The default probability represents an annual probability of default, reflecting the current and projected information and considering macroeconomic factors, whereas the loss in the event of default represents the expected loss when a default occurs.

Accounts receivable are adjusted for management's estimate of the collection risks as at the statement of financial position date, which may differ from the actual impairment to be incurred.

Credit Risk

For Credit Risk purposes, if trade receivables and other receivables are independently rated, these ratings are used. Otherwise, if there is no independent rating, the credit risk assessment considers the credit quality of the customer, considering its financial position, experience and other factors. Individual risk limits are set based on internal or external ratings, in accordance with limits set by the Board. Customers' compliance with credit limits is regularly monitored by Management.

For further credit risk mitigation measures, guarantees and insurance policies for eventual credit defaults are a standard part of Company's overall risk policy.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics.

Trade receivables

As at December 31, 2023 and December 31, 2022, Trade receivables are as follows:

Unit: €k

			Current
	Notes	2023-12	2022-12
Trade receivables	28	787	3,718
Trade receivables		**787**	**3,718**
Not due		787	3,718
Aging of net receivables		**787**	**3,718**

As mentioned in the policies above, trade receivables are grouped into shared credit risk characteristics and days past due. For the Company the credit risk level of accounts receivable is as follows:

Type	Risk exposure
Not due	Low
Up to 180 days past due	Medium
181 to 365 days past due	High
More than 365 days past due	Very High

Other receivables

As at December 31, 2023 and December 31, 2022, Other receivables is detailed as follows:

Unit: €k

	Notes	2023-12		2022-12	
		Current	Non-current	Current	Non-current
State and other public entities		**0**	**0**	**362**	**0**
Other receivables/other debtors		**76**	**90**	**334**	**90**
Suppliers' debit balances		101	0	45	0
Advances to suppliers		1	0	1	0
Employees		(26)	0	114	0
Other		1	90	174	90
Related parties	**28**	**13**	**0**	**0**	**0**
Contract assets		**1,235**	**0**	**5,721**	**0**
Interest receivable		0	0	3,510	0
Other accrued income		1,235	0	2,211	0
Deferred expenses		**3,820**	**0**	**3,663**	**0**
Insurance paid in advance		140	0	674	0
Other deferred expenses		3,680	0	2,989	0
Other receivables		**5,144**	**90**	**10,080**	**90**

12. Other financial assets and liabilities

Other financial assets

As at December 31, 2023 and December 31, 2022, Other financial assets is detailed as follows:

Unit: €k

	Notes	2023-12		2022-12	
		Current	Non-current	Current	Non-current
Financial assets at fair value through other comprehensive income		0	150	0	350
Financial assets not measured at fair value – Loans	28	122,766	0	1,079,780	1,332,500
		122,766	**150**	**1,079,780**	**1,332,850**

In the caption of financial assets not measured at fair value is included cashpooling operations with other related entities, which bear interest at market rates.

Financial assets at fair value through other comprehensive income are as follows:

Financial assets at fair value through other comprehensive income	Country	Percentage of interest held	
		2023-12	2022-12
ISPG Portugal	Portugal	-	66.67%
Adene – Agência para a Energia, S.A.	Portugal	10.98%	10.98%
OEINERGE – Agência Municipal de Energia e Ambiente	Portugal	1.45%	1.45%
Galp Eswatini Limited	Eswatini	0.01%	0.01%
Omegas – Soc. D'etuded du Gazoduc Magrhed – Europe	Morocco	0%	0%

Unit: €k

	Financial investments		
	Acquisition cost	Impairment	Net amount
Galp Eswatini Limited	0	0	0
Adene – Agência para a Energia, S.A.	114	0	114
OEINERGE – Agência Municipal de Energia e Ambiente	1	0	1
Omegas – Soc. D'etuded du Gazoduc Magrhed – Europe	35	0	35
Financial assets at fair value through other comprehensive income	**150**	**0**	**150**

For comparative information, please refer to the financial statements for the year ended December 31, 2022.

During the year ended December 31, 2023, as result of the liquidation of ISPG – Instituto de Petróleo e Gás, the Company wrote off the shareholding, recording a loss of €200k (Note 9).

Other financial liabilities

As at December 31, 2023 and December 31, 2022, Other financial liabilities is detailed as follows:

Unit: €k

		Current	
	Notes	2023-12	2022-12
Financial liabilities not measured at fair value – Loans	28	1,669,714	893,389
		1,669,714	**893,389**

In the caption of financial liabilities not measured at fair value is included cashpooling operations with other related entities, which bear interest at market rates.

13. Cash and cash equivalents

Accounting policy

The amounts included in Cash and cash equivalents correspond to cash values, bank deposits, time deposits and other treasury applications with maturities of less than three months, and which can be immediately mobilized with a significant risk of change in value.

For the purposes of the statement of cash flows, Cash and cash equivalents also include bank overdrafts recorded as loans and overdrafts in the statement of financial position.

For the years ended December 31, 2023 and December 31, 2022, Cash and cash equivalents is detailed as follows:

Unit: €k

	Notes	2023-12	2022-12
Cash and cash equivalents		288,918	459,061
Bank overdrafts	14	(20,081)	0
		268,837	**459,061**

14. Financial debt

Accounting policy

Loans are recorded as liabilities at the nominal value received, net of the expenses incurred on the issuance of these loans. Loans are subsequently measured at amortized cost.

Financial charges are calculated using the effective interest rate method and recorded in the income statement on an accrual basis.

Financial charges include interest and, eventually, commission expenses incurred with loan structuring.

As at December 31, 2023 and December 31, 2022, Financial debt is detailed as follows:

Unit: €k

	Notes	2023-12		2022-12	
		Current	Non-current	Current	Non-current
Bank loans		**140,081**	**841,000**	**20,000**	**1,161,000**
Loans and commercial paper		120,000	841,000	20,000	1,161,000
Bank overdrafts	13	20,081	0	0	0
Bonds and notes		**288,376**	**1,577,067**	**747,400**	**1,719,302**
Origination fees		(2,122)	(2,933)	(2,600)	(4,453)
Bonds and notes		290,498	1,580,000	750,000	1,723,756
Financial debt		**428,457**	**2,418,067**	**767,400**	**2,880,302**

Changes in debt during the year ended December 31, 2023 were as follow:

Unit: €k

	Opening balance	Loans obtained	Principal repayment	Changes in overdrafts	Foreign exchange rate differences and others	Closing balance
Bank loans	**1,181,000**	**1,100,000**	**(1,320,000)**	**20,081**	**0**	**981,081**
Loans and commercial paper	1,181,000	1,100,000	(1,320,000)	0	0	961,000
Bank overdrafts	0	0	0	20,081	0	20,081
Bonds and notes	**2,466,702**	**150,000**	**(750,000)**	**0**	**(1,260)**	**1,865,442**
Origination fees	(7,053)	0	0	0	1,997	(5,056)
Bonds	1,473,756	150,000	(250,000)	0	(3,257)	1,370,498
Notes	1,000,000	0	(500,000)	0	0	500,000
Financial debt	**3,647,702**	**1,250,000**	**(2,070,000)**	**20,081**	**(1,260)**	**2,846,523**

The average cost of financial debt for the year under review, including charges on bank overdrafts, amounted to 3.53% (1.68% in 2022).

During the year ended December 31, 2023, the Company settled the following Bonds and Notes:

Unit: €k

Settlement	Amount due	Interest rate	Maturity	Repayment
GALP ENERGIA/2017-EMTN-EUR 500.000.000 FIXED RATE NOTES	500,000	Fixed	February 2023	February 2023
EUR 100,000,000.00 Floating Rate Notes due 2023	100,000	6M Euribor + spread	February 2023	February 2023
EUR 150,000,000.00 Floating Rate Notes due 2023	150,000	6M Euribor + spread	March 2023	March 2023
	750,000			

During the year ended December 31, 2023, the following Notes were issued:

Issuance	Amount due	Interest rate	Maturity
GALP ENERGIA 2023	150,000	6M Euribor + spread	March 2028
	150,000		

As at December 31, 2023, Current and non-current loans and bonds, excluding origination fees and bank overdrafts, have the following repayment plan:

Unit: €k

Maturity			Loans
	Total	Current	Non-current
2024	410,498	410,498	0
2025	305,000	0	305,000
2026	747,500	0	747,500
2027	1,015,000	0	1,015,000
2028 onwards	353,500	0	353,500
	2,831,498	**410,498**	**2,421,000**

15. Trade payables and other payables

Accounting policy

Trade payables and other payables are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method. Usually, the amortized cost does not differ from the nominal value.

As at December 31, 2023 and December 31, 2022, Trade payables, current and non-current, are detailed as follows:

Unit: €k

	Notes	Current	
		2023-12	2022-12
Trade payables – current account		129	90
Trade payables – pending invoices		139	179
Trade payables – related parties	28	711	204
Trade payables		**980**	**472**

As at December 31, 2023 and December 31, 2022, Other payables, current and non-current, are detailed as follows:

Unit: €k

	Notes	2023-12		2022-12	
		Current	Non-current	Current	Non-current
State and other public entities		**368**	**0**	**754**	**0**
VAT payable		141	0	504	0
Other taxes		227	0	250	0
Other payables/other creditors		**64**	**0**	**161**	**0**
Trade receivables credit balances		0	0	2	0
Employees		76	0	168	0
Other		(12)	0	(9)	0
Accrued expenses		**40,669**	**1,433**	**34,425**	**2,106**
Supplies and external services		1,383	0	4,576	0
Remuneration payable		1,363	1,433	1,746	2,106
Interest payable		37,507	0	27,736	0
Other accrued expenses		416	0	367	0
Deferred income		**12**	**0**	**51**	**0**
Other deferred income		12	0	51	0
Other payables		**41,113**	**1,433**	**35,391**	**2,106**

16. Income tax

Accounting policy

Since 2001, the Company is subject to the special regime for the taxation of groups of companies (“RETGS”). The Company is subject to Corporate Income Tax (“IRC”). Income tax is calculated based on the taxable results of the Company in accordance with the applicable tax rules.

Deferred taxes are calculated based on the liability method and reflect the temporary differences between the amounts of assets and liabilities for accounting purposes and their amounts for tax purposes.

Deferred tax assets and liabilities are calculated and reviewed periodically using the tax rates expected to be in force when the temporary differences revert.

Accounting estimates and judgments

Deferred tax assets

Deferred tax assets are recognized only when there is reasonable assurance that future taxable profits will be available against which the temporary differences can be used, or when there are deferred tax liabilities for which reversal is expected within the same period as that in which the deferred tax assets are reversed. Temporary differences underlying deferred tax assets are reviewed at each reporting date in order to recognize deferred tax assets that were not recorded in prior years as they did not fulfil all requisites and/or to reduce the amounts of deferred tax assets recorded based on the current expectation of their future recovery.

Deferred taxes are recorded in the income statement, except if they result from items recorded directly in equity. In this case the deferred tax is also recorded in equity.

Estimates regarding uncertain tax positions

As part of conducting business globally, tax and transfer pricing disputes with tax authorities may occur. Management exercises its judgment to assess the possible outcome of these disputes. The most-probable-outcome method is applied when making provisions for uncertain tax positions and Galp considers the booked provisions to be adequate. Nevertheless, the actual obligation may differ, and depends on the results of litigation and settlements with the relevant authorities.

Unit: €k

	Notes		Assets		Liabilities
		2023-12	2022-12	2023-12	2022-12
		182,934	**344,227**	**136,240**	**331,376**
Group companies	**28**	**168,758**	**284,455**	**136,240**	**331,376**
Current income tax receivable / payable		168,758	284,455	136,240	331,376
State and other public entities		**14,176**	**59,771**	**0**	**0**
Current income tax receivable / payable		14,176	59,771	0	0

Income tax for the years ended December 31, 2023 and December 31, 2022, is detailed as follows:

Unit: €k

	2023-12			2022-12		
	Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
Income tax for the year	(8,072)	0	(8,072)	(2,825)	0	(2,825)
Insufficiency / (excess) of income tax estimated	(14)	0	(14)	603	0	603
Tax refund	(442)	0	(442)	0	0	0
Taxes for the year	**(8,528)**	**0**	**(8,528)**	**(2,223)**	**0**	**(2,223)**

The effective income tax rate reconciliation as at December 31, 2023 and December 31, 2022 is as follows:

Unit: €k

	2023	Fee	Income tax	2022	Fee	Income tax
Profit before tax:	**429,116**	**21.00%**	**90,114**	**1,006,185**	**21.00%**	**211,298**
Adjustments to taxable income:						
Dividends received		(22.92%)	(98,368)		(21.29%)	(214,245)
Insufficiency / (excess) of income tax estimated		(0.00%)	(14)		0.06%	603
Tax refunds from previous years		(0.10%)	(442)			
Autonomous taxation		0.01%	32		0.00%	85
Other increases and deductions		(0.01%)	(41)		0.00%	36
Effective income tax rate		**(1.99%)**	**(8,528)**		**(0.23%)**	**(2,223)**

During the year ended December 31, 2023, the balance of deferred tax assets remained unchanged at €181 k.

17. Retirement and other post-employment benefit liabilities

Not applicable.

18. Provisions

Not applicable.

19. Derivative financial instruments

Not applicable.

20. Financial assets and liabilities

Accounting policy

Galp classifies financial assets and liabilities into the following categories:

a) Financial assets at fair value through other comprehensive income;

b) Financial assets and liabilities carried at amortized cost;

c) Financial assets and liabilities at fair value through profit or loss (derivatives).

Management determines the classification of its financial investments on initial recognition and re-evaluates it at the end of each reporting period if and only if there is a change in the business model. For financial liabilities such changes in classification are not allowed.

Recognition and measurement

Purchases and sales of investments are recognized as at the transaction date. Investments are initially recognized at fair value. Financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss are subsequently carried at fair value. Fair value disclosures are made separately for each class of financial instruments at the end of the reporting period.

Derecognition of investments

Financial assets are derecognized from the statement of financial position when the rights to receive cash flow from investments have expired or have been transferred and Galp has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income consist mainly of equity investments. When these kinds of financial assets are derecognized, the gain or loss will be kept in equity. Dividends received are recognized in profit or loss.

Financial assets and liabilities carried at amortized cost

Financial assets and liabilities carried at amortized cost are non-derivative financial assets which are held solely for payments of principal and interests (SPPI). If collection is expected within one year (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts receivable and other receivables are initially recognized at fair value. They are subsequently measured at amortized cost using the effective rate method, less impairments.

Fair value hierarchy

In compliance with accounting standards an entity shall classify fair value measurements based on a fair value hierarchy that reflects the significance of the inputs used in the measurement. The fair value hierarchy follows the following levels:

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

Financial assets at amortized cost include accounts receivable, other debtors and other receivables net of impairments.

Unit: €k

	Notes	2023-12	2022-12
Financial assets at fair value through other comprehensive income	12	150	350
Financial assets not measured at fair value	11 and 12	128,787	2,426,168
- less deferred costs, guarantees and tax receivable		(3,821)	(4,026)
Cash and cash equivalents	13	288,918	459,061
Financial assets by category		**414,034**	**2,881,553**

Financial liabilities are comprised of trade payables, other payables and other payables – related parties.

Unit: €k

	Notes	2023-12	2022-12
Financial liabilities not measured at fair value	6, 12, 14 and 15	4,559,931	4,579,308
- less deferred income, guarantees and tax payable		(380)	(804,552)
Financial liabilities by category		**4,559,551**	**3,774,756**

21. Financial risk management

The Company is exposed to several market risks inherent to its activities. Detailed information about these risks and impacts on Galp Group is explained in Note 21 of the Notes to the Company's consolidated financial statements.

22. Capital structure

Share capital

The share capital of Galp Energia is comprised of 773,082,725 shares, with a nominal value of €1 each and fully paid. Of these, 715,003,211 (92% of the share capital), are traded in the Euronext Lisbon stock exchange. The remaining 58,079,514 shares, representing c.8% of the share capital, are indirectly held by the Portuguese State through Parpública – Participações Públicas, SGPS, S.A.. (Parpública) and are not available for trade.

	No. of shares	Shareholding (%)	Attributable share (%)
Amorim Energia B.V.	276,472,161	35.76%	35.76%
Parpública – Participações Públicas, SGPS, S.A.	62,021,340	8.02%	8.02%
Free float	434,589,224	56.22%	56.22%
	773,082,725	**100%**	**100%**

Own shares

Own equity instruments that are reacquired (own shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue, or cancellation of the Company's equity instruments. Any difference between the carrying amount and the consideration is recognized in reserves (i.e. equity).

During the year ended December 31, 2023, Galp carried out its share repurchase program in the amount of €500,000 k. The number of shares acquired was 42,028,823 shares at an average price of €11.90 per share. These shares were cancelled at December 31, 2023 (Note 2).

Dividends

In accordance with the resolution of the General Shareholders Meeting held on 3 May 2023, the shareholders of Galp Energia, SGPS, SA were assigned dividends in the amount of €425,062 k related to the distribution of net income for the year of 2022, corresponding to a dividend of €0.52 per share.

From that amount, €213,133 k was paid to shareholders as an advance on profits on 20 September 2022 and €208,819 k was settled on 23 May 2023.

Furthermore, on 16 August 2023, the Board of Directors of Galp Energia, SGPS, S.A. approved the payment of dividends, as an advance on profits, of €0.27. As a result of this approval, the company will settle the amount of €213,407 k on 25 August 2023.

Reserves

This caption can be detailed as follows for the years ended December 31, 2023 and December 31, 2022:

Unit: €k

	2023-12	2022-12
Legal reserves	163,022	165,850
Other reserves	25,069	27,977
Total	**188,092**	**193,828**

Legal reserves

In accordance with the Company's Articles of Association and the Portuguese Commercial Companies Code ("Código dos Sociedades Comerciais – CSC"), the Company must transfer a minimum of 5% of its annual net profit to a legal reserve until the reserve reaches 20% of share capital. The legal reserve cannot be distributed to the shareholders but may, in certain circumstances, be used to increase capital or to absorb losses after all the other reserves have been considered.

Long-term incentive plan (LTI)

The amount of €25,069 k recorded in other reserves in 2023 relates to the amount of own shares allocated to the Long Term Incentive Plan (LTI) and recorded against Investments in subsidiaries (Notes 9 and 25).

23. Income and gains

Accounting policy

Revenue from sales is recognized in the income statement when the risks and benefits inherent to the ownership of the assets are transferred to the buyer and the amount of the corresponding income can be reasonably quantified. Sales are recognized net of taxes except for tax on oil products in the fuel distribution activity, discounts, and other costs inherent to their completion, at the fair value of the amount received or receivable. Costs and income are recorded in the year they occurred, regardless of the date of payment or receipt. Costs and income whose actual value is not known are estimated.

Other current assets and Other current liabilities include income and expenses related to the current period but for which the corresponding revenue and expenses will only occur in future periods. Those captions also include receipts and payments that have already occurred but will only correspond to income or expenses of future periods when they will be recognized in the income statement.

Exchange differences arising from Supplier and Customer balances are recognized in the operating results.

Income and gains for the years ended December 31, 2023 and December 31, 2022 were as follows:

Unit: €k

	Notes	2023-12	2022-12
Services rendered		**9,002**	**10,363**
Other operating income		**4,041**	**269**
Additional income		4,019	264
Other		22	5
Financial income	**26**	**112,659**	**58,209**
Earnings from associates and joint ventures	**9**	**468,220**	**1,020,187**
Total		**593,921**	**1,089,028**

24. Expenses and losses

The expenses and losses for the years ended December 31, 2023 and December 31, 2022 were as follow:

Unit: €k

	Notes	2023-12	2022-12
Supplies and external services		**5,631**	**4,776**
Travel and accommodation		331	448
Specialized services		3,911	3,226
Other costs		1,389	1,102
Employee costs	**25**	**6,267**	**8,293**
Amortization, depreciation and impairment losses on fixed assets and right-of-use	**6**	**85**	**74**
Other operating expenses		**804**	**1,221**
Other taxes		508	580
Other operating expenses		296	641
Financial expenses	**26**	**152,018**	**68,479**
Total		**164,805**	**82,843**

25. Employee costs

Accounting policy

Employee costs

Wages, salaries, social security contributions, annual leave and sick leave, bonuses and non-monetary benefits are recognized in the year in which the respective services are rendered by Company's employees.

For the years ended December 31, 2023 and December 31, 2022 the Company recorded the following amounts under Employee costs:

Unit: €k

	2023-12	2022-12
Remuneration – Corporate Bodies	4,170	5,136
Remuneration – Employees	756	1,147
Social charges – employees	97	124
Social charges – corporate bodies	880	1,110
Other insurances	169	173
Other expenses	196	603
Total	**6,267**	**8,293**

Remuneration – Corporate Bodies

The remuneration of the corporate bodies for the years ended December 31, 2023 and December 31, 2022 were as follow:

Unit: €k

	2023-12	2022-12
Remunerations	3,783	4,108
Premiums	231	723
Allowances	157	305
Other charges and adjustments	880	1,110
Total	**5,050**	**6,246**

The share-based employee compensation plans are the long-term incentive (LTI). Awards of shares of the Company under the LTI are granted upon certain conditions to eligible employees. The actual number of shares that may vest ranges from 0% to 160% of the awards, depending on the outcome of the prescribed performance conditions over a three-year period beginning on January 1 of the award year. The LTI plan comprises a 3 year rolling incentives plan, whereas in each year an incentives plan will be concluded and fulfilled by delivering Galp Energia SGPS, S.A. own stock. Since the share-based payment compensation plan is Group wide, regarding shares of Galp Energia SGPS, SA, it was decided that the Holding company would acquire its owns shares to deliver in kind for the employees of its subsidiaries. Therefore, and in substance, Galp Energia SGPS, SA, as holding company and main parent company recognizes the sum of the LTI plans of its subsidiaries in Equity against an increase in capital contribution (ie financial investment) to its immediate intermediate parent entities. The amount recognised in Equity was €25,069 k against financial investment at 31 December 2023. When the expense of the plans changes because of non-market conditions, an adjustment in Equity LTI reserve is made against financial investments. When the plans are fulfilled, by delivering its own shares to its direct subsidiaries (and subsequently to the employees) an Equity adjustment (LTI reserve and Own shares to retained earnings) is done within Equity, not impacting the results of the year (ie Profit or Loss). Other former LTI plans to employees that were paid in cash were cancelled.

LTI plans by triennium and cumulative amounts recognised in Equity against Investments in subsidiaries, associates and joint ventures as at:

Unit: €k

	2023
Total	**25,069**
Plan 1 (2021-2023)	7,812
Plan 2 (2022-2024)	12,830
Plan 3 (2023-2025)	4,427

26. Financial income and expenses

Accounting policy

Financial income and expenses include interest on external loans, loans from/to related parties, leasing and retirement and other post-employment benefit plans. Other financial income and expenses from other financial assets or liabilities are not included in this caption.

The financial charges on interest-bearing liabilities are recorded as financial expenses on an accrual's basis.

Financial charges arising from general and specific loans obtained to finance investments in fixed assets are assigned to assets under construction, in proportion to the total expenses incurred on those investments net of investment government grants, until the commencement of its operations. The remainder is recognized under the caption of financial expenses in the income statement for the year. Any interest income from loans directly related to the financing of fixed assets which are in the process of construction is deducted from the financial charges capitalized.

Financial charges included in fixed assets are depreciated in accordance with the useful life of the respective assets.

Unit: €k

	Notes	2023-12	2022-12
Financial income		**112,659**	**58,209**
Interest from bank deposits		10,423	379
Interest income and other income – Related companies	28	98,851	57,830
Net profit on exchange rate differences		3,232	0
Other financial income		153	0
Financial expenses		**(152,018)**	**(68,478)**
Interest from loans, bank overdrafts and others		(100,419)	(50,498)
Interest on lease liabilities		(4)	(5)
Net profit on exchange rate differences		0	(16,280)
Other interest and charges – Related companies	28	(42,608)	(1,696)
Other financial expenses		(8,987)	(0)
		(39,360)	**(10,269)**

27. Contingent assets and liabilities

Accounting policy

Contingent assets and contingent liabilities arise from unplanned or unexpected events that may cause economic inflows or outflows of the Company. The Company does not reflect these assets and liabilities on the financial statements as they may not become effective. Contingent assets and contingent liabilities are disclosed in the notes to the financial statements.

Contingent liabilities

As part of its ongoing business operations, the Company has entered into agreements where commitments have been given for commercial, regulatory, or other operational purposes.

As at December 31, 2023 and December 31, 2022, the liabilities for guarantees provided are as follow:

Unit: €k

	2023-12	2022-12
Venture Global, LLC	1,809,955	1,875,117
FPSO Charter Agreement	1,746,271	1,466,342
Rio Grande LNG, LLC Agreement	1,961,736	2,031,856
Coral South FLNG Project	445,435	471,689
Cercena Investments, S.L.U.	125,272	150,581
Grenergy	155,000	155,000
Direção Geral Impostos/Direção Geral do Tesouro (Government entities)	35,548	35,686
Oil Insurance Limited	-	16,595
Others related to core activities	3,862,650	2,591,584
	10,141,867	**8,794,451**

Under the contracts with Venture Global LLC and Rio Grande LNG LLC, related to the LNG Sales and Purchase Agreement, Galp provided a Parent Company Guarantee in the total amount of the contract €1,809,955 k (2022: €1,875,117 k) and €1,961,736 k (2022: €2,031,856 k) respectively.

Related to the six charter agreements for FPSOs, Galp provided a Parent Company Guarantee amounting to €1,746,271 k (2022: €1,466,342 k), in the name of Tupi, B.V., which represents Galp's proportion of the BM-S-11 consortium.

Under the financing of the Coral South FLNG project, Galp Energia SGPS S.A. is providing a Parent Company Guarantee related to the Debt Service Undertaking (DSU) agreement, on the total outstanding debt amount at any time in proportion to its participation. This guarantee expires at the time of the Actual Completion Date (estimated for the year 2024) if no obligations are outstanding under the DSU. As at December 31, 2023, Galp's stake in the obligation amounted to €400,891 k (2022: €424,520 k). Also, within the scope of this financing, Galp Energia SGPS S.A. provides a guarantee covering 1/9 of the DSU on behalf of ENH Empresa Nacional de Hidrocarbonetos (ENH), one of consortium members of the Coral South FLNG project, which corresponds to Galp’s share of the consortium, excluding ENH. As at December 31, 2023, Galp’s stake in the responsability taken on in relation to ENH amounted to €44,543 k (2022: €47,169 k).

the Group has entered into Power Purchase Agreement (PPA) with X-Elio (aka Cercena Investments) and Grenergy to supply solar energy for which it has provided Parent Company Guarantees amounting to €125,272 k and €155,000 k, respectively.

Other guarantees related to the main activities are mainly related to the oil marketing activity.

28. Transactions with related parties

Accounting policy

A related party is a person or entity that is related to the entity preparing its financial statement:

(a) a person or a close member of that person's family is related to a reporting entity if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies: (i) The entity and the reporting entity are members of the same group (which means that each parent company, subsidiary and fellow subsidiary is related to the others); (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity, and the other entity is an associate of the third entity; (v) the entity is a post-employment defined benefit plan for the benefit of the employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity; (vi) the entity is controlled or jointly controlled by a person identified in (a); (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent company of the entity).

As at December 31, 2023, the balances and transactions with related parties were as follows:

Receivables

Unit: €k

	Current				Total
	Trade receivables (Note 11)	Other receivables (Note 11)	Loans granted (Note 12)	Deferred taxes (Note 16)	
Group companies	779	1	122,766	168,758	292,304
Joint ventures and associates	8	11	0	0	19
Receivables:	**787**	**13**	**122,766**	**168,758**	**292,323**

For comparative information, please refer to the financial statements for the year ended December 31, 2022.

Payables

Unit: €k

	Current				Total
	Trade payables (Note 15)	Interest-bearing liabilities (Note 12)	Deferred taxes (Note 16)	Accruals and deferrals (Note 15)	
Group companies	711	133,376	136,240	1,161	271,488
Payables:	**711**	**133,376**	**136,240**	**1,161**	**271,488**

For comparative information, please refer to the financial statements for the year ended December 31, 2022.

Transactions

Unit: €k

	Financial expenses (Note 24)	Operating income (Note 23)	Financial expenses (Note 26)	Financial income (Note 26)
Group companies	(3,704)	9,482	(42,608)	98,851
Joint ventures and associates	(409)	70	0	0
Transactions:	**(4,113)**	**9,552**	**(42,608)**	**98,851**

For comparative information, please refer to the financial statements for the year ended December 31, 2022.

29. Information on environmental matters

Not applicable.

30. Subsequent events

On 12 February 2024, Galp announced a new share repurchase program of €350 m with the aim of reducing the issued share capital of Galp Energia SGPS, S.A.. The repurchase program is scheduled to take place in 2024.

Moreover, due to the approval of the new long-term incentive plan (LTI) which includes the delivery of own shares to senior managers, Galp will also proceed with a share repurchase for this purpose in an amount of up to 1% of the share capital.

31. Approval of the financial statements

The financial statements were approved by the Board of Directors on 5 April 2024, however they are still subject to approval by the General Shareholders Meeting under the commercial legislation in force in Portugal.

32. Explanation regarding translation

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

THE BOARD OF DIRECTORS:

Chairman:

Paula Amorim

Vice-Chairman and Lead Independent Director:

Adolfo Mesquita Nunes

Vice-Chairman:

Filipe Silva

Members:

Maria João Carioca

Georgios Papadimitriou

Ronald Doesburg

Rodrigo Villanova

João Diogo Silva

Marta Amorim

Francisco Rêgo

Carlos Pinto

Jorge Seabra

Rui Paulo Gonçalves

Diogo Tavares

Cristina Fonseca

Javier Cavada Camino

Cláudia Sequeira

Fedra Ribeiro

Ana Zambelli

The Certified Accountant:

Cátia Cardoso

Building a better working world

Ernst & Young
Audit & Associados - SROC, S.A.
Avenida da Índia, 10 – Piso 1
1349-066 Lisboa
Portugal

Tel: +351 217 912 000
www.ey.com

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

Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Galp Energia SGPS S.A. (the Entity), which comprise the Statement of Financial Position as at 31 December 2023 (showing a total of 6.471.146 thousands of euros and a total equity of 1.774.975 thousands of euros, including a net profit for the year of 437.644 thousands of euros), and the Income Statement and Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and Notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of Galp Energia SGPS S.A. as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the current year audit are the following:

1. Recoverability of Investments in subsidiaries

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As at 31 December 2023, Investments in subsidiaries recognized in the separate financial statements of Galp Energia, SGPS, S.A. amounts to 5.870.011 thousand of euros (Note 9). Investments in subsidiaries are recorded at the acquisition cost net of impairment losses, being the impairment risk evaluated at the balance sheet date, to detect the existence of indicators of possible impairment losses. If indicators have been identified, the carrying amount of the asset is tested using a discounted cash flow model. Inputs for the value in use calculation are based on past performance and on the expectation of economic and market developments for each of the investments, based on cash flow projections, discount rates and growth rates in the perpetuity. The risk of impairment of investments in subsidiaries was considered a Key Audit Mater due to the significance of the carrying amount in the total assets, as well as the inherent complexity and judgment of the model adopted for the impairment assessment.	Our audit procedures included: ► Assessing the existence of impairment indicators in the valuation of investments in subsidiaries, based on internal and external sources of information that could translate into potential negative impacts for the performance of each of the subsidiaries; ► Comparing the shareholders' equity of subsidiaries and the value in use calculated according to the valuation models prepared by management, with its carrying amount; ► Obtaining and analyzing, when applicable, the impairment tests prepared by management for to the most significant investments in subsidiaries, including its consistency with the business plans approved by the Board of Directors of Galp Energia SGPS, S.A.; ► Analyzing, with the support of our professionals with specialized knowledge in valuations, the assumptions and methodologies used by management, namely the model used for testing, the discount rates and the growth rates in perpetuity; ► We validated the **mathematical accuracy** of the models used; and ► **We evaluated the reasonability** of the amounts related to impairment losses recognized by the Entity in relation its investments in Subsidiaries. Additionally, we have verified the appropriateness of the applicable disclosures (IAS 27 and IAS 36), included in Notes 2 and 9 to the financial statements.

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for:

- the preparation of financial statements that presents a true and fair view of the Entity´s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union;
- the preparation of the Integrated Management Report, the Corporate Governance Report and the remuneration report, in accordance with the applicable legal and regulatory requirements;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Entity´s ability to continue as a going concern.

The supervisory body is responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, including the supervisory body, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and

- we also provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, which measures have been taken to eliminate the threats or which safeguards have been applied.

Our responsibility includes the verification of the consistency of the Integrated Management Report with the financial statements, and the verifications under nr. 4 and nr. 5 of article 451 of the Commercial Companies Code in matters of corporate governance, as well as the verification that the remuneration report has been presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Integrated Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Integrated Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, taking into consideration our knowledge and the assessment over the Entity, we have not identified any material misstatement.

On the Corporate Governance Report

Pursuant to article 451, nr. 4, of the Commercial Companies Code, it is our understanding that the Corporate Governance Report, includes the information required to the Entity to provide as per article 29-H of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and l) of the nº1 of the referred article.

On the Remuneration Report

Pursuant to article 26-G, nr. 6, of the Securities Code, we inform that the Entity has included in an autonomous chapter in its Corporate Governance Report the information provided for in nr. 2 of the referred article.

On additional items set out in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed as auditors of Galp Energia, SGPS, S.A. for the first time in the shareholders' general meeting held on 12 April 2019 for the mandate from 2019 to 2022. We were reappointed in the shareholders' general meeting held on 3 May 2023 for a second mandate from 2023 to 2026;
- Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with the ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work we have not identified any material misstatement to the financial statements due to fraud;
- We confirm that our audit opinion is consistent with the additional report that we have prepared and shared with the supervisory body of the Entity on 5 April 2024; and
- We declare that we have not provided any prohibited services as described in article 5, of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and we have remained independent of the Entity in conducting the audit.

European Single Electronic Format (ESEF)

Galp Energia, SGPS, S.A. financial statements for the year ended 31 December 2023 must comply with the applicable requirements set out in the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (ESEF Regulation).

Management is responsible for preparing and disclosing the annual report in accordance with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance about whether the financial statements, included in the annual report, are presented in accordance with the requirements set out in the ESEF Regulation.

Our procedures considered the Institute of Statutory Auditors' Technical Application Guide on ESEF reporting and included obtaining an understanding of the financial reporting process, including the presentation of the annual report in valid XHTML format.

In our opinion, the financial statements included in the annual report are presented, in all material respects, in accordance with the requirements set out in the ESEF Regulation.

Lisbon, 5 April 2024

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

(Signed)

Rui Abel Serra Martins - ROC n.º 1119
Registered with the Portuguese Securities Market Commission under license nr. 20160731