REGENERATING THE FUTURE

Part III - Consolidated and Individual Financial Statements 2021

Non-compliant ESEF and unaudited version

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1.
Consolidated Financial Statements

Consolidated Statement of Financial Position

Galp Energia, SGPS, S.A.

Consolidated Statement of Financial Position as of 31 December 2021 and 31 December 2020.

(Amounts stated in million Euros - € m)

Assets	Notes	2021	2020
Non-current assets:			
Tangible assets	**5**	5,169	4,878
Intangible assets	**6**	645	532
Goodwill	**8**	85	85
Right-of-use of assets	**7**	1,079	1,002
Investments in associates and joint ventures	**9**	389	483
Deferred tax assets	**16**	485	509
Other receivables	**11**	293	266
Other financial assets	**12**	560	402
Total non-current assets:		**8,703**	**8,157**
Current assets:			
Inventories	**10**	1,007	708
Other financial assets	**12**	992	190
Trade receivables	**11**	1,243	781
Other receivables	**11**	885	877
Current income tax receivable	**16**	139	101
Cash and cash equivalents	**13**	1,942	1,678
Total current assets:		**6,208**	**4,335**
Total assets:		**14,912**	**12,492**
Equity and Liabilities	Notes	2021	2020
Equity:			
Share capital and share premium		911	911
Reserves		1,327	967
Retained earnings		813	1,282
Total equity attributable to shareholders:		**3,052**	**3,160**
Non-controlling interests	**23**	918	940
Total equity:		**3,970**	**4,100**
Liabilities:			
Non-current liabilities:			
Financial debt	**14**	2,995	3,204
Lease liabilities	**7**	1,015	923
Other payables	**15**	95	112
Post-employment and other employee benefit liabilities	**17**	300	381
Deferred tax liabilities	**16**	653	479
Other financial instruments	**19**	136	37
Provisions	**18**	1,209	1,008
Total non-current liabilities:		**6,403**	**6,144**
Current liabilities:			
Financial debt	**14**	1,305	539
Lease liabilities	**7**	164	166
Trade payables	**15**	811	650
Other payables	**15**	1,190	763
Other financial instruments	**19**	1,069	130
Current income tax payable	**16**	0	0
Total current liabilities:		**4,539**	**2,248**
Total liabilities:		**10,942**	**8,392**
Total equity and liabilities:		**14,912**	**12,492**

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 2021 and 31 December 2020.

(Amounts stated in million Euros - € m)

	Notes	2021	2020
Sales	**24**	15,618	10,771
Services rendered	**24**	499	610
Other operating income	**24**	324	186
Financial income	**27**	27	53
Earnings from associates and joint ventures	**9**	83	220
Total revenues and other income:		**16,552**	**11,840**
Cost of sales	**25**	(11,752)	(8,491)
Supplies and external services	**25**	(1,563)	(1,473)
Employee costs	**26**	(310)	(356)
Amortisation, depreciation and impairment losses on fixed assets	**25**	(961)	(1,289)
Provisions and impairment losses on other receivables	**25**	(74)	(114)
Other operating costs	**25**	(111)	(126)
Financial expenses	**27**	(937)	(239)
Total costs and expenses:		**(15,709)**	**(12,088)**
(Loss)Profit before taxes and other contributions:		**843**	**(248)**
Taxes and SPT	**16**	(652)	(242)
Energy sector extraordinary contribution	**16**	(41)	(45)
Consolidated net (loss) income for the year		**150**	**(535)**
(Loss)/Income attributable to:			
Galp Energia, SGPS, S.A. Shareholders		**4**	**(551)**
Non-controlling interests	**23**	146	16
Basic and Diluted (loss) Earnings per share (in Euros)		**0.00**	**(0.66)**
Consolidated net (loss) income for the year		**150**	**(535)**
Items which will not be recycled in the future through net income:			
Remeasurements	**17**	33	(10)
Income taxes related to remeasurements	**17**	(8)	7
Items which may be recycled in the future through net income:			
Currency translation adjustments		417	(471)
Hedging reserves	**19**	28	16
Income taxes related to the above items	**16**	(7)	(3)
Subtotal of other comprehensive (loss) income		**464**	**(461)**
Total Comprehensive (loss) income for the year, attributable to:		**614**	**(996)**
Galp Energia, SGPS, S.A. Shareholders		**389**	**(942)**
Non-controlling interests		**225**	**(54)**

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 2021 and 31 December 2020.

(Amounts stated in million Euros - € m)

		Share Capital and Share Premium		Reserves			Retained earnings	Sub-Total	NCI(**)	Total
	Notes	Share Capital	Share Premium	CTR(*)	Hedging Reserves	Other Reserves				
As of 1 January 2020		**829**	**82**	**(169)**	**(10)**	**1,535**	**2,153**	**4,420**	**1,237**	**5,657**
Consolidated net income for the year		0	0	0	0	0	(551)	(551)	16	(535)
Other gains and losses recognised in equity		0	0	(401)	13	0	(3)	(391)	(70)	(461)
Comprehensive income for the year		**0**	**0**	**(401)**	**13**	**0**	**(554)**	**(942)**	**(54)**	**(996)**
Dividends distributed		0	0	0	0	0	(318)	(318)	(98)	(416)
Increase/decrease in capital reserves		0	0	0	0	0	0	0	(145)	(145)
As of 31 December 2020		**829**	**82**	**(570)**	**3**	**1,535**	**1,281**	**3,160**	**940**	**4,100**
Balance as of 1 January 2021		**829**	**82**	**(570)**	**3**	**1,535**	**1,281**	**3,160**	**940**	**4,100**
Consolidated net (loss) income for the year		0	0	0	0	0	4	4	146	150
Other gains and losses recognised in equity		0	0	338	21	0	26	385	79	464
Comprehensive (loss) for the year		**0**	**0**	**338**	**21**	**0**	**30**	**389**	**225**	**614**
Dividends distributed	**22, 23**	0	0	0	0	0	(498)	(498)	(200)	(697)
Decrease in capital reserves		0	0	0	0	0	0	0	(47)	(47)
Balance as of 31 December 2021		**829**	**82**	**(232)**	**24**	**1,535**	**813**	**3,052**	**918**	**3,970**

The accompanying notes form an integral part of the condensed 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 2021 and 31 December 2020.

(Amounts stated in million Euros - €m)

	Notes	December 2021	December 2020
Income/(Loss) before taxation for the period		**843**	**(248)**
Adjustments for:			
Depreciation, depletion and amortisation	25	961	1,289
Impairment and losses on sale of businesses and fixed assets		67	106
Adjustments to net realisable value of inventories	25	30	(3)
Interest Expense, net	27	911	186
Underlifting and/or Overlifting	24,25	44	76
Share of profit/(loss) of joint ventures and associates	9	(83)	(220)
Others		14	55
Increase / decrease in assets and liabilities:			
(Increase)/decrease in inventories		(329)	351
(Increase)/decrease in current receivables		(602)	229
(Decrease)/increase in current payables		111	(182)
(Increase)/decrease in other receivables, net		(443)	(286)
Dividends from associates		132	90
Taxes paid, Energy Sector Extraordinary Contribution and SPT		(602)	(417)
Cash flow from operating activities		**1,052**	**1,025**
Equalization impact in cash flow from operations		0	(137)
Cash flow from operating activities adjusted by equalization		**1,052**	**888**
Capital expenditure in tangible and intangible assets		(779)	(646)
Investments in associates and joint ventures, net		423	(175)
Other investment cash outflows, net		(104)	(69)
Equilization impact in net investment		0	217
Cash flow from investing activities		**(460)**	**(674)**
Loans obtained		6,869	2,592
Loans repaid		(6,465)	(1,692)
Interest paid		(61)	(55)
Leases repaid		(115)	(110)
Interest on leases paid		(76)	(80)
Change in non-controlling interest		14	(145)
Dividends paid to Galp shareholders		(498)	(318)
Dividends paid to non-controlling interests		(198)	(80)
Realised income on derivative financial instruments		0	80
Cash flow from financing activities		**(530)**	**190**
(Decrease)/increase in cash and cash equivalents		62	404
Currency translation differences in cash and cash equivalents		75	(160)
Cash and cash equivalents at the beginning of the period		1,675	1,431
Cash and cash equivalents at the end of the period		**1,812**	**1,675**

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

Notes to the consolidated financial statements as of 31 December 2021

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

The company has its Head Office in Rua Tomás da Fonseca in Lisbon, Portugal and is 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 significant accounting policies set out below have been applied consistently to the preparation of the consolidated financial statements for the years presented.

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. Significant accounting policies, judgments, estimates and changes

2.1 Significant accounting policies, judgments and estimates

Accounting policies

Galp's significant 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

Notes to the consolidated financial statements as of 31 December 2021

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 recognised 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 flow are translated at the annual average rates. The resulting translation differences are recognised as currency translation differences within other comprehensive income.

The following exchange differences are recognised 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

Notes to the consolidated financial statements as of 31 December 2021

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 significant impact on the results of the group are described in the Notes to the financial statements alongside the significant 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 other entities (Note 9 and 31); (ii) Accounting for oil and natural gas properties, including the estimate of reserves (Note 5); (iii) Recoverability of the carrying value of assets (Notes 5,6 and 8); (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) Fair value measurements of financial instruments and (ix) own-use exemptions. 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 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 with a view to mitigate the carbon footprint of fossil fuel related business areas and remains committed to the investment in alternative energy sources and to the development of innovative solutions that will contribute to a low-carbon economy.

The revised long-term objectives and pathway towards carbon emissions reduction is expected to be met primarily by the execution of the main strategic guidelines announced by the Company, namely:

- Reduction of 40% of absolute emissions from operations (Scope 1 and 2 emissions) in 2030;
- Reduction of 40% of the production carbon intensity in 2030;
- Reduction of 20% of all downstream sales carbon intensity in 2030.

(all reductions refer to 2017 as a baseline year, the year where Galp announced the diversification of its portfolio beyond Oil & Gas and that will be considered the base year for any analysis of carbon intensity evolution in the future)

These targets are part of Galp's ambition to reach Net Zero Emissions (scopes 1, 2 and 3) by 2050.

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 Significant accounting policies, judgements and estimates section above provides the specific reference to the notes where the relevant uncertainties,

Notes to the consolidated financial statements as of 31 December 2021

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 recognised in the Consolidated Balance Sheet at December 31, 2021. 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 €90 per tonne of GHG emissions in 2030.

Potential Accounting Impact of Energy Transition

Changes in 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 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 recognised in the Consolidated Balance Sheet as at December 31, 2021. 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 divestments, which will impact the balance sheet and the Group's future results. Portfolio changes were already made with the closure of the Matosinhos refinery and the acquisition of Titan 2020, S.A. (ex-Zero E Euro Assets, S.A.) a large solar PV player.

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. The Sines industrial complex is the only refinery in Portugal and will likely play a major role in the energy transition, for the production of new low CO_2 products, biofuels and Hydrogen.

Notes to the consolidated financial statements as of 31 December 2021

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 CO2 prices or the price and quantities traded of commodities in general. Such risks are closely monitored and are be appropriately reflected in the financial statements when and if they occur.

2.2 Significant changes during the year

2.2.1 Macroeconomic event, and financial derivatives

During the second half of 2021 we have witnessed major macroeconomic events with soaring energy prices in gas, electricity and oil due to supply restrictions and a rise noted in consumption after the Covid-19 economic slowdown.

Financial derivatives are used to reduce short- and long-term uncertainties. As a consequence of the high volatility in commodity markets observed in the second half of 2021, Mark-to-Market financial derivatives held by Galp significantly impacted Galp's Financial results, mostly related to natural gas trading activities. Most of the gas sourced by Galp is acquired on a Brent-indexed basis, a significant proportion of which is sold to clients on a TTF index basis. The gains from the sharp increase in TTF are neutralized by derivatives set to cover TTF vs Brent spread risk. Some of the derivatives require margin deposits (exchange-traded TTF futures) which temporarily affect the Galp cash position, most of which will be reverted as the gas is delivered to clients in subsequent periods. In 2021, Group's working capital includes a temporary €605 m increase in hedging margin accounts.

2.2.2 Impacts of the COVID-19 pandemic

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

Notes to the consolidated financial statements as of 31 December 2021

Throughout 2021 demand was still significantly below pre-Covid levels in most commercial segments, more notably in the aviation and maritime bunkering and industrial activities.

Consistent with the prior year, Galp has performed impairment tests based on the long-term assumptions defined in the business plan approved by management. For the details refer to note 5.

2.2.3 Cash Flow statement – indirect method

As permitted by IAS 7 – Cash Flow Statement, Galp has decided to change the method of presenting the consolidated statement of cash flow from direct to indirect method. For better comparison, the condensed consolidated statement of cash flows for the period ended as of 31 December 2020 was restated.

2.2.4 Changes to the consolidation perimeter

During the twelve-month period ended on the 31 December 2021 Galp has entered into the following transactions:

Legal Entity	Country	% Acquired	Transaction	Consolidation Method
Bujeo 2021, SLU (ex-Eter Solarbay, SLU)	Spain	100%	Acquisition of Control	Full consolidation
Jerjes Energia, SLU (ex-Ciclope Solarbay, SLU)	Spain	100%	Acquisition of Control	Full consolidation
Duplexia Experts, SL	Spain	100%	Acquisition of Control	Full consolidation
Gastroselector Market, SL	Spain	100%	Acquisition of Control	Full consolidation
Pitarco, SLU (ex-Enerland Solar 3)	Spain	100%	Acquisition of Control	Full consolidation
ISDC International Solar Development Corporation, Lda	Portugal	100%	Acquisition of Control	Full consolidation
QNO – Sociedade Agricola Unipessoal, Lda.	Portugal	100%	Acquisition of Control	Full consolidation
Gasinsular - Combustíveis do Atlântico, S.A.	Portugal	-	Merger	Merged into Galp Madeira, S.A.
Galp Power, S.A.	Portugal	-	Merger	Merged into Petrogal, S.A.
Tagusgás Propano, S.A.	Portugal	-	Merger	Merged into Petrogal, S.A.
CMD – Aeroportos Canarios S.L	Spain	15%	Distributed by Liquidation	Distributed by liquidation of Galp Disa Aviacion, S.A.
BT-POT-32 Consortium	Brazil	50%	Sold	Joint operation sold for USD 6m
BT-Seal-13 Consortium	Brazil	50%	Sold	Joint operations sold for R$ 8,5m
BM-POT-17 Consortium	Brazil	20%	Ceased	Contract ceased by transferring shares to Petrobrás
BM-POT-16 Consortium	Brazil	20%	Returned	Returned to Brazilian oil agency

Notes to the consolidated financial statements as of 31 December 2021

Legal Entity	Country	% Acquired	Transaction	Consolidation Method
Block E S06-04 Consortium	East Timor	10%	Returned	Returned to East Timor authorities
PEL 82 Consortium	Namibia	40%	Acquisition	Reorganisation of consortium stakes of the remaining partners

For further details of Consolidation perimeter and Galp financial interests in entities see note 30.

2.2.5 Presentation of cost of emissions in the statement of profit or loss

Galp has decided to change the presentation, for better alignment with the industry practice, of the cost of emissions from Other operating costs to Cost of sales in the amount of €51m during the twelve months of 2021. For better comparison the consolidated statement of profit or loss for the period of twelve month ended as of 31 December 2020 was restated.

2.2.6 Implementation of a new Enterprise Resource Planning (ERP)

Following the ongoing process for digital transformation in 2021 GALP has continued the implementation of its multi annual project for the transformation of the group's Enterprise Resource Planning (ERP) which supports Galp's financial reporting, including the preparation of group's financial statements – SAP S/4HANA. The new ERP will be standard to GALP and its subsidiaries, impacting the most relevant internal processes including the related control activities. In 2021, several subsidiaries migrated to the new ERP, including GALP Energia SGPS, S.A..

3. Impact of new international financial reporting standards

3.1 New Standards and amendments endorsed by the European Union adopted on 1 Jan 2021 and to be adopted in future years

Notes to the consolidated financial statements as of 31 December 2021

The IFRS standards endorsed and published on the Official Journal of the European Union (OJEU) during the year 2021 and enforceable for accounting purposes in 2021 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: Covid-19-Related Rent Concessions beyond 30 June 2021	31/08/2021	01/04/2021	2021	Without relevant accounting impacts.
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	14/01/2021	01/01/2021	2021	No predictable impact.
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9	16/12/2020	01/01/2021	2021	Applicable but without relevant accounting impacts.*

* impact on Group entity Tagus Re, S.A.

IFRS/IFRIC Standards	Publication date in OJEU	Accounting application date	Enforcement year	Observations
IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17	23/11/2021	01/01/2023	2023	Applicable but impacts are still being estimated.*
Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020	02/07/2021	01/01/2022	2022	Without relevant accounting impacts.

* impact on Group entity Tagus Re, S.A.

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 & Energy Management; (iii) Commercial and (iv) Renewables and New Businesses.

The Upstream (ex-Exploration and Production) 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 and Angola.

The Industrial & Energy Management segment operates the Sines refinery in Portugal, and also includes all activities relating to 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.

Notes to the consolidated financial statements as of 31 December 2021

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

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

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.

Notes to the consolidated financial statements as of 31 December 2021

The financial information of the segments identified above, as of 31 December 2021 and 2020, is presented as follows:

Unit: € m

	Consolidated		Upstream		Industrial & Energy Management		Commercial		Renewables and New businesses		Others		Consolidation adjustments	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Sales and services rendered	**16,117**	**11,381**	**3,058**	**1,768**	**6,298**	**4,453**	**7,917**	**5,922**	**50**	**33**	**84**	**205**	**(1,289)**	**(1,000)**
Cost of sales	**(12,139)**	**(7,992)**	**(354)**	**55**	**(6,095)**	**(3,817)**	**(6,936)**	**(4,905)**	**(31)**	**(23)**	**(38)**	**(0)**	**1,315**	**698**
of which Variation of Production	139	(149)	(68)	48	205	(198)	0	0	1	1	0	0	0	0
Other revenue & expenses	**(1,667)**	**(1,806)**	**(657)**	**(646)**	**(176)**	**(571)**	**(693)**	**(690)**	**(32)**	**(19)**	**(84)**	**(184)**	**(26)**	**302**
of which Under & Overlifting	(44)	(76)	(44)	(76)	0	0	0	0	0	0	0	0	0	0
EBITDA at Replacement Cost	**2,311**	**1,582**	**2,047**	**1,177**	**27**	**65**	**288**	**328**	**(13)**	**(9)**	**(38)**	**21**	**(0)**	**0**
Amortisation, depreciation and impairment losses on fixed assets	**(961)**	**(1,289)**	**(596)**	**(706)**	**(242)**	**(476)**	**(106)**	**(94)**	**(1)**	**0**	**(15)**	**(13)**	**0**	**0**
Provisions (net)	**(67)**	**(106)**	**10**	**(3)**	**(73)**	**(94)**	**(2)**	**1**	**2**	**(10)**	**(3)**	**0**	**0**	**0**
EBIT at Replacement Cost	**1,283**	**187**	**1,461**	**468**	**(289)**	**(505)**	**179**	**234**	**(13)**	**(19)**	**(56)**	**8**	**(0)**	**0**
Earnings from associates and joint ventures	**83**	**220**	**3**	**63**	**26**	**161**	**7**	**(2)**	**48**	**(2)**	**(0)**	**(0)**	**0**	**0**
Financial results	**(911)**	**(186)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Taxes and SPT at Replacement Cost	**(549)**	**(373)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Energy Sector Extraordinary Contribution	**(41)**	**(45)**	**0**	**0**	**(21)**	**(25)**	**(9)**	**(9)**	**0**	**0**	**(10)**	**(10)**	**0**	**0**
Consolidated net income at Replacement Cost, of which:	**(134)**	**(197)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Attributable to non-controlling interests	**146**	**16**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Attributable to shareholders of Galp Energia SGPS SA	**(280)**	**(213)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
OTHER INFORMATION														
Segment Assets[1]														
Financial investments[2]	389	483	200	329	24	32	26	16	145	104	0	2	(6)	0
Other assets	14,523	12,009	6,553	6,223	3,606	2,335	2,830	2,310	500	316	2,148	1,348	(1,114)	(524)
Segment Assets	**14,912**	**12,492**	**6,753**	**6,552**	**3,630**	**2,367**	**2,855**	**2,326**	**646**	**420**	**2,148**	**1,350**	**(1,120)**	**(524)**
of which Rights of use of assets	1,079	1,002	625	606	149	195	172	141	3	0	130	74	(0)	(15)
Investment in Tangible and Intangible Assets	**883**	**637**	**662**	**440**	**67**	**76**	**88**	**95**	**46**	**6**	**21**	**19**	**0**	**0**

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

Notes to the consolidated financial statements as of 31 December 2021

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 assets		Financial investments	
	2021	2020	2021	2020	2021	2020
	16.117	**11.381**	**5.898**	**5.494**	**389**	**483**
Africa	400	517	1.121	1.021	216	168
Latin America	1.717	877	3.204	2.808	42	209
Europe	14.000	9.987	1.574	1.665	130	105

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 2021 and 2020 is as follows:

Unit: € m

	2021	2020
Sales and services rendered	16,117	11,381
Cost of sales	(11,752)	(8,461)
Replacement cost adjustments (1)	(387)	469
Cost of sales at Replacement Cost	(12,139)	(7,992)
Other revenue and expenses	(1,667)	(1,806)
Depreciation and amortisation	(961)	(1,289)
Provisions (net)	(67)	(106)
Earnings from associates and joint ventures	83	220
Financial results	(911)	(186)
Profit before taxes and other contributions at Replacement Cost	**456**	**221**
Replacement Cost adjustments	387	(469)
Profit before taxes and other contributions at IFRS	**843**	**(248)**
Income tax and SPT	(652)	(242)
Income tax on Replacement Cost Adjustment (2)	103	(131)
Energy Sector Extraordinary Contribution	(41)	(45)
Consolidated net income for the period at Replacement Cost	**(134)**	**(197)**
Replacement Cost (1) + (2)	284	(338)
Consolidated net income for the period based on IFRS	**150**	**(535)**

Notes to the consolidated financial statements as of 31 December 2021

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 derecognised. Inspection costs associated with major maintenance programmes are capitalised and amortised 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 recognised 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 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	2021	2020
Buildings and other constructions	3.62%	4.4%
Machinery and equipment	13.65%	10.5%
Transport equipment	11.46%	20.3%
Tools and utensils	16.45%	21.1%
Administrative equipment	11.00%	23.7%
Reusable containers	13.00%	13.5%
Other tangible assets	6.12%	7.4%

Notes to the consolidated financial statements as of 31 December 2021

Impairment analysis

Impairment testing is performed as 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 & Energy Management and Commercial segments impairment tests

Tangible and intangible assets related to the Industrial & Energy Management 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 network of each country as a separate CGU, given: (i) the interdependence of the service stations in terms of sustaining the Company's market share, and therefore its results; and (ii) the provision of loyalty programmes and fleet cards at a national level.

The impairment testing carried out by the Group is based on the estimated recoverable amount of the service station network 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 network, using a post-tax discount rate adjusted for the specific risks of that segment. See note 8 for valuation model and discount rate used.

Industrial & Energy Management

Impairment testing is also performed on the other assets of the Industrial & Energy Management 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:

- Refining margin;
- Carbon prices;
- Refinery availability;
- Future operating and investments costs;
- Discount rate (see note 8).

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

Notes to the consolidated financial statements as of 31 December 2021

- 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:

- The probable reserves;
- The investment and future operating costs needed to recover the probable reserves;
- The amount of any contingent resources, adjusted to reflect the probability of geological success;
- The investment and future operating costs required to recover the contingent resources;
- The reference price of a barrel of Brent crude;
- The applicable exchange rates;
- The CGU taxation mechanisms;
- The estimated production level and concession period; and
- 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 (1C, 2C and 3C) 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

Notes to the consolidated financial statements as of 31 December 2021

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 used in the impairment testing in the Upstream and Industrial & Energy Management (refining assets) segments, are regularly assessed by management, noting that management does not necessarily consider short-term increases or decreases in prices as being indicative of long-term levels.

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 note 5.

Crude 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 recognise 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, exchange rates, 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 and amortisation to be recognised 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.

Notes to the consolidated financial statements as of 31 December 2021

Unit: € m

	Land, natural resources and buildings	Plant and machinery	Other equipment	Assets under construction	Total
As of 31 December 2020					
Acquisition cost	1,253	10,499	499	1,583	13,833
Impairment	(29)	(159)	(2)	(167)	(356)
Accumulated depreciation and depletion	(770)	(7,385)	(445)	0	(8,599)
Net value	**454**	**2,955**	**52**	**1,417**	**4,878**
As of 31 December 2021					
Acquisition cost	1,279	11,315	499	2,006	15,098
Impairment	(26)	(116)	(1)	(212)	(354)
Accumulated depreciation and depletion	(791)	(8,332)	(452)	0	(9,575)
Net value	**462**	**2,866**	**46**	**1,794**	**5,169**

Movements in tangible assets in 2021 and 2020 are as follows:

Unit: € m

	Land, natural resources and buildings	Plant and machinery	Other equipment	Assets under construction	Total
Balance as of 1 January 2020	**457**	**3,267**	**51**	**1,896**	**5,671**
Additions	0	16	2	607	624
Depreciation, depletion and impairment	(27)	(934)	(20)	(129)	(1,111)
Disposals/Write-offs	(1)	(5)	0	(45)	(52)
Transfers	29	756	21	(805)	0
Currency exchange differences and other adjustments	(3)	(143)	(2)	(106)	(255)
Balance as of 31 December 2020	**454**	**2,955**	**52**	**1,417**	**4,878**
Balance as of 1 January 2021	**454**	**2,955**	**52**	**1,417**	**4,878**
Additions	0	40	1	768	809
Depreciation, depletion and impairment	(18)	(702)	(19)	(43)	(783)
Disposals/Write-offs	(1)	(2)	0	0	(3)
Transfers	23	422	12	(455)	1

Notes to the consolidated financial statements as of 31 December 2021

Unit: € m

	Land, natural resources and buildings	Plant and machinery	Other equipment	Assets under construction	Total
Currency exchange differences and other adjustments	4	153	1	108	266
Balance as of 31 December 2021	**462**	**2,866**	**46**	**1,794**	**5,169**

During the year ended 31 December 2021, the Group made investments in the Upstream segment in relation to projects in Brazil (€505 m), Mozambique (€ 405 m) and Angola (€38 m). The amounts mentioned above include the capitalisation of financial charges in the amount of €15 m (Note 27).

In addition, in 2021, the Group recognised under "Depreciation, depletion and impairment" caption an impairment loss €50 m related to Matosinhos assets, as well as a gain of €49 m related to the residual value of assets to be dismantled.

Upstream segment assets

Details of assets under construction and assets in production for the Upstream segment for the years ended 31 December 2021 and 2020, including Tangible and Intangible Assets, are presented in the table below:

Unit: €m

	Africa		Latin America		Total	
	2021	2020	2021	2020	2021	2020
Exploration and Production Assets	**1,031**	**958**	**3,192**	**2,802**	**4,223**	**3,761**
Assets under construction	**567**	**462**	**806**	**666**	**1,373**	**1,128**
Mineral Rights	0	2	0	0	0	2
In exploration	362	280	202	254	564	533
In development	193	126	598	405	791	531
Financial interests	12	54	6	7	18	62
Net Fixed Assets	**464**	**496**	**2,386**	**2,136**	**2,850**	**2,633**
Mineral Rights	14	18	417	323	431	342
In production	450	466	1,856	1,678	2,307	2,143
Financial interests	0	13	113	136	113	148

Notes to the consolidated financial statements as of 31 December 2021

Impairment Analysis

Refineries, logistics and storage facilities

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

Year-end analysis of the sensitivity of the carrying amount of the refining assets included fluctuations in the refining margin and discount rates. The forecast refining margin in the impairment testing were in a range from 4.3 $/bbl to 5.4 $/bbl during the business plan period.

A sensitivity was carried out to test the impact of the refining margin and discount rate on the value of the refining assets. The sensitivity analysis had been prepared using a 0.5 $/bbl decrease in the refining margin assumptions approved by Galp's Board of Directors and 1% increase in the discount rate, with no impairment identified.

Service Station Network

Impairment testing and sensitivity analysis were carried out for the service station network in Portugal and Spain. The stress analysis was based on the following fundamental assumptions:

- A negative variation in cash flow by 10%; and
- An increase in the discount rate by 1 p.p. Based on the impairment test carried out, the expected future benefits of the service station network in Portugal and Spain are higher than the carrying values, and therefore no impairment has been recorded. Based on the sensitivity analysis using the variations in the fundamental assumptions mentioned above, no potential impairment loss was identified in relation to the service station network in Portugal and Spain.

The future cash flow projections at the CGU level have been discounted using an appropriate discount rate which reflects the business unit's specific risks. For details of the discount rate used for the purposes of impairment testing, see Note 8.

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 considered in the impairment testing were as follows: 2022-2027: $70/bbl, $68/bbl, $65/bbl, $66/bbl, $68/bbl, $69/bbl, respectively. For periods from 2028 the forecast Brent price is $70/bbl.

Based on the impairment testing carried out, the expected future benefits from the assets are higher than the carrying value per CGU for the regions in which Galp operates (Angola, Mozambique and Brazil).

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. For details of the discount rate used for the impairment testing, see Note 8.

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 had been prepared using a $5/bbl decrease in the Forecast Brent approved as Long-term assumption by Galp's Board of Directors. The results from the

Notes to the consolidated financial statements as of 31 December 2021

analysis indicate that no future potential impairment in the geographical areas in which Galp operates.

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 amortised over the periods of the respective agreements.

Research and development

Research expenses not related to petroleum exploration and production activities are recognised as expenses for the period. Development expenses are only recognised 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 recognised as intangible assets.

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

Amortisation

Intangible assets with finite useful lives are amortised 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 recognised in the exploration and production segment, namely signature bonuses, are recorded at their acquisition cost and are amortised 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 recognised in the consolidated income statement for each period. These

Notes to the consolidated financial statements as of 31 December 2021

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.

Unit: € m

	Industrial properties and other rights	Intangible assets in progress	Total
As of 31 December 2020			
Acquisition cost	962	70	1,033
Impairment	(18)	(21)	(39)
Accumulated amortisation	(462)	0	(462)
Net Value	**482**	**49**	**532**
As of 31 December 2021			
Acquisiton cost	1,114	73	1,187
Impairment	(21)	(23)	(43)
Accumulated amortisation	(499)	0	(499)
Net Value	**595**	**50**	**645**

Movements in intangible assets in 2021 and 2020 are as follows:

Unit: € m

	Industrial properties and other rights	Intangible assets in progress	Total
Balance as of 1 January 2020	**542**	**36**	**577**
Additions	1	38	39
Amortisation and impairment	(28)	0	(28)
Write-offs/Disposals	(1)	0	(1)
Transfers	28	(28)	0
Currency exchange differences and other adjustments	(61)	5	(56)
Balance as of 31 December 2020	**482**	**49**	**532**
Balance as of 1 January 2021	**482**	**49**	**532**
Additions	23	112	134
Amortisation and impairment	(43)	0	(43)
Write-offs/Disposals	(3)	(2)	(5)
Transfers	109	(109)	0
Currency exchange differences and other adjustments	27	0	26
Balance as of 31 December 2021	**595**	**50**	**645**

Additions to intangible assets occurred essentially in the Upstream segment in relation to projects in Brazil (€73m) and €36m in the Industrial & Energy Management segment.

Notes to the consolidated financial statements as of 31 December 2021

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 amortised 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.

Amortisation

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life

Notes to the consolidated financial statements as of 31 December 2021

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".

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 of 31 December 2021						
Acquisition cost	697	91	269	188	216	1,461
Accumulated amortisation	(132)	(16)	(56)	(129)	(49)	(382)
Net Value	**565**	**75**	**212**	**59**	**168**	**1,079**
As of 31 December 2020						
Acquisition cost	600	90	169	176	212	1,246
Accumulated amortisation	(87)	(10)	(34)	(81)	(33)	(244)
Net Value	**513**	**80**	**135**	**94**	**179**	**1,002**

[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.

Notes to the consolidated financial statements as of 31 December 2021

Movements in right-of-use assets in 2021 and 2020 are as follows:

Unit: € m

	FPSO's[1]	Buildings	Service stations	Time Charter	Other usage rights	Total
As of 1 January 2020	**607**	**85**	**136**	**146**	**194**	**1,167**
Additions	0	3	24	4	2	33
Amortisation	(46)	(6)	(18)	(47)	(34)	(150)
Write-offs/Disposals	0	1	1	0	0	2
Currency exchange differences and other adjustments	(48)	(3)	(7)	(9)	18	(49)
Balance as of 31 de dezembro 2020	**513**	**80**	**135**	**94**	**180**	**1,002**
As of 1 January 2021	**513**	**80**	**135**	**94**	**180**	**1,002**
Additions	45	0	84	0	6	136
Amortisation and impairments	(43)	(6)	(26)	(45)	(14)	(134)
Write-offs/Disposals	(7)	0	2	0	(0)	(5)
Currency exchange differences and other adjustments	57	0	16	10	(4)	80
Balance as of 31 December 2021	**565**	**75**	**212**	**59**	**168**	**1,079**

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

Lease liabilities are as follows:

Unit: € m

	2021	2020
Maturity analysis – contractual undiscounted cash flow	**1,696**	**1,709**
Less than one year	174	180
One to five years	573	545
More than five years	949	984
Lease liabilities included in the consolidated statement of financial position	**1,179**	**1,089**
Current	164	166
Non-current	1.015	923

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

Unit: € m

	Notes	2021	2020
		405	**490**
Interest on lease liabilities	**27**	76	80
Expenses related to short term, low value and variable payments of operating leases[1]		329	410

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

Notes to the consolidated financial statements as of 31 December 2021

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

Unit: € m

	2021	2020
Financing activities	**191**	**191**
Payments relating to leases	115	110
Payments relating to lease interests	76	80

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 recognised 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.

Unit: € m

	2021	2020
	84	**85**
Galp Comercialização Portugal, S.A. (incorporated in Petrogal)	51	51
Galp Eswatini (PTY) Limited	20	19
Galpgest - Petrogal Estaciones de Servicio, S.L.U.	6	6
Empresa Nacional de Combustíveis - Enacol, S.A.R.L.	4	4
Tagusgás Propano, S,A.	0	2
Galp Moçambique, Lda.	4	3

The methods and discount rates used for the valuation models were as follows:

Cash generating unit	Valuation Model	Cash flows	Growth factor	Discount rates	
				2021	2020
Financial Investments (included in operating segments)	DCF (Discounted Cash Flow)	In accordance with the budget for 2022 and the five year strategic plan	Gordon Model with perpetual growth rate of 2%	I&EM [6.2%-6.4%] UP [10.5% USD] COM [5.6%]	I&EM [6.2%-6.4%] UP [10.5% USD] COM [5.6%]

I&EM – Industrial & Energy Management | UP – Upstream | COM - Commercial

Notes to the consolidated financial statements as of 31 December 2021

According to the defined assumptions, as of 31 December 2021 there were no goodwill impairments. A negative variance of 10% in cash flow or an increase in the discount rate by 1 p.p. would not result in an impairment of goodwill as of 31 December 2021.

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 recognised 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.

Where 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.

Information about joint arrangements and associates can be found in Note 29.

As of 31 December 2021 and of 31 December 2020, the net book values of investments in joint ventures and associates were as follows:

Unit: € m

	2021	2020
	389	**483**
Joint ventures	311	405
Associates	78	78

Notes to the consolidated financial statements as of 31 December 2021

Movements in Joint Ventures are as follows:

Unit: € m

	As of 31 December 2020	Share capital increase/ decrease	Equity Method	Other adjustments	Dividends	As of 31 December 2021
	405	**(80)**	**29**	**37**	**(80)**	**311**
Tupi B.V.	168	(109)	3	14	(76)	0
Iara B.V.	0	0	(1)	0	0	0
Zero -E-Euro Assets, S.A.	58	2	22	6	0	88
Coral FLNG, S.A.	161	26	0	13	0	201
Other joint ventures	17	0	5	4	(4)	22

Other adjustments are mainly related to cumulative translation adjustments, that is exchange differences of foreign currencies to group reporting currency.

Tupi B.V.

During the year, the joint venture Tupi BV repaid share premium contributions to its shareholders in the amount of €109 m as a result of the sale of equipment to the Upstream operations in Brazil as per REPETRO legislation.

A summary of the financial indicators of the significant joint ventures as of 31 December 2021 is shown below:

Unit: € m

	Tupi B.V.*	Coral FLNG, S.A.*	Titan 2020, S.A.
Total non-current assets	**27**	**5,898**	**935**
Total current assets	**394**	**511**	**116**
Of which cash and cash equivalents	157	8	100
Total assets	**421**	**6,409**	**1,051**
Total non-current liabilities	**56**	**5,395**	**944**
Of which debt	0	3,840	401
Total current liabilities	**350**	**388**	**87**
Of which debt	0	0	17
Total liabilities	**406**	**5,783**	**1,030**

Notes to the consolidated financial statements as of 31 December 2021

Unit: € m

	Tupi B.V.*	Coral FLNG, S.A.*	Titan 2020, S.A.
Total operating income	**1,033**	**0**	**128**
Total operating costs	**(989)**	**2**	**(59)**
Of which amortisation, depreciation and impairment losses on fixed assets	0	0	(31)
Operating results	**43**	**2**	**69**
Net financial results	6	0	(22)
Profit before taxes	**50**	**2**	**47**
Income taxes	(13)	0	(15)
Net income for the year	**36**	**2**	**32**

* 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 of 31 December 2020	Share capital increase/ decrease	Equity Method	Foreign exchange rate differences	Dividends	As of 31 December 2021
	78	**(12)**	**66**	**(1)**	**(53)**	**78**
EMPL - Europe Magreb Pipeline, Ltd	14	0	33	(1)	(39)	7
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	6	0	2	1	(1)	9
Gasoduto Al-Andaluz, S.A.	3	0	0	0	(2)	0
Tauá Brasil Palma, S.A.	42	(15)	26	(1)	(7)	43
Galp Gás Natural Distribuição, S.A.	8	0	0	0	(1)	8
Other associates	6	3	6	0	(4)	12

For comparative information on Joint Ventures and Associates, please refer to the consolidated financial statements for the year ended 31 December 2020.

Notes to the consolidated financial statements as of 31 December 2021

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

	2021	2020
	1,007	**708**
Raw, subsidiary and consumable materials	**184**	**272**
Crude oil	105	166
Other raw materials	79	67
Raw materials in transit	0	40
Finished and semi-finished products	**592**	**339**
Goods	**277**	**111**
Write-downs	**(46)**	**(14)**

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		**13**	**0**	**1**	**14**
Net reductions	**25**	3	11	17	32
Write-downs at the end of the year		**16**	**11**	**18**	**46**

11.Trade and other receivables

Accounting policies

Accounts receivable are initially recorded at the transaction value and subsequently measured at amortised cost, less any impairment losses, recognised as impairment losses on accounts receivable. The amortised 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).

Notes to the consolidated financial statements as of 31 December 2021

Trade and other receivables are derecognised 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.

Notes to the consolidated financial statements as of 31 December 2021

Trade receivables

Unit: € m

	Notes	2021	2020
		1,243	**781**
Trade receivables		1,379	926
Allowance for doubtful amounts		(136)	(145)
Ageing of trade receivables	**Exposure to risk**	**1,243**	**782**
Not yet due	Low	1,012	607
Overdue up to 180 days	Medium	189	127
Overdue between 181 days and 365 days	High	34	13
Overdue over 365 days	Very High	8	34
Movements in allowance for doubtful trade receivables			
Allowance at the beginning of the year		**145**	**163**
Increase	**25**	11	14
Decrease	**25**	(4)	(6)
Utilisation		(14)	(26)
Other adjustments		(2)	0
Allowance at the end of the year		**136**	**145**

Other receivables

Unit: € m

		2021		2020	
	Notes	Current	Non-current	Current	Non-current
		885	**293**	**877**	**266**
State and other Public Entities		**25**	**7**	**28**	**17**
Other debtors		**303**	**132**	**587**	**85**
Non-operated oil blocks		86	0	77	0
Underlifting		46	0	85	0
Other receivables		171	132	425	85

Notes to the consolidated financial statements as of 31 December 2021

Unit: € m

		2021		2020	
	Notes	Current	Non-current	Current	Non-current
Related Parties		**2**	**0**	**1**	**0**
Contract Assets		**447**	**67**	**183**	**68**
Sales and services rendered but not yet invoiced		111	0	57	0
Adjustment to tariff deviation - "pass through"		24	0	19	0
Other accrued income		312	67	108	68
Deferred charges		**113**	**87**	**82**	**96**
Energy sector extraordinary contribution	16	10	25	11	35
Deferred charges for services		4	14	3	14
Other deferred charges		98	49	68	46
Impairment of other receivables		**(5)**	**0**	**(5)**	**0**

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

Non-current deferred charges includes the amount of €48 m related to the post-employment benefits asset (Note 17).

Other non-current receivables includes a €82m 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.

12.Other financial assets

Accounting policies

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

Notes to the consolidated financial statements as of 31 December 2021

Unit: € m

		2021		2020	
	Notes	Current	Non-current	Current	Non-current
		992	**560**	**190**	**402**
Financial Assets at fair value through profit or loss	19	992	114	149	49
Financial Assets at fair value through comprehensive income		0	7	0	3
Financial Assets not measured at fair value - Loans and Capital subscription		0	411	42	330
Financial Assets not measured at fair value - Loan to Sinopec		0	0	0	0
Others		0	27	0	21

Loans and Capital subscription (non-current) is mainly related to a shareholder loan to Group Titan 2020, S.A.(ex- Zero E Euro Assets), of €343 m.

Financial assets at fair value through profit or loss refer to financial derivatives (note 19). Increase is mainly related to the high volatility observed in TTF prices, that impacts Mark-to-Market.

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 2021 and 2020, the details of cash and cash equivalents were as follows:

Unit: € m

	Notes	2021	2020
		1,811	**1,675**
Cash in banks		1,942	1,678
Bank overdrafts	14	(131)	(2)

Notes to the consolidated financial statements as of 31 December 2021

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 amortised 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	2021		2020	
		Current	Non-current	Current	Non-current
		1,305	**2,995**	**539**	**3,204**
Bank loans		**1,055**	**824**	**39**	**801**
Loans and commercial paper		924	824	37	801
Bank overdrafts	13	131	0	2	0
Bonds and notes		**250**	**2,171**	**500**	**2,404**
Origination fees		0	(6)	0	(9)
Bonds		250	1,177	0	1,413
Notes		0	1,000	500	1,000

The average cost of financial debt for the period under review, including charges for credit lines and overdrafts, amounted to 1.75% (1.69% in 2020).

The fair value of the notes was €1,030 m as of 31 December 2021 and €1,523 m as of 31 December 2020, measured based on observable market variables, and classified at Level 2 of the Fair Value hierarchy (see Fair Value hierarchy in Note 20).

Notes to the consolidated financial statements as of 31 December 2021

Current and non-current loans and bonds, excluding origination fees and bank overdrafts, have the following repayment plan as of 31 December 2021:

Unit: €m

Maturity			Loans
	Total	Current	Non-current
	4,175	**1,174**	**3,001**
2022	1,174	1,174	0
2023	870	0	870
2024	697	0	697
2025	605	0	605
2026 onwards	829	0	829

For comparative information, please refer to the consolidated financial statements for the year ended 31 December 2020.

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

Unit: € m

	Initial Balance	Loans obtained	Principal Repayment	Changes in Overdrafts	Foreign exchange rate differences and others	Ending balance
	3,743	**6,869**	**(6,465)**	**128**	**24**	**4,300**
Bank Loans:	**840**	**6,869**	**(5,965)**	**128**	**7**	**1,879**
Loans and commercial papers	837	6,869	(5,965)	0	7	1,748
Bank overdrafts	3	0	0	128	0	131
Bonds and Notes:	**2,904**	**0**	**(500)**	**0**	**17**	**2,421**
Origination fees	(9)	0	0	0	3	(6)
Bonds	1,413	0	0	0	14	1,427
Notes	1,500	0	(500)	0	0	1,000

For comparative information, please refer to the consolidated financial statements for the year ended 31 December 2020.

Notes to the consolidated financial statements as of 31 December 2021

The bond reimbursements during 2021 were as follows:

Unit: € m

Issuance	Due amount	Interest rate	Maturity	Reimbursement
	500			
Galp 3,000% 01.2021	500	Fixed Rate 3,000%	January'21	January'21

15.Trade payables and other liabilities

Accounting policy

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

Unit: € m

	2021		2020	
	Current	Non-current	Current	Non-current
Suppliers	**811**	**0**	**650**	**0**
Other creditors	**1,191**	**95**	**763**	**111**
State and other public entities	**475**	**0**	**283**	**0**
Payable VAT	237	0	157	0
"ISP" - Tax on oil products	196	0	94	0
Other taxes	42	0	32	0
Other payables	**235**	**50**	**128**	**65**
Tangible and intangible assets suppliers	166	50	96	65
Advances on sales	0	0	1	0
Overlifting	0	0	0	0
Other Creditors	69	0	30	0
Related parties	**4**	**0**	**0**	**0**
Other accounts payables	**38**	**7**	**55**	**5**

Notes to the consolidated financial statements as of 31 December 2021

Unit: € m

	2021		2020	
	Current	Non-current	Current	Non-current
Accrued costs	**409**	**29**	**284**	**29**
External supplies and services	242	0	138	0
Holiday, holiday subsidy and corresponding contributions	58	4	38	4
Other accrued costs	108	24	108	25
Contract liabilities	**28**	**0**	**12**	**0**
Other deferred income	**2**	**11**	**1**	**11**

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

16. Taxes, deferred income taxes and energy sector extraordinary contribution

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.

Notes to the consolidated financial statements as of 31 December 2021

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 recognised 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 recognised 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 2021, and 31 December 2020, the current income tax payable is as follows:

Unit: € m

	Assets		Liabilities	
	2021	2020	2021	2020
	139	**101**	**0**	**0**
State and other public entities	139	101	0	0

The Titan 2020, SA companies, headquartered in Spain, in which the Group has an interest equal to 75%, are taxed in accordance with the Spain special regime for the taxation of groups of companies, with the taxable income being determined for Galp Energia España, S.A. during the year 2021. Accordingly, the amount of corporate income tax advance payments made by Galp Energia España, S.A. (which is responsible to the Spain Tax Authorities under the special regime for the taxation of groups of companies) on behalf of Titan 2020, S.A. Group companies, as well as the amounts related to the payment/receipt of Corporate Income Tax are recognised in the current income tax receivable and/or payable.

The total income tax, IRP and SPT paid during the year 2021 was € 593 m.

Notes to the consolidated financial statements as of 31 December 2021

Taxes for the year ended 31 December 2021 and 2020 were as follows:

Unit: € m

	2021			2020		
	Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
Taxes for the year	**553**	**99**	**652**	**182**	**60**	**242**
Current income tax	(8)	101	93	(121)	62	(59)
"IRP" - Oil Income Tax	23	(1)	21	18	(3)	16
"SPT" - Special Participation Tax	539	0	539	285	0	285

As of 31 December 2021, the Extraordinary contributions for the energy sector were as follows:

Unit: € m

	Statement of financial position				Income statement
	Provisions (Note 18)		"CESE II" Deferred Charges (Note 11)		Energy Sector Extraordinary Contribution
	CESE I	CESE II	Current	Non-current	
As of 1 January 2021	**(113)**	**(229)**	**11**	**35**	**-**
"CESE I" Increase	(11)	0	0	0	12
"CESE II" Increase	0	(10)	(1)	(10)	20
"Fondo Nacional de Eficiencia Energética (FNEE)"	0	0	0	0	9
31 December 2021	**(124)**	**(238)**	**10**	**25**	**41**

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 and the Netherlands, 31.5% in Portugal and 34% for companies based in Brazil.

Unit: € m

	2021	2020
Effective tax rate	**77.70%**	**(105.70%)**
Corporate income tax rate of Galp Energia SGPS, SA	31.50%	31.50%
Application of the equity method	(3.10%)	9.90%
"SPT" - Special participation and "IRP" - Tax on Oil Income *	66.60%	(134.20%)
Other additions and deductions	(17.30%)	(12.90%)

Notes to the consolidated financial statements as of 31 December 2021

During the year ended 31 December 2021, the movements in deferred tax assets and liabilities were as follows:

Unit: € m

	As of 1 January 2021	Impact on the income statement	Impact on equity	Foreign exchange rate changes	As of 31 December 2021
Deferred Taxes – Assets	**509**	**5**	**(14)**	**(14)**	**485**
Adjustments to tangible and intangible assets	79	(33)	0	(3)	44
Retirement benefits and other benefits	110	(16)	(8)	0	87
Tax losses carried forward	69	14	0	(3)	80
Regulated revenue	6	1	0	0	7
Temporarily non-deductible provisions	179	20	0	(5)	194
Potential foreign exchange rate differences in Brazil	37	6	0	(3)	40
Others	28	12	(6)	0	33
Deferred Taxes – Liabilities	**(479)**	**(104)**	**0**	**(70)**	**(654)**
Adjustments to tangible and intangible assets	(441)	(105)	0	(70)	(616)
Adjustments to tangible and intangible assets fair value	(5)	(5)	0	0	(10)
Regulated revenue	(13)	0	0	0	(13)
Potential foreign exchange rate differences in Brazil	0	0	0	0	0
Others	(20)	6	0	0	(15)

Impact on profit or loss in relation to deferred tax liability of €105 m is mainly related to a time difference between the tax and accounting values regarding the group entity Petrogal Brasil.

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

Unit: € m

	Tax losses carried forward	Limit year to use	Deferred Tax
Tax losses carried forward	**166**		**41**
The Netherlands	34	2025	8
Spain	132	No limit	33

Notes to the consolidated financial statements as of 31 December 2021

In addition to the €132m above, there are €148m of tax losses carried forward in Spain for which no deferred tax assets have been booked.

The tax losses carried forward in Brazil and Spain will be recovered through future taxable results which may be expected as a result of Upstream and Commercial activity, respectively.

17. Retirement benefit obligations

Accounting policies

Defined-contribution plans

Galp has a defined-contribution plan funded by a pension fund which is managed by independent entities. 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 surviving orphans; 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 recognised immediately in the income statement. The surplus of a net defined benefit plan (i.e. asset) is only recognised 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 recognised in the statement of financial position. Costs recognised for retirement benefits are included in employee costs. The net obligation recognised in the statement of financial position is reported within non-current liabilities.

Other retirement benefits

Along with the aforementioned plans, Galp provides additional benefits related to healthcare, life insurance and a minimum defined-benefit plan (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.

Notes to the consolidated financial statements as of 31 December 2021

Post-employment benefits

Unit: € m

	Notes	2021	2020
Asset under the heading of "Other Receivables"	11	48	45
Liability		(300)	(381)
Net responsibilities		**(252)**	**(336)**
Post employment benefits obligations, of which:		**(500)**	**(595)**
Past service liability covered by the pension fund		(200)	(214)
Other employee benefit liabilities		(300)	(381)
Post employment benefits assets		**248**	**259**

Post-employment obligations

Unit: € m

	2021	2020
Past service liability at the end of the current year	**500**	**595**
Past service liability at the end of the previous year	595	568
Current service cost	7	7
Interest cost	8	9
Actuarial (gain)/loss	(22)	20
Benefit payments made by the fund	(21)	(23)
Benefit payments made by the company	(37)	(42)
Changes in the benefit plan	0	0
Cut back - Early retirement	2	1
Cut back - Pre-retirement	3	37
Cut back - Migration to DC	0	(1)
Other changes	(35)	20

Other changes in the amount of €35m is related with a reversion of a provision regarding the restructuring of Matosinhos refinery.

The average maturity of the liabilities under the defined benefit plans is 9.2 years (in 2020: 9.8 years).

As of 31 December 2021, 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
	109	**76**	**33**
2022	34	25	9
2023	29	21	8
2024	25	17	8
2025	21	13	8

Defined-benefit pension fund

Unit: € m

	Notes	2021	2020
Assets at the end of the current year		**248**	**259**
Assets at the end of the previous year		259	267
Net interest	26	4	4
Associates' contribution		0	0
Benefit payments		(21)	(23)
Cut back		0	0
Financial gain/(loss)		7	11

Notes to the consolidated financial statements as of 31 December 2021

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.

Unit: € m

	2021	2020
Real return on plan assets (%)	3.97%	5.75%
Real return on plan assets	10	15

The number of participants and beneficiaries of the Petrogal and Sacor pension plans was 5,684 in December 2021 and 6,100 in December 2020.

Post-employment benefit expenses

Unit: € m

	Notes	2021	2020
Current service cost	26	7	7
Interest cost	27	4	5
Net cost for the year before special events		**11**	**11**
Cut back impact - early retirement	26	2	1
Cut back impact - pre-retirement	26	3	37
Other adjustments	26	(30)	14
Net cost for the year of defined-benefit plan expenses		**(13)**	**62**
Defined contribution	26	5	4
Net cost for the year of defined-contribution plan expenses		**5**	**4**
Total		**(9)**	**66**

Notes to the consolidated financial statements as of 31 December 2021

Remeasurements

Unit: € m

	Notes	2021	2020
		26	**(3)**
Gains recognised through comprehensive income		**33**	**(10)**
(Loss)/Gains from actuarial experience		1	12
(Loss)/Gains from changes in actuarial assumptions		22	(32)
Financial (loss)/gain		7	11
Other gains/losses		4	(1)
Taxes related to actuarial gains and losses	**16**	**(8)**	**7**

Assumptions

	Retirement benefits		Other benefits	
	2021	2020	2021	2020
Rate of return on assets	1,50%	1.50%	-	-
Technical interest rate	1,50%	1.50%	1.50%	1.50%
Rate of increase in salary costs	1.00%	1.00%	1.00%	[1,00% - 3,50%]
Rate of increase in pension costs	[0,00% - 2,00%]	[0,00% - 1,40%]	-	-
Current personnel and pre-retiree mortality table	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011
Retired personnel mortality table	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011
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

Notes to the consolidated financial statements as of 31 December 2021

Sensitivity Analysis

Sensitivity analysis of the discount rate

Unit: € m

Discount rate 1.50%		-0.25%
Total	**500**	**(3)**
Retirement benefits	329	(9)
Other benefits	171	6

Sensitivity analysis of the growth rate of health insurance costs

Unit: € m

Growth rate of 0% (2022-2023) and 3% (2024-)		-1.00%	1.00%
Past Service	152	(18)	22

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 the abandonment costs of blocks are intended to cover all the costs incurred by the Company 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 recognised by Galp on a proportional basis as it builds each production well. These provisions are capitalized as part of the assets.

Provisions for environmental clean-ups regarding contamination of soils or water are expensed when a clean-up is necessary, and the associated costs can be measured reliable. The amount recognised 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.

Notes to the consolidated financial statements as of 31 December 2021

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.

Abandonment 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 recognised (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 recognised in income.

Galp reviews its long-live refinery assets on a regular basis to determine any changes in facts and circumstances that could result in the recognition of a provision for decommissioning and restoration.

Environmental provisions (except for CO_2 emissions)

Galp makes judgments and estimates to calculate its known obligations relating essentially to the known requirements regarding 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 decommissioning and environmental liabilities are reviewed annually, together with the interest rate used in discounting the cashflows.

Notes to the consolidated financial statements as of 31 December 2021

As of 31 December 2021 and 31 December 2020, the provisions were as follows:

Unit: € m

	December 2021				December 2020
	Decommissioning/ environmental provisions	CESE (I and II)	Other provisions	Total	
At the beginning of the year	**513**	**343**	**152**	**1,008**	**819**
Additional provisions and increases to existing provisions	110	22	22	154	212
Decreases of existing provisions	(9)	(1)	(13)	(23)	(3)
Amount used during the year	(1)	0	(20)	(21)	(12)
Regularisation	1	0	64	65	31
Adjustments during the year	30	0	(5)	25	(38)
At the end of the year	**645**	**363**	**200**	**1,208**	**1,008**

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
2021	**4**	**73**	**39**	**10**	**31**	**(11)**	**12**	**(27)**	**131**
Decommissioning/ environmental costs	0	71	39	10	0	0	0	(18)	102
CESE I and II	0	0	0	0	31	(11)	0	0	20
Other provisions	4	2	0	0	0	0	12	(9)	9

For comparative information, please refer to the consolidated financial statements for the year ended 31 December 2020.

Decommissioning of blocks and environmental costs

The amount of €645 m includes a provision for the abandonment of blocks (€429 m), established to cover the costs to be incurred for asset retirement obligations at the end of the useful lives of those areas (€342 m in Brazil, €68 m in Angola and €18m in Mozambique). The remaining €216 m relates to the costs associated with the asset retirement obligations of certain facilities in the Industrial & Energy Management segment, due to legal and constructive obligations. The increase of the year of€71 m in decommissioning/environmental

Notes to the consolidated financial statements as of 31 December 2021

costs regards to dismantling, decommissioning and decontamination costs (3D) of Matosinhos refinery.

CESE I and II

In the year ending 31 December 2021, the caption of CESE (I and II) - "Energy Sector Extraordinary Contribution I and II" in the amount of €363 m represents the total responsibility as of that date, and corresponds to the contributions for the years 2014 to 2021.

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, although these obligations are currently subject to legal dispute.

Other provisions

The amount of €200 m of other provisions includes a provision of €82m that relates to the dispute between ANP and the BM-S-11 consortium, as explained in Note 11 and a provision of €84 m regarding the commitment to reimburse CESE I to the shareholders of GGND in the sequence of the shares sell agreement

Contingent liabilities

As of 31 December 2021, 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 recognised for tax contingencies related to Brazilian withholding tax (IRRF) and other taxes and levies (PIS/COFINS and CIDE) related to rental payments on overseas vessels.

Management believes the outcome of these matters will be resolved in a manner favourable to Galp. Should Galp be required to pay such taxes and levies, it could result in a potential total liability of approximately €125 m (€123 m in 2020).

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 commodities (i.e. Brent, electricity and gas) futures and swaps are presented within cost of sales. 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

Notes to the consolidated financial statements as of 31 December 2021

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 recognised amounts, and there is an intention to settle on a net basis or to realise the asset and liability simultaneously.

Hedge accounting

Derivative instruments that qualify for hedge accounting are designated in cash flow hedges of commodity price risk associated with highly probable forecast electricity purchases. Derivative instruments used by the Group to hedge the fair value are mainly related to the hedging of commodity prices (oil prices). The indices are the same as those applicable to the contracts signed with customers. 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 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. In a fair value hedge, the derivatives are recorded at their fair value through profit or loss under financial results, offsetting changes in the fair value of the designated items that are also recorded in financial results.

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 recognised 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 the transaction is no longer expected to occur.

Financial derivatives are recorded at fair value, calculated by using generally accepted valuation methods.

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

For further explanation of the risks and the related risk reduction using hedges, see Note 20.

Notes to the consolidated financial statements as of 31 December 2021

The financial position of derivative financial instruments as of 31 December 2021 and 2020 is detailed as follows:

Unit: € m

	2021					2020				
	Assets (Note 12)		Liabilities		Equity	Assets (Note 12)		Liabilities		Equity
	Current	Non-current	Current	Non-current		Current	Non-current	Current	Non-current	
	992	**114**	**(1,069)**	**(136)**	**31**	**149**	**49**	**(130)**	**(37)**	**12**
Designated hedge derivatives										
Oil										
Swaps	0	0	(1)	0	0	0	0	(11)	0	0
Gas										
Swaps	0	0	0	0	0	0	0	0	0	0
Electricity										
Futures	49	0	0	0	49	7	0	0	0	12
Swaps	(18)	0	0	0	(18)	1	0	0	0	(1)
Non designated hedge derivatives										
Oil										
Futures	0	0	0	0	0	0	0	0	0	0
Swaps	22	57	(19)	(56)	0	0	0	(0)	0	0
Options	0	0	0	0	0	19	0	0	0	0
Gas										
Futures	158	0	0	0	0	22	0	0	0	0
Swaps	687	24	(1,050)	(81)	0	97	34	(90)	(18)	0
Electricity										
Futures	(19)	0	0	0	0	0	0	0	0	0
Swaps	95	32	0	0	0	0	15	(1)	0	0
CO_2										
Futures	0	0	0	0	0	0	0	0	0	0
Foreign Exchange										
Forwards	18	2	0	0	0	4	1	(29)	(19)	0

Notes to the consolidated financial statements as of 31 December 2021

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

During 2021 and 2020 the Group entered into derivative financial instruments with the objective of hedging the economic exposure mainly related to changes in crude, power and natural gas prices.

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

Unit: € m

		December 2021		December 2020	
		Maturity		Maturity	
		Less than 1 year	1 year and more	Less than 1 year	1 year and more
		(1,185)	**(193)**	**(1,091)**	**(634)**
Commodity futures	Purchase	(517)	(26)	(92)	(23)
	Sales	349	17	286	86
Commodity swaps	Purchase	(1,549)	(734)	(654)	(537)
	Sales	1,086	603	305	170
Commodity options	Purchase	(58)	0	(458)	0
	Sales	0	0	0	0
Currency forwards and swaps	Purchase	(672)	(74)	(547)	(348)
	Sales	176	21	69	18

Notional = Fixed Price x Quantity

The accounting impact as of 31 December 2021 and 31 December 2020 of the gains and losses on derivative financial instruments is presented in the following table:

Unit: € m

	2021				2020			
	Income statement			Equity	Income statement			Equity
	MTM	Realised (Note 25)	MTM + Realised		MTM	Realised (Note 25)	MTM + Realised	
	(771)	**286**	**(484)**	**20**	**(104)**	**4**	**(100)**	**25**
Designated hedge derivatives								
Oil								
Swaps (Fair value hedge)	11	0	11	0	(11)	0	(11)	0

Notes to the consolidated financial statements as of 31 December 2021

Unit: € m

	2021				2020			
	Income statement			Equity	Income statement			Equity
	MTM	Realised (Note 25)	MTM + Realised		MTM	Realised (Note 25)	MTM + Realised	
Client contracts (Fair value hedge)	(11)	0	(11)	0	11	0	11	0
Gas								
Swaps (Fair value hedge)	0	0	0	0	0	0	0	0
Client contracts (Fair value hedge)	0	0	0	0	0	0	0	0
Electricity								
Futures	(0)	46	46	36	0	(33)	(33)	23
Swaps	0	8	8	(17)	0	(8)	(8)	2
Non designated hedge derivatives								
Oil								
Futures	(0)	2	2	0	0	(5)	(5)	0
Swaps	4	4	8	0	(7)	31	24	0
Options	(3)	(37)	(40)	0	(20)	104	84	0
Gas								
Futures	(465)	(34)	(499)	0	(64)	7	(56)	0
Swaps	(442)	213	(229)	0	27	(42)	(14)	0
Electricity								
Futuros	(38)	59	21	0	17	0	17	0
Swaps	111	34	145	0	0	0	0	0
CO_2								
Futures	0	0	0	0	0	(60)	(60)	0
Foreign Exchange								
Forwards	62	(9)	53	0	(57)	10	(47)	0

The 2021 income statement shows, under the mark-to-market (MTM) heading, a positive amount of €1m, through the caption of other financial instruments, related to the fair value hedge and in shareholders' equity, under the heading hedging reserves, the positive amount of €31 m relating to cash-flow hedges.

Notes to the consolidated financial statements as of 31 December 2021

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 €54 m in 2021 and negative €41m in 2020 and was recognised under the heading Cost of sales.

The table above has a positive MTM of Proxy revenue swap derivatives (€86 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. With these Synthetic Power Purchase Agreement a fixed quantity of Guarantees of Origin is going to be transferred from the solar projects to Galp during the same time frame. A day-one gain of €6m related to these derivatives have been defined by Galp as realized and therefore it has been recorded in income statement for the year.

The inputs used by Galp to value the derivatives were as follows: Floating Price was calculated using a known market index as a proxy; for long term predictions for which no predictable market data was available a flat price assumption was used; credit risk mitigations of the counterparty were taken into account in the valuation.

During 2021, four of PPA’s were cancelled and due to this event Galp has received an indemnity of €7m which was recognised in Profit.

During the second half of 2021 a high volatility in Gas prices (ie TTF) was verified due to high demand of the commodity, that impacted negatively the MTM of these derivatives, including cash margins of Futures. For detailed explanation see note 2.2.1.

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

Unit: € m

	2021	2020
	(832)	**31**
Commodity Swaps	(326)	38
Options	(3)	(20)
Commodity Futures	(503)	(63)
Other trading operations	0	77

The table above includes MTM of all financial derivatives, except FX derivatives which are accounted in the heading exchange differences. Other trading operations are closed trading derivative positions.

Notes to the consolidated financial statements as of 31 December 2021

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
2021				
Commodity swaps	1,069	136	0	1,206
Foreign exchange forwards	0	0	0	0
2020				
Commodity swaps and options	102	18	0	120
Foreign exchange forwards	29	19	0	48

Note that despite the current position of liabilities is €1,069 m, Group Galp has a €992 m current position of assets regarding derivatives to receive. Net position is a liability of € 77m.

20.Financial assets and liabilities

Accounting policies

Galp classifies financial assets and liabilities into the following categories:

- Financial assets at fair value through other comprehensive income;
- Financial assets and liabilities carried at amortised cost;
- 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 recognised as of the trade date. Investments are initially recognised 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.

Notes to the consolidated financial statements as of 31 December 2021

Derecognition of financial assets

Financial Assets are derecognised 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 derecognised, the gain or loss will be kept in equity. Dividends received are recognised in profit or loss.

Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised 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 recognised initially at fair value. Subsequently they are measured at amortised 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.

Notes to the consolidated financial statements as of 31 December 2021

Unit: € m

			Fair value measurement using			
2021	Note	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						
Swaps	20	899	0	798	101	899
Options	20		0		0	
Commodity Futures	20	188	188	0	0	188
Forwards	20	19	0	19	0	19
Financial assets measured FV OCI						
Equity investment	12	7	0	0	7	7
		1,113	**188**	**818**	**108**	**1,113**
Financial assets measured at amortised cost for which fair value is required to be disclosed						
Loans and Capital Subscription	12	411	0	0	411	411
Trade receivables and other debtors	11	2,420	0	0	2,420	2,420
Others	12	27	0	0	27	27
Financial liabilities measured FVTPL						
Swaps	20	(1,206)	0	(1,206)	0	(1,206)
Options	20	0	0	0	0	0
Commodity Futures	20	0	0	0	0	0
Forwards	20	0	0	0	0	0
		(1,206)	**0**	**(1,206)**	**0**	**(1,206)**
Financial liabilities measured at amortised cost for which fair value is required to be disclosed						
Loans and Commercial paper	14	1,748	0	1,748	0	1,748
Trade payables	15	2,096	0	0	2,096	2,096
Bonds	14	1,427	1,427	0	0	1,427
Notes	14	1,030	1,030	0	0	1,000

Notes to the consolidated financial statements as of 31 December 2021

Unit: € m

2020	Note	Total Fair value	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Carrying amount
Financial assets at FVTPL						
Swaps	20	146	0	131	15	146
Options	20	19	0	19	0	19
Commodity Futures	20	29	29	0	0	29
Forwards	20	5	0	5	0	5
Financial assets measured FV OCI						
Equity investment	12	3	0	0	3	3
		201	**29**	**155**	**17**	**201**
Financial assets measured at amortised cost for which fair value is required to be disclosed						
Loans and Capital Subscription	12	371	0	0	371	371
Trade receivables and other debtors	11	1,608	0	0	1,608	1,608
Others	12	21	0	0	21	21
Financial liabilities measured FVTPL						
Swaps	20	(120)	0	(120)	0	(120)
Options	20	0	0	0	0	0
Commodity Futures	20	0	0	0	0	0
Forwards	20	(48)	0	(48)	0	(48)
		(167)	**0**	**(167)**	**0**	**(167)**
Financial liabilities measured at amortised cost for which fair value is required to be disclosed						
Loans and Commercial paper	14	838	0	838	0	838
Trade payables	15	1,413	0	0	1,413	1,413
Bonds	14	1,913	1,913	0	0	1,913
Notes	14	1,523	1,523	0	0	1,000

Notes to the consolidated financial statements as of 31 December 2021

21. Financial risk management

Accounting policy

The Group has systems to identify, assess, monitor and to mitigate the different risks to which it is exposed to and uses various financial instruments to hedge, in accordance with the corporate guidelines across the Group.

Management has assessed the following key risks:

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

Commodities price risk

Due to the nature of its business portfolio, Galp is exposed to the volatility of commodities prices, resulting from macroeconomic, geopolitical or technological factors that affect the dynamics of demand and supply, may have a material adverse effect on Galp's assets value, results and financial performance.

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 natural gas and electricity activities, the Group mitigates this risk by establishing 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

	2021		2020	
	Risk exposure	Impact on Income Statement	Risk exposure	Impact on Income Statement
Derivatives on natural gas commodities[1]	268	(23)	84	(49)
TTF's (natural gas) contracts	(529)	53	(40)	(15)
Derivatives on oil commodities	4	9	8	(2)
Derivatives on electricity	139	(5)	21	(2)

[1] Excludes the impact of derivatives classified as fair value hedges and cash flow hedges.

Notes to the consolidated financial statements as of 31 December 2021

Exchange-rate risk

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 for the reference price in the oil and natural gas markets. Since Galp prepares its financial statements in Euros, this factor, among others, 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.

As this is a currency risk associated with other variables, such as the prices of oil and natural gas, the Group takes a cautious approach to hedging risk, as there are natural hedges between the statement of financial position and the cash flow. The level of exposure of the cash flow, and especially of the statement of financial position, is a function of the price levels of oil and natural gas.

As a result of the above, Galp controls its exchange-rate exposure on an integrated basis rather than on each operation exposed to exchange risk, except in some specific cases. The purpose of exchange rate risk management is to limit the uncertainty resulting from variations in exchange rates,therefore Galp manages this risk centrally through variable and fixed rate financial instruments and hedging derivatives. As of 31 December 2021, Galp held derivatives such as FX Forwards and Swaps to hedge exchange rate risk (Note 19).

Foreign exchange sensitivity analysis

The sensitivity analysis includes significant balances in foreign currency relating to trade receivables, other receivables, trade payables, other payables, loans, financial derivatives and cash. A 10% devaluation of the Euro against other currencies would impact Galp's income, as outlined in the table below:

Unit: € m

	2021		2020	
	Risk exposure	Impact on Income Statement	Risk exposure	Impact on Income Statement
Loans obtained and Finance Lease debt	(265)	26	(200)	20
Marketable securities (included in cash and cash equivalents)	3	0	35	3
Derivatives[1]	134	43	72	(54)
Trade and Other receivables	210	(21)	36	4
Trade and Other payables	389	39	(7)	(1)

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

Notes to the consolidated financial statements as of 31 December 2021

Key currencies exchange rate

Unit: € m

	2021		2020	
	Average	Year-end	Average	Year-end
EUR/USD	1.18	1.13	1.14	1.23
EUR/BRL	6.38	6.31	5.89	6.37
USD/BRL	5.41	5.58	5.16	5.19
EUR/CHF	1.08	1.03	1.07	1.08

Interest rate risk

Galp's debt, mainly to bank loans and interest-bearing bonds is exposed to volatility of interest rate. 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 manages interest rate risk centrally through variable and fixed rate financial instruments and hedging derivatives following an interest-rate risk management policy. As of 31 December 2021 Galp did not hold any interest-rate derivatives positions on fully-controlled entities.

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

	2021		2020	
	Exposure risk	Impact on Income Statement	Exposure risk	Impact on Income Statement
Loans obtained	(4,175)	(10)	(3,750)	(10)
Marketable securities	478	0	1,058	0

Note: Cash and Equivalents in the Statement of Financial Position comprise Marketable Securities

Liquidity risk

Liquidity risk is associated with the capacity to access the financial and capital markets to obtain the necessary financial resources to execute its strategy. The inability to access these funds 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 € 816 m at 31 December 2021 and € 1.3 bn at 31 December 2020. Galp has readily available cash equivalents amounting to €1.9 bn at 31

Notes to the consolidated financial statements as of 31 December 2021

December 2021 and € 1.7bn at 31 December 2020. These combined amounts add up to € 2.7 bn at 31 December 2021 and € 3 bn at 31 December 2020.

Credit risk

Credit risk arises from the possibility that a counterparty may not fulfil its contractual payment obligations, including those respecting to financial investments and hedging instruments (relating to exchange rates, interest rates or others), as well as the risks arising from commercial relationships between the Company and its counterparties, and thus depends on the risk level of the counterparty. Credit risk is mitigated through the diversification of the 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 where relevant. The management of this risk follows internal standards, namely the Credit Management Manual, which ensures the transversal management of credit risk and establishes procedures to assess the exposure to such risk. A risk rating is assigned to each customer, to establish its credit limit and to calculate the respective risk-return ratio (ie. Sharpe's ratio).

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

22. Capital structure and financial items

As of 31 December 2021, the Galp Group presents equity in the amount of €3.9bn.

Share capital, distribution to shareholders and earnings per share

Share capital

The share capital of Galp Energia SGPS, S.A. is comprised of 829,250,635 shares, with a nominal value of 1 Euro each and fully subscribed.

Distribution to shareholders

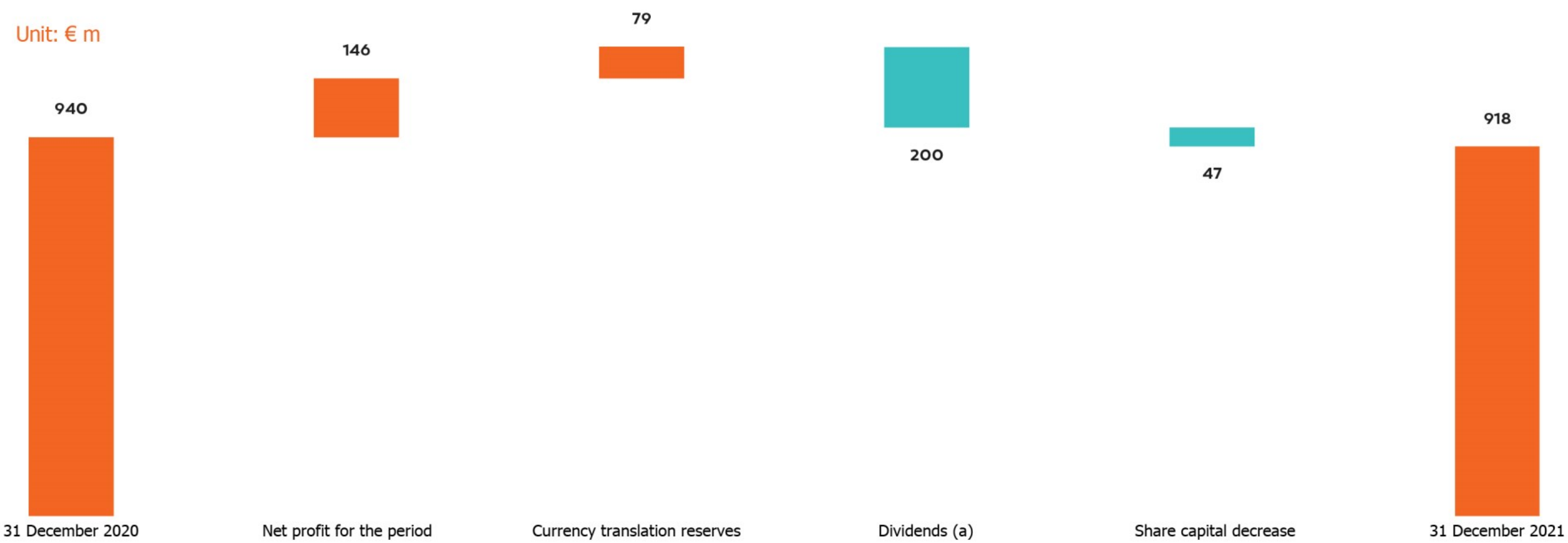
In accordance with a resolution of the General Shareholders' Meeting held on 23 April 2021, Galp Energia, SGPS, S.A.'s shareholders received dividends amounting to €290m (€0.35/share) related to the distribution of net income for the year 2020 and retained earnings. The dividend amount of €290m was paid on 20 May 2021. An additional anticipated dividend of €207m (€0.25/share) was paid to Galp Energia's shareholders on 16 September of 2021. During the year ending 31 December 2021, dividends amounting to €198m have been paid by the subsidiaries of the Galp group to non-controlling shareholders.

As a consequence of the above, during the year ending 31 December 2021, the Group made distributions amounting to €696 m.

Notes to the consolidated financial statements as of 31 December 2021

23.Non-controlling interests

As of 31 December 2021, the changes in non-controlling interests during the year and included in equity are as follows:



(a) Of the €200m corresponding to dividends attributed to non-controlling interests, €2 m were not yet paid.

Notes to the consolidated financial statements as of 31 December 2021

24. Revenue and Income

Accounting policies

For the Industrial & Energy Management and the Commercial, Renewables and New Businesses segments, revenue is recognised 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 recognised 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 recognised on the basis of Galp's working interest (entitlement method). Revenue resulting from the production of oil under production-sharing contracts is recognised 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 recognised 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 recognised 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 commercialisation activity, namely due to the electricity and gas tariffs paid to distribution entities and recognised as Costs. Services provided or promised to final customers contains the cost of the tariffs included in the price tag and recognised 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.

Notes to the consolidated financial statements as of 31 December 2021

Unit: € m

	Notes	2021	2020
		16,551	**11,840**
Total sales		**15,618**	**10,771**
Goods		8,814	4,570
Products		6,798	6,209
Exchange differences		6	(8)
Services rendered		**499**	**610**
Other operating income		**324**	**187**
Underlifting income			6
Others		324	180
Earnings from associates and joint ventures	**9**	**83**	**220**
Financial income	**27**	**27**	**53**

Services rendered include, among others, the amount of €45 m, related to charges to third party for the use of gas assets associated with the Upstream segment activity.

25.Costs and Expenses

The operating costs for the years ended 31 December 2021 and 2020 were as follows:

Unit: € m

	Notes	2021	2020
Total costs and expenditure:		**15,708**	**12,088**
Cost of sales		**11,752**	**8,491**
Raw and subsidiary materials		3,155	4,238
Goods		6,320	1,594
Tax on oil products		2,624	2,413
Variation in production		(139)	149
Write downs on inventories	10	30	(3)
Costs with the emissions of CO2		51	30
Financial derivatives	19	(295)	83

Notes to the consolidated financial statements as of 31 December 2021

Unit: € m

	Notes	2021	2020
Exchange differences		7	(13)
External supplies and services		**1,563**	**1,473**
Subcontracts - network use		332	318
Transport of goods		266	347
E&P - production costs		108	143
Royalties		219	138
E&P - exploration costs		31	15
Other costs		607	512
Employee costs	**26**	**310**	**356**
Amortisation, depreciation and impairment losses on fixed assets	**5/6/7**	**961**	**1,289**
Provision and impairment losses on receivables	**11/18**	**74**	**114**
Other costs		**111**	**126**
Other taxes		22	23
Overlifting costs		44	82
Other operating costs		45	22
Financial expenses	**27**	**937**	**239**

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 €219 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.

Notes to the consolidated financial statements as of 31 December 2021

26. Employee costs

Accounting policies

Employee costs

Wages, salaries, social security contributions, annual leave and sick leave, bonuses and non-monetary benefits are recognised 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.

Unit: € m

	Notes	2021	2020
Employee costs		**310**	**356**
Capitalised employee costs		(6)	(6)
Total employee costs for the year		**317**	**362**
Statutory board salaries		8	8
Employee salaries		234	208
Social charges		54	51
Retirement benefits - pensions and insurance	17	(13)	62
Other insurances		9	9
Exchange differences		0	0
Other costs		25	23
Remuneration of the Board Members		**8**	**8**
Galp Energia SGPS Board Members		**7**	**7**
Salaries and cash bonuses		6	6
Pension funds contribution		1	1
Subsidiaries Board Members		**1**	**1**
Salaries and cash bonuses		1	1
Year-end number of full-time employees		**6,152**	**6,114**

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

Notes to the consolidated financial statements as of 31 December 2021

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 recognised 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 capitalised. Those financial charges included within fixed assets are depreciated over the useful lives of the respective assets.

Unit: € m

	Notes	2021	2020
		(910)	**(186)**
Financial income		**27**	**53**
Interest on bank deposits		8	13
Interest and other income with related companies		10	4
Other financial income		9	5
Results from derivative financial instruments	19	0	31
Financial expenses		**(937)**	**(239)**
Interest on bank loans, bonds, overdrafts and others		(50)	(89)
Interest on related party loans		0	0
Interest capitalised in fixed assets	5	15	22
Interest on lease liabilities	7	(76)	(80)
Net interest on retirement and other benefits	17	(4)	(5)
Charges relating to loans, bonds and credit lines		(9)	(8)
Exchange gains/(losses)		31	(78)
Results from derivative financial instruments	19	(832)	0
Other financial costs		(10)	(1)

Financial expenses of €937 m relate mostly to Results from derivative financial instruments (€832 m). Impact of derivatives results to Mark-to-Market (MTM) and due to high volatility in gas prices, namely sudden increase at year end. See note 2.2.1. and 19.

Notes to the consolidated financial statements as of 31 December 2021

28.Commitments

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

x§

Unit: € m

	1-3 years	4-5 years	More than 5 years	Total
Total obligation recognised in the statement of financial position	**88**	**39**	**126**	**252**
Post-employment benefits	63	23	(4)	82
Other benefits	25	16	130	171
Total obligation not recognised in the statement of financial position	**2,862**	**2,278**	**6,530**	**11,670**
Natural gas purchases	3,256	2,278	6,530	12,064
Natural gas sales	(394)	0	0	(394)

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 natural gas prices as of 31 December 2021.

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 2021 and 2020 obligations subject to collaterals granted are as follows:

Unit: € m

	2021	2020
Guarantees provided	**4,322**	**3,935**
Venture Global, LLC	1,766	1,630
Charter Agreement FPSO	1,283	1,184
Coral South FLNG project	427	303
Cercena Investments, S.L.U.	178	178
Grenergy	160	160
Petrobras	38	43
Brazilian ANP	19	21
Others related to core activities	451	416

Under the contract established in April 2018, with Venture Global LLC, related to the LNG Sales and Purchase Agreement, Galp provided a parent company guarantee in the total amount of the contract (USD 2 bn).

Related to the four charter agreements for FPSOs, Galp provided a parent company guarantee amounting to USD 1,453 m, in the name of Tupi, B.V., which represents Galp's proportion of the BM-S-11 consortium.

Notes to the consolidated financial statements as of 31 December 2021

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 2021, Galp's stake in the obligation amounted to €384 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 2021, Galp's stake in the responsibility taken on in relation to ENH amounts to €43 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 €178 m and €160 m, respectively.

The collateral granted to Petróleo Brasileiro S.A. ("Petrobras") amounting to €38 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 €19 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.

Galp Group has bank loans that, in some cases, have covenants that can, if triggered by banks, lead to the early repayment of the borrowed amounts. As of 31 December 2021, the Medium/Long term debt amounted to €3.0 bn. Contracts with covenants accounted for €2.1 bn of this amount. 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 RCA (without IFRS 16) ratio is the most frequently used and, as of 31 December 2021 was 1.1x in accordance with the methodology stated in the contracts. The ratio stipulated in the contracts in general is in 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

Notes to the consolidated financial statements as of 31 December 2021

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

	Notes	2021		2020	
		Current	Non-current	Current	Non-current
Assets:		**44**	**411**	**77**	**330**
Associates		3	65	16	57
Joint ventures		31	346	7	273
Winland International Petroleum, S.A.R.L.		0	0	39	0
Other related entities		10	0	15	0

Unit: € m

	Notes	2021		2020	
		Current	Non-current	Current	Non-current
Liabilities:		**(61)**	**(4)**	**(62)**	**0**
Associates		(4)	(84)	(12)	0
Joint Ventures		(54)	0	(46)	0
Winland International Petroleum, S.A.R.L.		(4)	0	0	0
Other related entities		0	0	(3)	0

Notes to the consolidated financial statements as of 31 December 2021

Unit: € m

	2021			2020		
	Purchases	Operating cost/income	Financial costs/income	Purchases	Operating cost/income	Financial costs/income
Transactions:	**(1)**	**(13)**	**10**	**(10)**	**43**	**3**
Associates	(1)	(42)	(0)	2	(115)	0
Joint Ventures	0	(12)	7	0	(11)	2
Other related entities	0	41	3	(12)	168	1

30.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.

Notes to the consolidated financial statements as of 31 December 2021

Consolidation perimeter

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

Activity: ● Upstream ● Midstream ● Commercial ● Renewables & New Businesses ● Infrastructure ● 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%	●
Petrogal Brasil, BV, The Netherlands	100%	●
Petrogal Brasil, S.A., Brazil	70%	●
Petrogal Brasil Comercializadora, Lda., Brazil	70%	●
Galp East Africa BV, The Netherlands	100%	●
Galp Energia Rovuma BV, The Netherlands	100%	●
Galp Energia Rovuma BV (Mozambique branch), Mozambique	-	●
Galp West Africa, S.A. (ex-Galp Exploração e Produção Petrolífera, S.A.), Portugal	100%	●
Galp São Tomé e Príncipe Unipessoal, Limitada, São Tomé and Príncipe	100%	●
Windhoek PEL 23 BV, The Netherlands	100%	●
Windhoek PEL 23 BV (Branch in Namibia), Namibia	-	●
Windhoek PEL 28 BV, The Netherlands	100%	●
Windhoek PEL 28 BV (Branch in Namibia), Namibia	-	●
Galp Energia Overseas Block 14 BV, The Netherlands	100%	●
Galp Energia Overseas Block 14 BV - Branch in Angola, Angola	-	●
Galp Energia Overseas Block 32 BV, The Netherlands	100%	●
Galp Energia Overseas Block 32 BV - Branch in Angola, Angola	-	●

Notes to the consolidated financial statements as of 31 December 2021

Activity: ● Upstream ● Midstream ● Commercial ● Renewables & New Businesses ● Infrastructure ● Others

Company and country	Percentage of shares owned	Activity
Galp Energia Portugal Holdings BV, The Netherlands (1)	100%	Upstream
Galp Trading, S.A., Switzerland	100%	Midstream
Tagus Re, S.A., Luxembourg	100%	Others

Activity: ● Upstream ● Midstream ● Commercial ● Renewables & New Businesses ● Infrastructure ● Others

Company and country	Percentage of shares owned	Activity
Galp New Energies Subgroup		
Galp New Energies, S.A., Portugal	100%	
Carriço Cogeração Sociedade de Geração de Electricidade e Calor, S.A., Portugal	65%	Midstream
GDP Gás de Portugal, S.A., Portugal	100%	Commercial
Enerfuel, S.A., Portugal	100%	Midstream
Galp Bioenergy BV, The Netherlands	100%	Infrastructure
Belem Bioenergia Brasil, S.A., Brazil	100%	Infrastructure
Galp Parques Eólicos de Alcoutim Lda, Portugal	100%	Renewables & New Businesses
GowithFlow, S.A., Portugal	100%	Renewables & New Businesses
Fornax Energy, S.L., Spain	100%	Renewables & New Businesses
Magallon 400, S.L., Spain (2)	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., Spain	100%	Renewables & New Businesses
Gastroselector Market, S.L., Spain	100%	Renewables & New Businesses
Pitarco Energia, S.L.U., Spain	100%	Renewables & New Businesses
Petrogal Subgroup		
Petrogal, S.A., Portugal	100%	Midstream, Commercial
Petrogal, S.A. (Branch in Spain), Spain	-	Commercial
Galp Energia España, S.A., Spain	100%	Commercial

Notes to the consolidated financial statements as of 31 December 2021

Activity: ● Upstream ● Midstream ● Commercial ● Renewables & New Businesses ● Infrastructure ● Others

Company and country	Percentage of shares owned	Activity
Galpgest - Petrogal Estaciones de Servicio, S.L.U., Spain	100%	Commercial
Galp Energia Independiente SL (ex-Recule Investments SL), Spain	100%	Renewables & New Businesses
Galp Açores S.A., Portugal	100%	Commercial
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A., Portugal	68%	Commercial
Galp Madeira S.A., Portugal	100%	Midstream
CLCM - Companhia Logistica de Combustíveis da Madeira, S.A., Portugal	75%	Commercial
Sacor Marítima, S.A., Portugal	100%	Midstream
C.L.T. - Companhia Logística de Terminais Marítimos, S.A., Portugal	100%	Midstream
Sempre a Postos - Produtos Alimentares e Utilidades, Lda., Portugal	75%	Commercial
Tanquisado - Terminais Marítimos, S.A., Portugal	100%	Midstream
Galpgeste - Gestão de Áreas de Serviço, S.A., Portugal	100%	Commercial
Galp Exploração e Produção (Timor Leste), S.A., Portugal	100%	Upstream
Portcogeração, S.A., Portugal	100%	Midstream
Galp Marketing Internacional, S.A., Portugal	100%	Commercial
Petrogal Guiné-Bissau, Lda., Guinea-Bissau	100%	Commercial
Petromar - Sociedade de Abastecimentos de Combustíveis, Lda., Guinea-Bissau	80%	Commercial
Petrogás - Importação, Armazenagem e Distribuição de Gás, Lda., Guinea-Bissau	65%	Midstream
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda., Guinea-Bissua	90%	Midstream
Empresa Nacional de Combustíveis - Enacol, S.A.R.L, Cape Verde*	48%	Commercial
Enamar - Sociedade Transportes Marítimos, Sociedade Unipessoal, S.A., Cape Verde	48%	Midstream
EnacolGest, Lda., Cape Verde	48%	Midstream
Petrogal Moçambique, Lda., Mozambique	100%	Commercial
Galp Moçambique, Lda., Mozambique	100%	Commercial
Galp Moçambique, Lda. (Branch in Malawi), Malawi	-	Commercial
Galp Eswatini (PTY) Limited, Eswatini	100%	Commercial
Petrogal Angola, Lda., Angola	100%	Commercial
Galp Gás Natural, S.A., Portugal	100%	Midstream, Commercial
Transgás Armazenagem - Soc. Portuguesa de Armazenagem de Gás Natural, S.A., Portugal	100%	Infrastructure
Transgás, S.A., Portugal	100%	Infrastructure

Notes to the consolidated financial statements as of 31 December 2021

Activity: ● Upstream ● Midstream ● Commercial ● Renewables & New Businesses ● Infrastructure ● Others

Company and country	Percentage of shares owned	Activity
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%	●

(1) 73,2% of the interest held by Galp Energia E&P, BV and 28,8% held by Petrogal, S.A.
(2) 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.
*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.

Notes to the consolidated financial statements as of 31 December 2021

Unincorporated joint operations

	Joint operations - Oil Consortia
Consortium	Galp's participation interest
Oil Consortium in Brazil	
BM-S-8	20%
BM-S-11	10%
BM-S-11 A	10%
BM-S-24	20%
PEPB-M-783	20%
PEPB-M-839	20%
BAR-300	10%
BAR-342	10%
BAR-344	10%
BAR-388	10%
Carcará Norte	20%
C-M-791	20%
Block Uirapuru	14%
AM-T-62	40%
AM-T-84	40%
AM-T-85	40%
Cabinuas	10%
Oil Consortium in Mozambique	
Area 4	10%

	Joint operations - Oil Consortia
Consortium	Galp's participation interest
Oil Consortium in Angola	
Block 14	9%
Block 14K	4.5%
Block 32	5%
Block 33*	5.33%
Sonagas*	10%
Oil Consortium in Namibia	
PEL82	80%
PEL83	80%
Oil Consortium in São Tomé and Príncipe	
Block 6	45%
Block 11	20%
Block 12	41%
Oil Consortium in Uruguay*	
Area 3	20%
Area 4	20%

*Joint operations with no activity during 2021 and in process of closing.

Notes to the consolidated financial statements as of 31 December 2021

Incorporated Joint Operations

Activity: ● Upstream ● Midstream ● Commercial ● Renewables & New Businesses ● Infrastructure ● Others

Company and country	Percentage of shares owned	Activity
Sigás - Armazenagem de Gás, A.C.E., Portugal	60.00%	Midstream
Pergás – Armazenamento de Gás, A.C.E., Portugal	51.00%	Midstream
Multiservicios Galp Barcelona, Spain	50.00%	Midstream

Joint Ventures

Activity: ● Upstream ● Midstream ● Commercial ● Renewables & New Businesses ● Infrastructure ● Others

Company and country	Percentage of shares owned	Activity
Tupi B.V., The Netherlands*	9.26%	Upstream
Iara B.V., The Netherlands*	1.72%	Upstream
Coral FLNG, S.A., Mozambique*	10.00%	Midstream
Coral South FLNG DMCC, United Arab Emirates*	10.00%	Others
Rovuma LNG, S.A., Mozambique*	10.00%	Midstream
Rovuma LNG Investments (DIFC) LTD., United Arab Emirates*	10.00%	Others
C.L.C. - Companhia Logística de Combustíveis, S.A., Portugal*	65.00%	Midstream
Asa - Abastecimento e Serviços de Aviação, Lda., Portugal	50.00%	Midstream
Caiageste - Gestão de Áreas de Serviço, Lda., Portugal	50.00%	Commercial
Ventinveste, S.A., Portugal*	51.50%	Renewables & New Businesses
Parque Eólico de Vale Grande, S.A., Portugal*	51.50%	Renewables & New Businesses
Talar Renewable Energy, S.L., Spain	50.00%	Renewables & New Businesses

* Galp has joint control over 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.

Notes to the consolidated financial statements as of 31 December 2021

Activity: ● Upstream ● Midstream ● Commercial ● Renewables & New Businesses ● Infrastructure ● Others

Company and country	Percentage of shares owned	Activity
Solar Subgroup		
Titan 2020, S.A. (ex-Zero E-Euro Assets, S.A.), Spain*	75.01%	●
Instalaciones y Servicios Spinola I, S.L.U., Spain*	75.01%	●
Instalaciones y Servicios Spinola II, S.L.U., Spain*	75.01%	●
Energia Sierrezuela, S.L.U., Spain*	75.01%	●
Titan 2020, S.A. (ex-Zero E-Euro Assets, S.A.), Spain*	75.01%	●
Palabra Solar, S.L.U., Spain*	75.01%	●
Planta Solar Alcázar 1, S.L.U., Spain*	75.01%	●
Planta Solar Alcázar 2, S.L.U., Spain*	75.01%	●
PE Valdecarro, S.L.U., Spain*	75.01%	●
Energias Ambientales de Soria, S.L.U., Spain*	75.01%	●
El Robledo Eólico, S.L.U., Spain*	75.01%	●
Ribagrande Energia, S.L.U., Spain*	75.01%	●
Valdelagua Wind Power, S.L.U., Spain*	75.01%	●
Escarnes Solar, S.L.U., Spain*	75.01%	●
Envitero Solar, S.L.U., Spain*	75.01%	●
Mocatero Solar, S.L.U., Spain*	75.01%	●
Escatrón Solar, S.L.U., Spain*	75.01%	●
Ignis Solar Uno, S.L.U., Spain*	75.01%	●
Emoción Solar, S.L.U., Spain*	75.01%	●
Mediomonte Solar, S.L.U., Spain*	75.01%	●
Esplendor Solar, S.L.U., Spain*	75.01%	●
Hazaña Solar, S.L.U., Spain*	75.01%	●
Talento Solar, S.L.U., Spain*	75.01%	●
C.B. La Jarrina, Spain*	75.01%	●
C.B. Aragon Sur, Spain*	75.01%	●
C.B. Samper De Calanda, Spain*	75.01%	●
Renovables Spinola I, S.L., Spain*	75.01%	●

Notes to the consolidated financial statements as of 31 December 2021

Activity: ● Upstream ● Midstream ● Commercial ● Renewables & New Businesses ● Infrastructure ● Others

Company and country	Percentage of shares owned	Activity
Energia de Suria, S.L.U., Spain*	75.01%	●
Energia Faetón, S.L.U., Spain*	75.01%	●
Logro Solar, S.L.U., Spain*	75.01%	●
Ictio Toledo Solar, S.L.U., Spain*	75.01%	●
Ictio Solar, S.L.U., Spain*	75.01%	●
Ictio Solar Auriga, S.L.U., Spain*	75.01%	●
Ictio Manzanares Solar, S.L.U.,Spain*	75.01%	●
Ahin PV Solar, S.L.U., Spain*	75.01%	●
Ictio Solar Andromeda, S.L.U., Spain*	75.01%	●
Ictio Solar Berenice, S.L.U., Spain*	75.01%	●

* Galp has joint control over 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 ● Midstream ● Commercial ● Renewables & New Businesses ● Infraestrutura ● 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	23.00%	●
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda., Angola	49.00%	●
Tauá Brasil Palma, S.A.	49.99%	●
Terparque - Armazenagem de Combustíveis, Lda., Portugal	23.50%	●
SABA - Sociedade abastecedora de Aeronaves, Lda., Portugal	25.00%	●
Imopetro - Importadora Moçambicana de Petróleos, Lda, Mozambique	5.88%	●

Notes to the consolidated financial statements as of 31 December 2021

Activity: ● Upstream ● Midstream ● Commercial ● Renewables & New Businesses ● Infraestrutura ● Others

Company and country	Percentage of shares owned	Activity
CMD – Aeroportos Canarios S.L., Spain***	15.00%	● (Midstream)
Galp Gás Natural Distribuição Subgroup		
Galp Gás Natural Distribuição, S.A., Portugal**	2.49%	● (Infraestrutura)

*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%.

31.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.

On 24 February 2022, Russia launched an invasion of Ukraine. Following this event, several countries imposed sanctions to Russia and supported financial and humanitarian aid to Ukraine and its refugees. Many foreign entities decided to leave or avoid commercial relationships with Russia. On 2 March, Galp announced its intention to suspend all commercial relationships with Russia or Russian companies. Although Galp has no subsidiaries, joint ventures or joint operations, or any other financial interests in Russian entities, Galp is in the process of eliminating any direct or indirect exposure to energy commodities either sourced in Russia or from Russian companies. Although this measure will impact Sines refining operations and its likely financial contribution, Galp will continue to ensure the supply of gas and fuels to the Portuguese market.

The above mentioned is not expected to have a significant impact on group's Consolidated Financial Statements as of 31 December 2021 however the future potential effects of this situation cannot be estimated at the moment.

Notes to the consolidated financial statements as of 31 December 2021

32. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors on 25 March 2022. However, they are still subject to approval by the General Meeting of Shareholders, in accordance with the commercial law applicable in Portugal.

Chairperson:

Paula Amorim

Vice-chair and Lead Independent Director:

Miguel Athayde Marques

Vice-chair and CEO:

Andy Brown

Members:

Filipe Silva

Thore Kristiansen

Teresa Abecasis

Georgios Papadimitriou

Marta Amorim

Francisco Teixeira Rêgo

Carlos Pinto

Luís Todo Bom

Jorge Seabra de Freitas

Rui Paulo Gonçalves

Diogo Tavares

Edmar de Almeida

Cristina Fonseca

Adolfo Mesquita Nunes

Javier Cavada Camino

Accountant:

Paula de Freitas Gazul

Notes to the consolidated financial statements as of 31 December 2021

33. 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 República, 90-6º
1600-206 Lisboa
Portugal

Tel: +351 217 912 000
Fax: +351 217 957 586
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 2021 (showing a total of 14,912 million of euros and a total equity of 3,970 million of euros, including a consolidated net profit for the year of 150 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 a summary of significant accounting policies.

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 2021, and of its consolidated financial performance and 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, 2021, the amount of non-current assets recognized in the Group's consolidated financial statements totals 5.814 million euros, of which 4.223 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 Note 2, 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 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 behaviour of major resource holders. These judgements are particularly difficult because of increased demand uncertainty and pace of decarbonisation due to climate change and the energy transition.	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. Separately from management, for material assets, we also assessed independently whether or not indicators of impairment or reversal triggers exist, considered the existence of other contradictory evidence that could indicate a significant increase or decrease in the recoverable amount of any of Galp's assets. ► 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 international oil 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; ► Evaluating the reasonableness of Galp's refining margin assumptions by comparing these to independent analysts' forecasts; ► Related to oil and gas reserves our procedures included: ► Assessing the professional qualifications 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; ► 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
	► Related to the business plan our procedures included: ► Evaluating the assumptions used in the preparation of the Group business plan and compared the actual performance of assets to the forecasts made in the prior year; ► Considering the existence of other contradictory evidence, such as public comments or commitments made by GALP in relation its decarbonization strategy and whether these could impact the future potential value of any assets; ► Testing the Group discount rates, with the support of specialists, through comparison with relevant market and industry data; ► 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 Group's E&E 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 and the expectation that sufficient cash resources will be available to fund the expected development of assets. 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. 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
At December 31, 2021, the Group has derivative financial instruments assets and liabilities of 1.106 Million euros and 1.205 Million euros, respectively, having recognized unrealized losses on derivative financial instruments of 832 million euros (note 2.21, 19, 20, 21 and 27). As mentioned in note 19 to the consolidated financial statements, the Group uses derivative financial instruments in financial risk management. Some of the derivatives contracted fall under hedge accounting as defined in IFRS 9 Financial Instruments: 'Recognition and Measurement', while others, even if contracted and held for the purpose of managing risk, do not meet the requirements for hedge accounting and are accounted for as trading derivatives, with changes in fair value recorded directly in the consolidated income statement. In 2021, the Group continued the implementation of internal processes and controls related to the Energy Management function while observing: (i) significant volatility in commodity prices, specifically gas prices, which led to the outflow of cash to meet the margin deposits of the related derivative financial instruments; and (ii) uncertainties regarding the sourcing of gas in the international markets. The volume of transactions, the significance of the amounts, the degree of judgment associated with the valuation and the potential magnitude of the impacts deriving from the trading activity, to which should be added the significant volatility of commodity prices noted in 2021 and the growing uncertainty as a result of the armed conflict in Ukraine, together with the complexity of information systems, spreadsheets and processes that support a significant volume of different types of derivative transactions, justify that this matter was a relevant subject of our audit.	Our approach included the following procedures: ► Understanding the stage of implementation of processes and internal controls related to the Energy management function; ► Assessing the compliance of derivative financial instruments with the accounting principles in IAS 32 Financial instruments: 'Presentation' and IFRS 9 Financial instruments: 'Recognition and measurement', including reviewing the designations of cash flow hedges and fair value; ► Assessing, through analytical review procedures, of balances related to derivative financial instruments in order to understand 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; ► Sample testing of the valuation of derivative open positions, including: (a) validation of contract terms and key assumptions; (b) confirmation of the appropriate use of price curves through external sources; and (c) independent recalculation of the fair value; ► Reconciliation on a sample basis, of open positions at the date of the consolidated statement of financial position through independent or counterparty statements; ► Review, reconciliation and verification of the adequacy and consistency of the calculations performed by the information systems and spreadsheets relating to derivative financial instruments; and ► Involvement of specialists with knowledge in the areas of capital markets. We have reviewed of the adequacy of disclosures related to derivative financial instruments and hedge accounting (notes 2.21, 19, 20, 21 and 27), including those related to fair value, in accordance with applicable accounting standards and other factors deemed relevant.

3. Financial impacts associated with the discontinuation 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 and future developments 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 2021, the group continued to assess the impacts related to the closure of the Matosinhos refinery and its conversion to an innovation district, having updated the expected future financial impacts based on the most updated information at the time. At December 31, 2021, the Group increased provisions for dismantling, decommissioning and decontamination by 71 million euros (note 18) and increased impairment losses by 50 million euros, and recognized a gain for the period of 49 million euros related to the residual value of assets to be dismantled (note 5). The materiality of the amounts involved when compared to the Group's income for the year 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 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.	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 (for example, land and some logistics assets), 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 changes to the estimate of costs to be incurred with the dismantling, decommissioning and decontamination. Our procedures included confirming the consistency of this estimate with the technical evaluation performed by the independent expert, industry practice and assumptions used by management; ► 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; ► Assessing the professional qualifications and objectivity of the Management independent expert 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 internal specialists. We have verified the appropriateness of the disclosures presented in notes 5 and 18 , in accordance with applicable accounting standards and other factors deemed relevant.

4. Implementation of a new ERP system

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
During the year ended on December 31, 2021, and following its digital transformation process, the Group continued the implementation of the multi-year project for the transformation of its financial information system ("Enterprise resource planning", hereinafter ERP), (note 2) The new ERP is transversal to the majority of the Group entities, impacting its main internal processes, including the related control activities, namely accounts receivable and revenue, accounts payable and purchases, tangible and intangible fixed assets, leases, inventories and financial statement close process. During 2021, 11 entities of the "Industrial & Energy Management" and "Commercial" business units, including its parent company, Galp Energia SGPS, S.A., have migrated to the new ERP - SAP S/4HANA, of which represented 41%and 68%of Group's total assets and revenue, respectively. The accounting records of the entities included in the Group consolidation perimeter and the related financial statement close processes are based on the efficiency of the ERP used and its interconnection with the peripheral information systems. For the preparation of group´s consolidated financial statements the financial information system used was that from the prior year. The complexity of the system, the multiple activities of the companies impacted, the volume of the existing data and the inherent risks associated with its integrity and security, including the effectiveness of the information technology (IT) and cybersecurity controls, with potential significant impact on financial reporting, justify this as a key audit matter of our audit.	Our approach included the following procedures: ► Understanding and evaluating the process for the migration to the Group's new financial information system, including the strategic migration plans per legal entity, its governance model, the test strategy and plan, the implementation and monitoring phases, having for this purpose met with Galp's project area, a team created specifically for the implementation and monitoring of the new information system; ► Understanding the changes in internal processes and in the system automatic routines, with impact in the valuation of Group's assets and liabilities, and in the Information Technology general controls, including those related to manage change and access and IT operations processes; ► Understanding the implementation of Group's cybersecurity function, with the particular focus on assessing the maturity of its key domains and on the process of identifying risks and evaluating the design of controls operated at the Group level; ► Performing substantive tests, both at the trial balances and auxiliary trial balances, prior and after the implementation of Group's new financial information system, in order to ensure its completeness and accuracy. These tests included performing data reconciliations with the previous system and mapping the financial information to the different items in the consolidated financial statements; and ► Involvement of specialists in Information Technology with substantial experience in the Group, in the support of the procedures described above.

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 and the consolidated non-financial statement, 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 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, having regard to our knowledge and assessment over the Group, we have not identified any material misstatement.

On the Corporate Governance Report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, 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

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, 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

In compliance with article 26-G, number 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 number 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;
- 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 25 March 2022; 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 2021 must comply with the applicable requirements set out in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (the "ESFS Regulation").

The management body 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:

- Achieving 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 conformity with the requirements set forth in the ESEF Regulation.

Lisbon, 25 March 2022

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

2. Individual Financial Statements

Statement of financial position

Galp Energia, SGPS, S.A.

Statement of financial position as of 31 December 2021 and 31 December 2020

(Amounts stated in thousand Euros - €k)

Assets	Notes	2021	2020
Non-current assets:			
Tangible assets	**4**	0	0
Right-of-use of assets	**6**	149	174
Investments in subsidiaries, associates and joint ventures	**9**	3,097,521	4,018,358
Deferred tax assets	**16**	180	180
Other Receivables	**11**	90	90
Other Financial Assets	**12**	1,352,850	1,872,850
Total non-current assets:		**4,450,791**	**5,891,652**
Current assets:			
Trade receivables	**11**	5,139	989
Other receivables	**11**	5,389	7,906
Current income tax receivable	**16**	316,338	156,055
Cash and cash equivalents	**13**	777,714	10,645
Other financial assets	**12**	619,145	146,893
Total current assets:		**1,723,726**	**322,487**
Total assets:		**6,174,517**	**6,214,139**
Equity and Liabilities	Notes	2021	2020
Equity:			
Share capital and share premium	**22**	911,257	911,257
Reserves	**22**	193,828	193,828
Retained earnings		691,591	688,755
Total equity:		**1,796,676**	**1,793,839**
Liabilities:			
Non-current liabilities:			
Financial debt	**14**	2,997,267	3,119,373
Lease liabilities	**6**	93	111
Other payables	**15**	2,106	2,106
Total non-current liabilities:		**2,999,465**	**3,121,590**
Current liabilities:			
Financial debt	**14**	1,045,219	531,308
Lease liabilities	**6**	60	65
Trade payables	**15**	943	1,372
Other payables	**15**	24,398	599,487
Current income tax payable	**16**	307,756	166,480
Total current liabilities:		**1,378,376**	**1,298,711**
Total liabilities:		**4,377,841**	**4,420,300**
Total equity and liabilities:		**6,174,517**	**6,214,139**

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 31 December 2021 and 31 December 2020

(Amounts stated in thousand Euros - €k)

	Notes	2021	2020
Services rendered	**23**	8,923	9,680
Other operating income	**23**	275	283
Financial income	**23 and 26**	38,709	59,100
Earnings from associates and joint ventures	**9**	526,892	318,948
Total revenues and income:		**574,799**	**388,010,**
External supplies and services	**24**	(3,932)	(3,956)
Employee costs	**24 and 25**	(16,541)	(8,653)
Amortisation, depreciation and impairment loss on fixed assets	**4, 6 and 24**	(66)	(61)
Other operating costs	**24**	(2,107)	(846)
Financial expenses	**26**	(58,573)	(30,529)
Total cost and expenses:		**(81,219)**	**(44,044)**
Profit before taxes and other contributions:		**493,580**	**343,966**
Income tax	**16**	6,807	(6,539)
Net income for the year		**500,387**	**337,427**
Basic and diluted earnings per share (in Euros)		**0.60**	**0.41**
Net income for the year		**500,387**	**337,427**
Items which will not be recycled in the future through net income:			
Remeasurements – pensions fund	**17**	0	0
Income taxes related to remeasurements	**16**	0	0
Comprehensive income for the year		**500,387**	**337,427**

The accompanying notes form an integral part of the income statement and the 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 31 December 2021 and 31 December 2020

(Amounts stated in thousand Euros - €k)

	Notes	Share capital	Share premium	Other reserves	Retained earnings	Net income for the year	Total
Balance as of 1 January 2020		**829,251**	**82,006**	**193,828**	**132,637**	**536,915**	**1,774,637**
Net income for the year		0	0	0	0	337,427	337,427
Comprehensive income for the year		**0**	**0**	**0**	**0**	**337,427**	**337,427**
Dividends distributed / interim dividends		0	0	0	(318,225)	0	(318,225)
Increase / decrease of reserves by appropriation of income		0	0	0	536,915	(536,915)	0
Balance as of 31 December 2020		**829,251**	**82,006**	**193,828**	**351,328**	**337,427**	**1,793,839**
Balance as of 1 January 2021		**829,251**	**82,006**	**193,828**	**351,328**	**337,427**	**1,793,839**
Net income for the year		0	0	0	0	500,387	500,387
Comprehensive income for the year		**0**	**0**	**0**	**0**	**500,387**	**500,387**
Dividends distributed / interim dividends	**22**	0	0	0	(497,550)	0	(497,550)
Increase / decrease of reserves by appropriation of income		0	0	0	337,427	(337,427)	0
Balance as of 31 December 2021		**829,251**	**82,006**	**193,828**	**191,206**	**500,387**	**1,796,676**

The accompanying notes form an integral part of the 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 31 December 2021 and 31 December 2020

(Amounts stated in thousand Euros - €k)

	Notes	2021	2020
Operating activities:			
Cash receipt from customers		12,597	13,788
Cash paid to suppliers		(9,863)	(6,232)
Cash paid to employees		(7,431)	(4,921)
Income tax received / (paid)		(12,405)	26
Other (payments) / receipts from operating activities		(6,594)	270
Dividends received	9	526,734	319,180
Cash flow from operating activities (1)		**503,038**	**322,111**
Investing activities:			
Cash receipts related to:			
Financial investments		920,837	0
Interests and similar income		35,795	52,875
Loans granted		528,550	43,300
Cash payments related to:			
Financial investments		(500,000)	(717,191)
Loans granted		(807,305)	(396,375)
Cash flow from investing activities (2)		**177,877**	**(1,017,390)**
Financing activities:			
Cash receipts related to:			
Loans granted		7,863,838	3,318,392
Cash payments related to:			
Loans granted		(7,226,740)	(2,287,461)
Interests on loans granted		(49,729)	(31,905)
Interests and similar costs		(3,604)	(20,577)
Leases	6	(54)	(57)
Leasing interests	6	(5)	(5)
Dividend paid	22	(497,550)	(318,225)
Cash flow from financing activities (3)		**86,156**	**660,161**
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		767,070	(35,118)
Effects of foreign exchange rate changes in cash and cash equivalents		(1,903)	1,228
Cash and cash equivalents at the beginning of the year	13	10,645	44,535
Cash and cash equivalents at the end of the year	**13**	**775,811**	**10,645**

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

Notes to the financial statements as of 31 December 2021

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 present designation of Galp Energia, SGPS, S.A. on 13 September 2000.

The Company's Head 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 participations in the following companies: Petróleos de Portugal–Petrogal (currently designated by Petrogal, S.A.), S.A.; GDP – Gás de Portugal, SGPS, S.A. (currently designated Galp New Energies, S.A.) and Transgás–Sociedade Portuguesa de Gás Natural, S.A. ("Transgás, S.A." currently designated 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 of 31 December 2021 is stated in Note 22.

Part of the Company's shares, representing 93% of its share capital, are listed on the Euronext Lisbon stock exchange.

2. Significant accounting policies, judgments and estimates

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 2019. These standards include IFRS issued by the International Accounting Standards Board (IASB) and International Accounting Standards (IAS) issued by the International Accounting Standards Committee (IASC) and respective 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 attached financial statements and the notes to the financial statements ensure an adequate presentation of the financial information.

The attached financial statements are presented in thousands of Euros (units: €k), 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.

Notes to the financial statements as of 31 December 2021

The accounting policies adopted are, according to their content, in the respective note in the notes to the financial statements. General accounting policies or those applicable to several notes are disclosed 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 recognised 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 which require a greater number of judgment and estimates in the preparation of the financial statements are (i) tangible assets, right-of-use assets and financial investments (Notes 4, 6 and 9), (ii) impairment on receivables (Note 11), (iii) useful lives and residual values of tangible and intangible assets (Note 4), and (iv) deferred tax assets and estimates on uncertain tax positions (Note 16).

General accounting policies

Translation of transactions and balances

Transactions are recorded in the Company's financial statement in its functional currency, at the exchange rates in force on the dates of the transactions.

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 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.

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

New 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 2021 and enforceable for accounting purposes in subsequent years are presented in the table below:

IFRS/IFRIC standards	Publication date in OJEU	Accounting application date	Enforcement year	Observations
IFRS 17 Insurance Contracts (issued on 18 May 2017); including amendments to IFRS 17 (issued on 25 June 2020)	23/11/2021	01/01/2023	2023	Not applicable
Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements cycle 2018-2020 (all issued after 14 May 2021)	02/07/2021	01/01/2022	2022	Without predictable impact

Notes to the financial statements as of 31 December 2021

The IFRS standards endorsed and published in the OJEU applicable to the year 2021 are presented in the table below:

IFRS/IFRIC standards	Publication date in OJEU	Accounting application date	Enforcement year	Observations
Amendments to IFRS 16 Leases: Covid-19-related rent concessions beyond 30 June 2021 (issued on 31 March 2021)	31/08/2021	01/04/2021	2021	Without relevant accounting impacts
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020)	14/01/2021	01/01/2021	2021	Without relevant accounting impacts
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (issued on 25 June 2020)	16/12/2020	01/01/2021	2021	Not applicable

4. 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. These assets are depreciated as soon as the investment projects are substantially completed or ready for use.

Major maintenance and repairs

Repairs and maintenance costs of a current nature are recorded as expenses for the year in which they are incurred. Expenditure on major maintenance or repairs related to the replacement of parts of equipment or other tangible assets are recorded as tangible assets, if the replaced component is identified and written off, and depreciated at rates corresponding to the residual useful life of the respective main fixed assets.

Depreciation

Depreciation is calculated on the considered cost (for acquisitions until 1 January 2004) or the acquisition cost, using the straight-line method, applied from the date on which the assets are available to be used as intended by management. It is used among the most appropriate economic rates, those that allow the reintegration of property, plant and equipment during its estimated useful life, taking into account, in cases where this is applicable, the concession period.

The average annual depreciation rates used are as follow:

Depreciation rates	2021	2020
Administrative equipment	12.5%	12.5%

Impairment

Impairment tests are performed at the reporting date and whenever a decline in the asset value is identified. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recorded in the income statement,

Notes to the financial statements as of 31 December 2021

under the caption amortisation, depreciation and impairment loss on fixed assets.

The recoverable amount is the greater of the net selling price and the value in use. Net selling price is the amount that would be obtained from selling the asset in a transaction between independent knowledgeable parties, less the costs directly attributable to the sale. Value in use corresponds to the present value of the future cash flows generated by the asset during its estimated economic useful life. The recoverable amount is estimated for the asset or cash generating unit to which it belongs. The discount rate used reflects the Weighted Average Cost of Capital (WACC) of the Company.

The period of the estimated cash flows depends on the average useful life of the cash generating unit.

Accounting estimates and judgments

Useful lives and residual values of tangible assets

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

Unit: €k

	Basic equipment	Transport equipment	Administrative equipment	Other tangible assets	2021 Total	2020 Total
As at 31 December						
Acquisition cost	34	52	323	1,009	1,417	1,419
Impairment	0	0	0	0	0	0
Accumulated depreciation	(34)	(52)	(323)	(1,009)	(1,417)	(1,419)
Net amount	**0**	**0**	**0**	**0**	**0**	**0**
Opening balance	**0**	**0**	**0**	**0**	**0**	**2**
Depreciation and impairment	0	0	0	0	0	(2)
Ending balance	**0**	**0**	**0**	**0**	**0**	**0**

Notes to the financial statements as of 31 December 2021

5. Intangible assets

Not applicable.

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

Accounting policies

Recognition

The Company recognises both a right-of-use asset and a lease liability as at the lease commencement date. The right-of-use asset is initially measured at cost, which represents the initial amount of the lease liability, adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred, plus an estimate of the costs required to dismantle and remove the underlying asset or 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 Company's incremental borrowing rate. Generally, 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 that are pegged to an index or a rate;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the Company 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 amortised 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 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 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 Company 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 Company 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 Company recognises the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

Notes to the financial statements as of 31 December 2021

Amortisation

The right-of-use asset is subsequently amortised 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 intangible assets and discount rates

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

Impairment of Right-of-use Assets

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

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

Unit: €k

		2021	2020
	Vehicles	Total	Total
As at 31 December			
Acquisition cost	261	261	251
Accumulated amortisation	(111)	(111)	(77)
Net amount	**149**	**149**	**174**
Opening balance	**174**	**174**	**100**
Additions	10	10	112
Amortisation	(66)	(66)	(59)
Other adjustments	32	32	19
Ending balance	**149**	**149**	**174**

Lease liabilities are as follow:

Unit: €k

	December 2021	December 2020
Maturity analysis – contractual undiscounted cash flow	**160**	**187**
Less than one year	65	67
One to five years	95	120
More than five years	0	0
Lease liabilities in the statement of financial position	**153**	**176**
Current	60	65
Non-current	93	111

Notes to the financial statements as of 31 December 2021

The amounts recognised in profit or loss are as follow:

Unit: €k

	December 2021	December 2020
	77	**99**
Interest on lease liabilities	6	5
Expenses related to short term, low value and variable payments of operating leases	71	94

The amounts recognised in the statement of cash flow are as follow:

Unit: €k

	December 2021	December 2020
Financing activities	**(59)**	**(62)**
Payments relating to leases	(54)	(57)
Payments relating to lease interests	(5)	(5)

7. Government grants

Not applicable.

8. Goodwill

Not applicable.

9. Investments in subsidiaries, associates and joint ventures

Accounting policies

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 value of the financial investment, the Company recognises the respective impairment loss in the same caption.

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

	Country	Interest held	
		2021	2020
Subsidiaries			
Galp Energia, S.A.,	Portugal	100.00%	100.00%
Galp Energia E&P B.V.	The Netherlands	100.00%	100.00%
Galp New Energies, S.A.	Portugal	100.00%	100.00%
Petrogal, S.A.	Portugal	100.00%	100.00%

	Country	Interest held	
		2021	2020
Affiliates			
ISPG - Instituto do Petróleo e do Gás	Portugal	66.67%	66.67%
Adene - Agência para a Energia, S.A.	Portugal	10.98%	10.98%
Omegas-Soc. D'etuded du Gazoduc Magrheb-Europe	Morocco	0.00%	0.00%
OEINERGE - Agência Municipal de Energia e Ambiente	Portugal	1.45%	1.45%
Galp Eswatini (PTY), Ltd	Eswatini	0.01%	0.01%

Notes to the financial statements as of 31 December 2021

Unit: €k

			Financial investments	Gain/(losses) related to financial investments		
	Acquisition cost	Impairment	Net amount	Dividends	Other	Total
Investment in subsidiaries	**3,097,521**	**0**	**3,097,521**	**526,892**	**0**	**526,892**
Subsidiaries:						
Petrogal, S.A.	1,803,556	0	1,803,556	0	0	0
Galp Energia E&P, B.V.	809,046	0	809,046	226,409	0	226,409
Galp New Energies, SA	441,765	0	441,765	300,483	0	300,483
Galp Energia, S.A.	43,154	0	43,154	0	0	0

For comparative information please refer to the financial statements for the year ended 31 December 2020.

The difference of €158 k as of 31 December 2021, between the amount of dividends recorded in the income statement and the amount received in the statement of cash flows under the heading of dividends received, relates to exchange differences on the dividends received from the subsidiary Galp Energia E & P, B.V. and recorded under the heading "Exchange gains (losses)".

10.Inventories

Not applicable.

11.Trade and other receivables

Accounting policies

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

Trade and other receivables are derecognised 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 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 considers the loss in the event of default. The default probability

Notes to the financial statements as of 31 December 2021

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 at 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

Trade receivables as of 31 December 2021 and 2020 is detailed as follows:

Unit: €k

	Current	
	2021	2020
	5,139	**989**
Trade receivables (Note 28)	5,139	989
Ageing of trade receivables	**5,139**	**989**
Not yet due	5,139	978
Overdue between 181 days and 365 days	0	0
Overdue over 365 days	0	12

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 follow:

As of 31 December 2021 and 2020, Other receivables details are as follows:

Type	Exposure to risk
Not yet due	Low
Overdue up to 180 days	Medium
Overdue between 181 days and 365 days	High
Overdue over 365 days	Very High

Notes to the financial statements as of 31 December 2021

Unit: €k

		2021		2020	
	Notes	Current	Non-current	Current	Non-current
		5,389	**90**	**7,906**	**90**
State and other public entities		**33**	**0**	**46**	**0**
Other receivables / other debtors		**616**	**90**	**493**	**90**
Suppliers' debit balances		26	0	111	0
Advances to suppliers		0	0	0	0
Personnel		297	0	104	0
Other		293	90	278	90
Related parties		**61**	**0**	**702**	**0**
Other receivables - related parties	28	61	0	702	0
Contract assets		**1,836**	**0**	**4,581**	**0**
Contract assets		1,836	0	4,581	0
Deferred charges		**2,844**	**0**	**2,083**	**0**
Other deferred charges		2,844	0	2,083	0
Impairment of other receivables		**0**	**0**	**0**	**0**

12.Other financial assets

As of 31 December 2021 and 2020, other financial assets details are as follows:

Unit: €k

	Note	December 2021		December 2020	
		Current	Non-current	Current	Non-current
		619,145	**1,352,850**	**146,893**	**1,872,850**
Financial assets at fair value through comprehensive income		0	350	0	350
Financial assets not measured at fair value - Loans	28	619,145	1,352,500	146,893	1,872,500

Notes to the financial statements as of 31 December 2021

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 mobilized with a risk of insignificant changes in value.

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

As of 31 December 2021 and 2020, cash and cash equivalents details are as follows:

Unit: €k

	Notes	2021	2020
		775,811	**10,645**
Cash and cash equivalents	20	777,714	10,645
Bank overdrafts	14	(1,903)	0

14.Financial debt

Accounting policies

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 amortised cost.

Financial charges are calculated at the effective interest rate and recorded in the income statement on an accruals basis in accordance with each loan agreement.

Financial charges include interests and, eventually, commission expenses for structuring loans.

As of 31 December 2021 and 2020, debt details are as follows:

Unit: €k

		2021		2020	
	Notes	Current	Non-Current	Current	Non-Current
		1,045,219	**2,997,267**	**531,308**	**3,119,373**
Bank loans		**797,959**	**824,000**	**31,308**	**715,828**
Origination Fees		0	0	0	(228)
Loans and commercial paper		796,056	824,000	31,308	716,056
Bank overdrafts	13	1,903	0	0	0
Bonds and notes		**247,260**	**2,173,267**	**500,000**	**2,403,545**
Origination Fees		(2,740)	(3,318)	0	(9,440)
Bonds and notes		250,000	2,176,585	500,000	2,412,986

Notes to the financial statements as of 31 December 2021

Current and non-current loans and bonds, excluding origination fees and bank overdrafts, have the following repayment plan as at 31 December 2021:

Unit: €k

Maturity	Loans		
	Total	Current	Non-Current
	4,046,641	**1,046,056**	**3,000,585**
2022	1,046,056	1,046,056	0
2023	870,000	0	870,000
2024	696,585	0	696,585
2025	605,000	0	605,000
2026 onwards	829,000	0	829,000

Changes in debt during the period ended 31 December 2021 were as follow:

Unit: €k

	Opening balance	Loans obtained	Principal repayment	Changes in overdrafts	Foreign exchange rate differences and others	Ending balance
	3,650,681	**6,834,000**	**(5,151,308)**	**1,903**	**17,210**	**4,042,486**
Bank Loans:	**747,136**	**6,834,000**	**(4,151,308)**	**1,903**	**228**	**1,621,959**
Origination fees	(228)	0	0	0	228	0
Loans and commercial papers	747,364	6,834,000	(4,151,308)	0	0	1,620,056
Bank overdrafts	0	0	0	1,903	0	1,903
Bond and Notes:	**2,903,545**	**0**	**(500,000)**	**0**	**16,981**	**2,420,527**
Origination fees	(9,440)	0	0	0	3,382	(6,058)
Bonds	1,412,986	0	0	0	13,599	1,426,585
Notes	1,500,000	0	(500,000)	0	0	1,000,000

The average cost of financial debt for the period on analysis, including charges on bank overdrafts, amounted to 1.75% (1.66% in 2020).

Notes to the financial statements as of 31 December 2021

During the period ended at 31 December 2021, the entity reimbursed the following Note:

Unit: €k

Issuance	Amount due	Interest rate	Maturity	Reimbursement
	500,000			
Galp 3.00% 01.2021	500,000	Fixed rate 3.00%	JAN'21	JAN'21

15.Trade payables and other payables

Accounting policies

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

As of 31 December 2021 and 2020, trade payables and other payables, current and non-current, details are as follows:

Unit: €k

	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Trade payables		**943**	**0**	**1,372**	**0**
Trade payables - current account		68	0	618	0
Trade payables - pending invoices		232	0	374	0
Trade payables - related parties	28	642	0	379	0
Other payables / other creditors		**24,398**	**2,106**	**599,487**	**2,106**
State and other public entities		**1,592**	**0**	**627**	**0**
VAT Payables		340	0	336	0
Other taxes		1,252	0	291	0
Other payables / other creditors		**320**	**0**	**152**	**0**
Trade receivables credit balances		0	0	2	0
Personnel		319	0	125	0
Other		1	0	25	0
Related parties		**0**	**0**	**565,789**	**0**
Loans	28	0	0	65,787	0
Other payables/other creditors	28	0	0	500,002	0
Accrued costs		**22,352**	**2,106**	**32,701**	**2,106**
External suppliers and services		129	0	1,714	0

Notes to the financial statements as of 31 December 2021

Unit: €k

	Notes	2021		2020	
		Current	Non-current	Current	Non-current
Remuneration to be paid		3,412	2,106	989	2,106
Accrued interest		18,610	0	29,787	0
Other accrued costs		202	0	211	0
Deferred income		**134**	**0**	**218**	**0**
Other		134	0	218	0

16.Income Tax

Accounting policies

The Company and some subsidiaries have been taxed in accordance with the special regime for the taxation of groups of companies ("RETGS"). The Company is subject to 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 recognised 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 recognise 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.

Notes to the financial statements as of 31 December 2021

Unit: €k

	Notes	Assets 2021	Assets 2020	Liabilities 2021	Liabilities 2020
		316,338	**156,055**	**307,756**	**166,480**
Group companies	**28**	**7,654**	**0**	**307,756**	**166,480**
Current income tax receivable / payable		7,654	0	307,756	166,480
State and other public entities		**308,684**	**156,055**	**0**	**0**
Current income tax receivable / payable		308,684	156,055	0	0

Taxes for the years ended 31 December 2021 and 2020 were as follow:

Unit: €k

	2021 Current tax	2021 Deferred tax	2021 Total	2020 Current tax	2020 Deferred tax	2020 Total
Taxes for the year	**(6,807)**	**0**	**(6,807)**	**6,539**	**0**	**6,539**
Current income tax	(6,848)	0	(6,848)	6,834	0	6,834
Insufficiency / (excess) of income tax estimated	41	0	41	(295)	0	(295)

The effective income tax rate reconciliation as of 31 December 2021 and 2020 is as follows:

Unit: €k

	2021	Rate	Income Tax	2020	Rate	Income Tax
Profit before tax:	**493,580**	**21.00%**	**103,652**	**343,966**	**21.00%**	**72,233**
Adjustments to taxable income:						
Dividends received		(22.42%)	(110,647)		(19.47%)	(66,979)
Insufficiency / (excess) of income tax estimated		0.01%	41		(0.09%)	(295)
Autonomous taxation		0.02%	101		0.04%	151
Sur-charge – Regional and State		0.00%	0		0.42%	1,431
Other increases and deductions		0.01%	46		0.00%	(2)
Effective income tax rate and income tax		**(1.38%)**	**(6,807)**		**1.90%**	**6,539**

Notes to the financial statements as of 31 December 2021

The movement of deferred tax assets for the period ended on 31 December 2021 was as follows:

Unit: €k

	2021	2020
Deferred tax assets	**180**	**180**
Other	180	180

17.Retirement and other benefit obligations

Not applicable.

18.Provisions

Not applicable.

19.Derivative financial instruments

Not applicable.

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 amortised 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 financial instruments are recognised as at the trade date. Investments are initially recognised 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 derecognised from the statement of financial position when the rights to receive cash flow from investments have expired or have been transferred, and the Company 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

Notes to the financial statements as of 31 December 2021

derecognised, the gain or loss will be kept in equity. Dividends received are recognised in profit or loss.

Financial assets at amortised cost

Financial assets and liabilities at amortised 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 recognised initially at fair value. Subsequently they are measured at amortised cost using the effective interest rate 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 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; 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.

Financial assets at amortised cost comprises trade receivables, other receivables net of impairments.

Financial liabilities at amortised cost are comprised of Trade payables, other payables and other payables - related parties.

Financial assets and liabilities as at 31 December 2021 and 2020 are detailed as follows:

Unit: €k

	Notes	2021	2020
Financial assets by category		**2,757,452**	**2,037,243**
Financial assets at fair value through comprehensive income	12	350	350
Financial assets not measured at fair value	11 and 12	1,982,264	2,028,378
- less deferred costs, guarantees and tax receivable		(2,876)	(2,129)
Cash and cash equivalents	13	777,714	10,645

Unit: €k

	Notes	2021	2020
Financial liabilities by category		**4,068,359**	**4,252,976**
Financial liabilities measured at fair value through profit or loss - Derivatives		0	0
Financial liabilities not measured at fair value	6, 14 and 15	4,070,085	4,253,821
- less deferred income, guarantees and tax payables		(1,726)	(845)

21. Financial risk management

The Company is exposed to several market risks inherent to the Company's activities. Detailed information about these risks and impacts on Galp Group is

Notes to the financial statements as of 31 December 2021

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 829,250,635 shares, with a nominal value of 1 Euro each and fully subscribed and paid. Of these, 771,171,121 (93% of the share capital), are traded in the Euronext Lisbon stock exchange. The remaining 58,079,514 shares, representing some 7% of the share capital, are indirectly held by the Portuguese State through Parpública – Participações Públicas, SGPS, S.A. and are not available for trade.

On 31 December 2021 the Company has recorded €82,006 k in equity, referring to share premium. The total of share capital and share premium is €911,257 k.

The Company's shareholder structure as of 31 December 2021 was as follows:

Shareholders	Nr. of shares	% of capital	% voting rights
Amorim Energia B.V.	276,472,161	33.34%	33.34%
Parpública - Participações Públicas, SGPS, S.A.	62,021,340	7.48%	7.48%
Free-float	490,757,134	59.18%	59.18%
Total	829,250,635	100.00%	100.00%

Other reserves

In accordance with the Company deeds and Commercial Law ("Código das 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.

As of 31 December 2021 and 2020, Other reserves details are as follows:

Unit: €k

	2021	2020
	193,828	**193,828**
Legal reserves	165,850	165,850
Available reserves	27,977	27,977

On 31 December 2021 and 2020, the legal reserve is fully provided for in accordance with the commercial legislation.

Dividends

In accordance with the resolution of the General Shareholders' Meeting held on 23 April 2021, the shareholders of Galp Energia, SGPS, SA were assigned dividends in the amount of €290,238 k, relating to the distribution of net income for the year of 2020, corresponding to a dividend of €0.35 per share. This amount was paid to the shareholders on 21 May 2021.

Additionally, on 20 August 2021, the Board of Directors of Galp Energia, SGPS, S.A. approved the payment of dividends, as an advance on profits, of €0.25 per share, amounting €207,313 k, and paid to the shareholders on 16 September 2021.

Notes to the financial statements as of 31 December 2021

23.Revenue and Income

Accounting policies

Revenue is recognised in the income statement 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 recognised net of taxes except for tax on petroleum products, discounts and rebates. Cost and income are recorded at the period they occurred, regardless of the date of payment or receipt. Costs and income whose actual value is not known are estimated.

The "Other receivables" and "Other payables" captions include the income and costs from the current period for which the financial receipt or disbursement will only occur in future periods, as well as financial receipts or disbursements that have already occurred, relating to future periods, and that will be charged to the income statement in the respective periods.

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

Revenue and income for the years ended 31 December 2021 and 2020 were as follows:

Unit: €k

	Notes	2021	2020
		574,799	**388,010**
Services rendered		**8,923**	**9,680**
Other operating income		**275**	**283**
Supplementary income		269	283
Other		5	0
Earnings from associates and joint ventures	**9**	**526,892**	**318,948**
Financial income	**26**	**38,709**	**59,100**

24.Costs and Expenses

The costs and expenses for the years ended 31 December 2021 and 2020 were as follow:

Unit: €k

	Notes	2021	2020
Total costs:		**81,219**	**44,044**
External suppliers and services:		**3,932**	**3,956**
Other specialized services		2,312	1,917
Travel and accommodation		155	293
Other costs		1,466	1,747
Employee costs:	**25**	**16,541**	**8,653**
Amortisation, depreciation and impairment losses on fixed assets	**4 and 6**	**66**	**61**
Other costs:		**2,107**	**846**
Other taxes		1,755	553
Other operating costs		351	293
Financial costs	**26**	**58,573**	**30,529**

Notes to the financial statements as of 31 December 2021

25. Employee costs

Accounting policies

Employee costs

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

During the year ended on 31 December 2021 and 2020, the employee costs were as follows:

Unit: €k

	Notes	2021	2020
Total employee costs for the year		**16,541**	**8,653**
Salaries of the Company's corporate bodies members		6,733	6,558
Employee salaries		841	798
Social charges - corporate bodies members		1,127	1,115
Social charges - employees		70	9
Other insurance		106	116
Other costs		7,664	56
Remuneration of the Company's corporate bodies members		**6,603**	**6,558**
Salaries		5,577	5,179
Cash bonuses		650	897
Allowances		376	482
Other charges and adjustments		**1,127**	**1,115**

26. Financial income and expenses

Accounting policies

Financial income and expenses include interest on external loans, related party loans, 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 accrual's 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 its operations. The remainder is recognised 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.

Notes to the financial statements as of 31 December 2021

Unit: €k

	Notes	2021	2020
		(19,864)	**28,571**
Financial income		**38,709**	**59,100**
Interest on bank deposits			
Interest and other income with related companies	28	38,709	59,100
Financial expenses:		**(58,573)**	**(30,529)**
Interest on bank loans, overdrafts and others		(37,810)	(45,291)
Interest on related party loans	28	(532)	(1,575)
Interest on lease liabilities	6	(6)	(5)
Net exchange gains/(losses)		(15,678)	18,622
Other financial costs		(4,547)	(2,280)

27. Contingent assets and contingent liabilities

Accounting policies

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.

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 of 31 December 2021 and 2020 obligations subject to collaterals granted are as follows:

Unit: €k

	2021	2020
Total of guarantees provided	**3,709,814**	**3,348,942**
Venture Global, LLC	1,765,848	1,629,859
Charter Agreement FPSO	1,282,889	1,184,093
Coral South FLNG project	427,260	302,943
Cercena Investments, S.L.U.	178,259	178,259
Direção Geral Impostos/Direção Geral do Tesouro (Government entities)	35,686	35,686
Oil Insurance Limited	17,747	11,087
REN - Rede Elétrica Nacional	1,650	1,650
Governments of Rep. Dem. de Timor-Leste, São Tomé e Príncipe and Namibia	0	4,890
Tax authorities	473	473
APL - Administração Porto de Lisboa	3	3

Under the contract established in April 2018, with Venture Global LLC related to the LNG Sales and Purchase Agreement, Galp provided a guarantee in the total amount of the contract (USD 2 bn).

Related to the four charter agreements for FPSOs, Galp provided a guarantee in the amount of USD 1,282,889 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. shall provide a guarantee, the Debt Service Undertaking (DSU) agreement, on the total outstanding amount at each moment 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 2021, Galp's stake in the obligation amounted to €384,534 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

Notes to the financial statements as of 31 December 2021

(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 2021, Galp's stake in the responsibility taken on in relation to ENH amounted to €42,726 k.

To fulfil Galp's strategy of investing in renewable energy sources, the Group has entered into a Power Purchase Agreement with Cercena Investments, for which Galp has provided comfort letter on behalf of Galp Energia España, in the amount of €178,259 k.

28. 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 balances and transactions with related parties as of 31 December 2021 are detailed as follows:

Unit: €k

	Total	Current				
		Trade receivables (Note 11)	Loans granted (Note 12)	Other receivables (Note 11)	Current income tax (Note 16)	Accruals and deferrals
Assets:	**641,413**	**5,139**	**619,145**	**61**	**15,232**	**1,836**
Group companies	641,412	5,139	619,145	60	15,232	1,836
Joint ventures and associates	1	0	0	1	0	0

For comparative information, please refer to the financial statements for the year ended 31 December 2020

Notes to the financial statements as of 31 December 2021

Unit: €k

	Total				Current	
		Trade payables (Note 15)	Loans obtained (Note 15)	Other payables (Note 15)	Current income tax (Note 16)	Accruals and deferrals
Liabilities:	**308,653**	**642**	**0**	**3**	**307,756**	**252**
Group companies	308,647	642	0	0	307,756	249
Joint ventures and associates	1	0	0	1	0	0
Other related parties	5	0	0	2	0	3

For comparative information, please refer to the financial statements for the year ended 31 December 2020.

Unit: €k

	Operating expenses	Operating income	Financial expenses (Note 26)	Financial income (Note 26)
Transactions:	**(681)**	**8,923**	**(532)**	**38,709**
Group companies	(209)	8,923	(532)	38,709
Other related parties	(473)	0	0	0

For comparative information, please refer to the financial statements for the year ended 31 December 2020.

29. Information regarding environmental matters

Not applicable.

30. Subsequent events

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.

On 24 February 2022, Russia launched an invasion of Ukraine. Following this event, several countries imposed sanctions to Russia and supported financial and humanitarian aid to Ukraine and its refugees. Many foreign entities decided to leave or avoid commercial relationships with Russia. On 2 March, Galp announced its intention to suspend all commercial relationships with Russia or Russian companies. Although Galp has no subsidiaries, joint ventures or joint operations, or any other financial interests in Russian entities, Galp is in the process of eliminating any direct or indirect exposure to energy commodities either sourced in Russia or from Russian companies. Although this measure will impact Sines refining operations and its likely financial contribution, Galp will continue to ensure the supply of gas and fuels to the Portuguese market.

Notes to the financial statements as of 31 December 2021

The above mentioned is not expected to have a significant impact on group's Consolidated Financial Statements as of 31 December 2021 however the future potential effects of this situation cannot be estimated at the moment.

31. Approval of the financial statements

The financial statements were approved by the Board of Directors on 25 March 2022.

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.

Notes to the financial statements as of 31 December 2021

Board of Directors:

Chairperson:

Paula Amorim

Vice-chair and Lead Independent Director:

Miguel Athayde Marques

Vice-chair and CEO:

Andy Brown

Members:

Filipe Silva

Thore Kristiansen

Teresa Abecasis

Georgios Papadimitriou

Marta Amorim

Francisco Teixeira Rêgo

Carlos Pinto

Luís Todo Bom

Jorge Seabra de Freitas

Rui Paulo Gonçalves

Diogo Tavares

Edmar de Almeida

Cristina Fonseca

Adolfo Mesquita Nunes

Javier Cavada Camino

Accountant:

Paula de Freitas Gazul

Building a better working world

Ernst & Young
Audit & Associados - SROC, S.A.
Avenida da República, 90-6º
1600-206 Lisboa
Portugal

Tel: +351 217 912 000
Fax: +351 217 957 586
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 2021 (showing a total of 6,174,517 thousands of euros and a total equity of 1,796,676 thousands of euros, including a net profit for the year of 500,387 thousands of euros), and the Income statement, the 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 a summary of significant accounting policies.

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 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards 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 Financial investments in subsidiaries and associate companies

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 2021, Investments in subsidiaries and associates recognized in the separate financial statements of Galp Energia, SGPS, S.A. amounts to 3,097,521 thousand of euros. Investments in subsidiaries and associates 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 and associates 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: ► We assessed the existence of impairment indicators in the valuation of investments in subsidiaries and associates, based on internal and external sources of information that could translate into potential negative impacts for the performance of each of the subsidiaries and associates; ► We compared the shareholders' equity of subsidiaries and associates and the value in use calculated according to the valuation models prepared by management, with its carrying amount; ► We obtained and analyzed, when applicable, the impairment tests prepared by management for to the most significant Investments in Subsidiaries and Associates, including its consistency with the business plans approved by the Board of Directors of Galp Energia SGPS, S.A.; ► We analyzed, with the support of specialists in economic models, 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 and Associates. Additionally, we have verified the appropriateness of the applicable disclosures (IAS 27 and IAS 36), included in notes 2 and 9 of 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 and the Corporate Governance 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.

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

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate Governance Report, includes the information required 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 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 Entity for the first time in the shareholders' general meeting held on 12 April 2019 for the mandate from 2019 to 2022;
- 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 25 March 2022; 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.

Lisbon, 25 March 2022

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

(Signed)

Rui Abel Serra Martins - ROC n.º 1119
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Cautionary statement

This document may include forward-looking statements, including, without limitation, regarding future results, namely cash flows, dividends, and shareholder returns; liquidity; capital and operating expenditures; performance levels, operational or environmental goals, targets or commitments and project plans, timing, and outcomes; production rates; developments of Galp's markets; and impacts of the COVID-19 pandemic on Galp's businesses and results; any of which may significantly differ depending on a number of factors, including supply and demand for oil, gas, petroleum products, power and other market factors affecting them; the outcome of government policies and actions, including actions taken to address COVID-19 and to maintain the functioning of national and international economies and markets; the impacts of the COVID-19 pandemic on people and economies; the impact of Galp's actions to protect the health and safety of its employees, customers, suppliers and communities; actions of Galp's competitors and commercial counterparties; the ability to access short- and long-term debt markets on a timely and affordable basis; the actions of consumers; other legal and political factors, including changes in law and regulations and obtaining necessary permits; unexpected operating events or technical difficulties; the outcome of commercial negotiations, including negotiations with governments and private entities; and other factors discussed in Galp's Management Report & Accounts filed with the Portuguese Securities Market Commission (CMVM) for the year ended December 31, 2020 and available on our website at galp.com. This document may also contain statements regarding the perspectives, objectives, and goals of Galp, namely concerning ESG (Environmental, Social & Governance) objectives, including with respect to energy transition, carbon intensity reduction or carbon neutrality. An ambition expresses an outcome desired or intended by Galp, it being specified that the means to be deployed may not depend solely on Galp. Galp's business plans and budgets include investments that will accelerate the decarbonization of the Company over the next decade. These business plans and budgets will evolve over time to reflect its progress towards the 2050 Net Zero Emissions target. All statements other than statements of historical facts are, or may be deemed to be, forward-looking statements. Forward-looking statements express future expectations that are based on management's expectations and assumptions as of the date they are disclosed and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such those statements. Accordingly, neither Galp nor any other person can assure that its future results, performance or events will meet those expectations, nor assume any responsibility for the accuracy and completeness of the forward-looking statements. Forward-looking statements include, among other things, statements concerning the potential exposure of Galp to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections, and assumptions. These forward-looking statements may generally be identified by the use of the future, gerund or conditional tense or the use of terms and phrases such as "aim", "ambition", "anticipate", "believe", "consider", "could", "develop", "envision", "estimate", "expect", "goals", "intend", "may", "objectives", "outlook", "plan", "potential", "probably", "project", "pursue", "risks", "schedule", "seek", "should", "target", "think", "will" or the negative of these terms and similar terminology.

Financial information by business segment is reported in accordance with the Galp's management reporting policies and shows internal segment information that is used to manage and measure the Group's performance. In addition to IFRS measures, certain alternative performance measures are presented, such as performance measures adjusted for special items (adjusted operational cash flow, adjusted earnings before interest, taxes, depreciation and amortisation, adjusted earnings before interest and taxes, and adjusted net income), return on equity (ROE), return on average capital employed (ROACE), investment return rate (IRR), equity investment return rate (eIRR), gearing ratio, cash flow from operations and free cash flow. These indicators are meant to facilitate the analysis of the financial performance of Galp and comparison of results and cash flow among periods. In addition, the results are also measured in accordance with the replacement cost method, adjusted for special items. This method is used to assess the performance of each business segment and facilitate the comparability of the segments' performance with those of its competitors. This document also contains non-financial performance indicators, according to applicable legislation, including a carbon intensity indicator for energy products sold by Galp, that measures the amount of greenhouse gas emissions of those products, from their production to their end use, per unit of energy delivered. This indicator covers the direct GHG emissions of production and processing facilities (scope 1) and their indirect emissions associated with energy purchased (scope 2), as well as the emissions associated with the use of products by Galp's costumers (scope 3). The same emissions are considered for products purchased from third parties and sold or transformed by Galp. For a complete definition of scopes 1, 2 and 3 and the methodology used by Galp for this indicator please refer to Galp's website at galp.com. This document may include data and information from sources that are publicly available. This document may also include data and information provided by third parties, including Wood Mackenzie, Rystad and market analysts, which are not publicly available. Such data and information should not be interpreted as advice and you should not rely on it for any purpose. You may not copy or use this data and information except as expressly permitted by those third parties in writing. To the fullest extent permitted by law, those third parties accept no responsibility for your use of such data and information except as specified in a written agreement you may have entered into with those third parties for the provision of such data and information.

Galp and its respective representatives, agents, employees or advisers do not intend to, and expressly disclaim any duty, undertaking or obligation to, make or disseminate any supplement, amendment, update or revision to any of the information, opinions or forward-looking statements contained in this document to reflect any change in events, conditions or circumstances. This document does not constitute investment advice nor forms part of and should not be construed as an offer to sell or issue or the solicitation of an offer to buy or otherwise acquire securities of Galp or any of its subsidiaries or affiliates in any jurisdiction or an inducement to engage in any investment activity in any jurisdiction.