



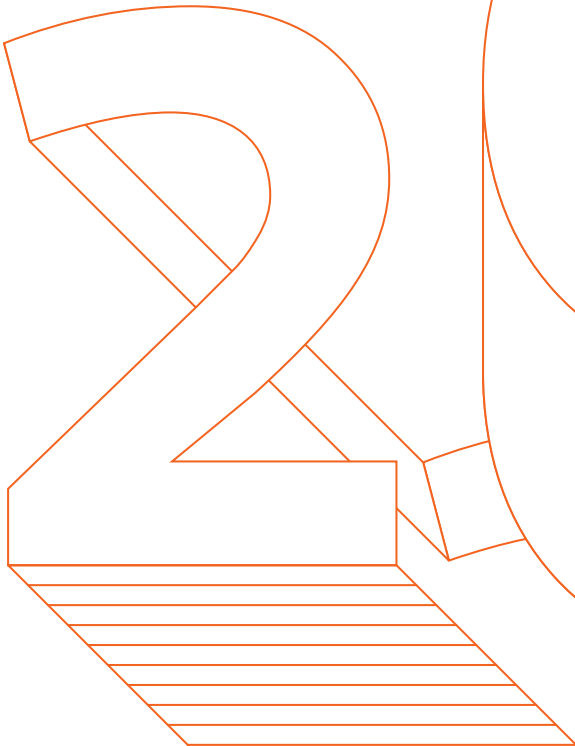
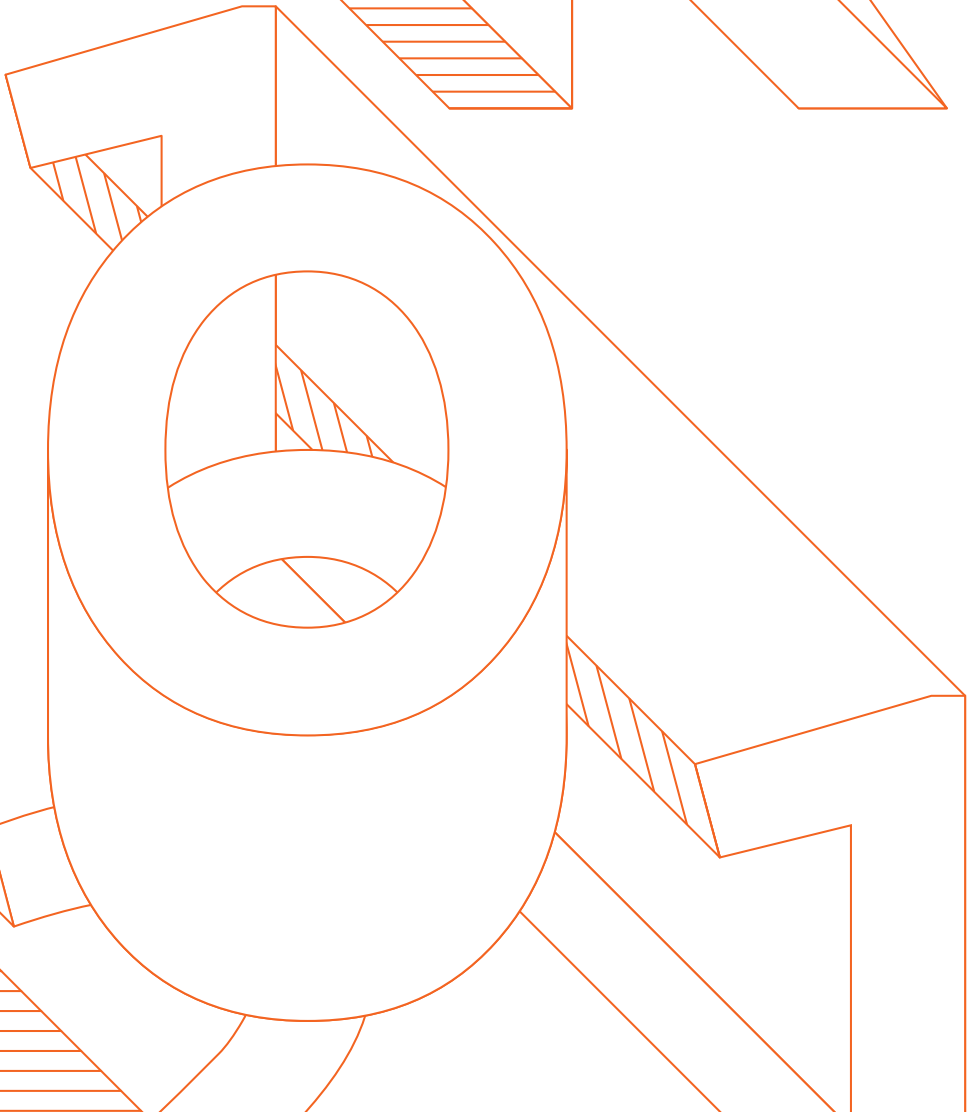
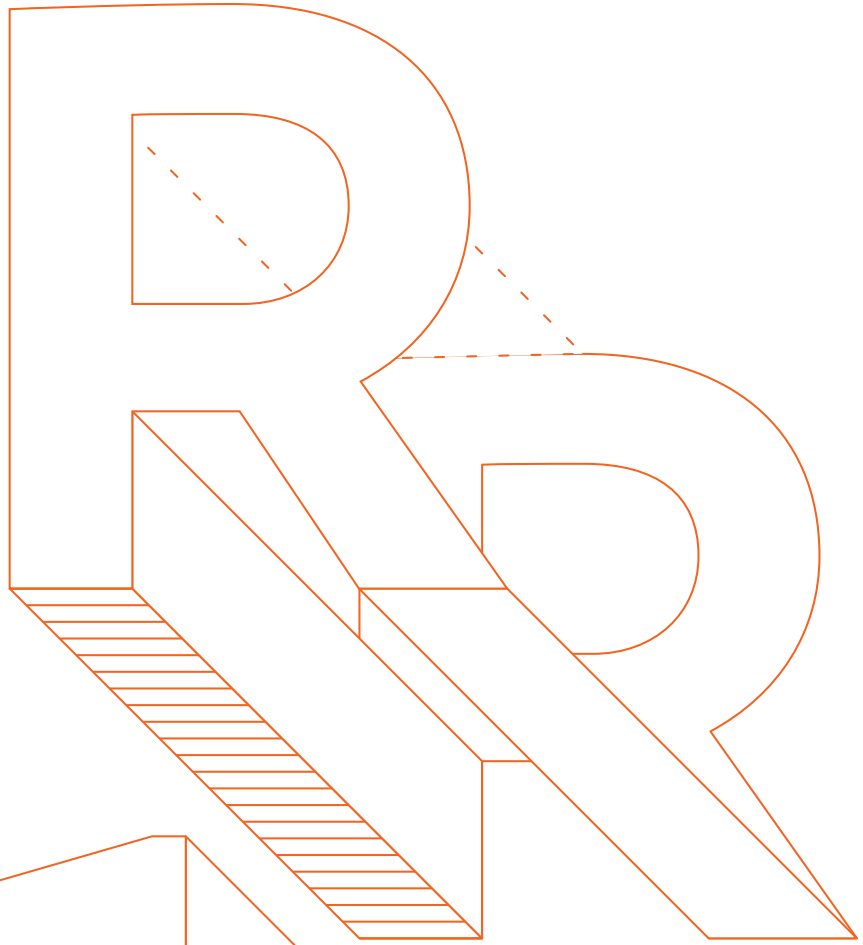
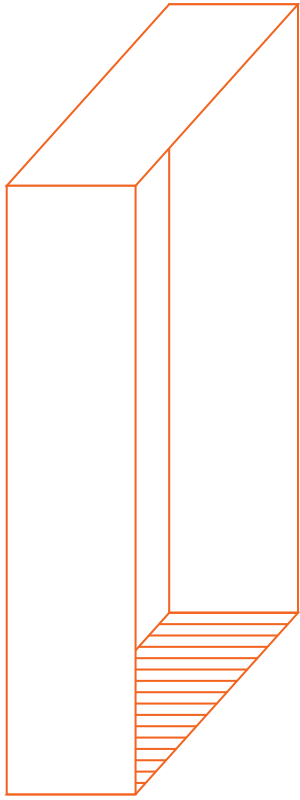
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A new perspective on energy

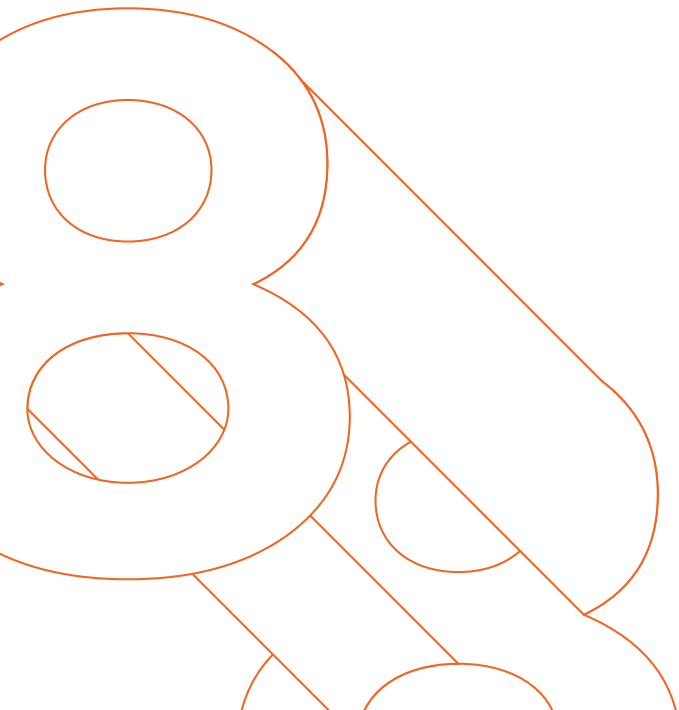
Galp Integrated Report 2018



The world today has a new view on energy, focused on the transition to a low-carbon economy through the promotion of more sustainable energy sources. Galp assumes that the structural transformation in energy demand will imply the creation of innovative and increasingly sustainable solutions on both economic, environmental and social terms.

As a global player, Galp is committed to the United Nations Sustainable Development Goals. We take on the responsibility of following the energy transition path, by training our people and actively participating in the research and development of the most innovative technological solutions and in the value chains that best respond to market needs without compromising the future of the planet.

Because we also have a new **perspective on energy**, reflected in a new movement that inspires us: **Energective**.



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About this report

Galp's integrated reporting is designed to provide a transparent and accurate overview of the processes by which we create economic, environmental and social value, as well as setting out our results for the period and our corporate governance practices. In order to evaluate the Company's performance, the report includes information on past years, when relevant.

The information contained in this report is intended to enable the assessment of our performance in an integrated manner, whilst establishing the connections between our strategy, our business, our governance model and our operational and financial performance, considering relevant external factors.

This report has been prepared in line with the applicable standards and with internationally acknowledged guidelines, namely:

- The International Financial Reporting Standards (IFRS);
- The guidelines of the Portuguese Securities Code (CVM), of the Regulation of the Portuguese Securities Market Regulator (CMVM) No. 4/2013 regarding the Company's annual corporate governance report;
- The guidelines of the Commercial Companies Code (CSC) in Portugal regarding the content of the report, including those relating to the reporting of non-financial information introduced by Decree-Law no. 89/2017 of July 28;
- The guidelines on integrated reporting from the International Integrated Reporting Council (IIRC);
- The guidelines of the Global Reporting Initiative (GRI) standard version, under the "In accordance – Comprehensive" option, including the Oil & Gas sector supplement;
- The guidelines of the CVM on the reporting of payments made to public administrations;

- The principles of inclusion, relevance and accountability of the stakeholders provided by the AccountAbility norm AA1000 AccountAbility Principles Standard (AA1000APS 2008);
- The Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosure (TCFD) initiative, regarding the disclosure of the financial risks connected to climate change; and
- The principles of the United Nations Global Compact (UNGC).

Galp's financial statements have been prepared in accordance with IFRS, and the cost of goods sold and of raw materials consumed is valued at the Weighted Average Cost (WAC). When goods and commodity prices fluctuate, the use of this valuation method may lead to the volatility of results through gains or losses in inventories, which do not reflect the Company's actual operating performance. This is called the inventory effect.

Another factor that may affect results, without being an indicator of the Company's performance in the period, is the set of non-recurring items, namely gains or losses arising from the disposal of assets, impairments or reinstatements of fixed assets, and restructuring charges.

In order to provide a better evaluation of the Company's operating performance by excluding the above-mentioned effects, Galp also discloses its results on a Replacement Cost Adjusted (RCA) basis, excluding non-recurring items and the inventory effect, the latter because the cost of goods sold and raw materials consumed has been calculated based on the Replacement Cost (RC) valuation method. The IFRS results are subject to audit, the RC results are reviewed by the auditor, while the RCA results are not audited nor reviewed.

Regarding non-financial information, the data consolidation and reporting methodology includes all activities where Galp has a stake of 50% or more, and/or when it has operational control. Notwithstanding the foregoing, and where the stakeholders' interests so justify, this report also includes information on non-operated activities where Galp holds a minority stake, namely within the Exploration & Production (E&P) business.

To complement this report, Galp also publishes additional and detailed information on its corporate website.

Galp aims to build the trust required to support stakeholders' decision-making regarding the Company and, for this reason, submits the contents of this report and of the Sustainability section of Galp's website to an external, independent and certified assessment by PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. (PwC).

Galp Integrated Report 2018

Financial statements		Non-financial information		Corporate governance information	Other information
Scope of PwC Statutory Auditor	Legal certification of accounts and audit	Verification of the inclusion of non-financial information required under Decree-Law 89/2017 of July 28	Limited assurance; Reasonable assurance of Galp's carbon footprint	Verification of the inclusion of the elements of the governance report referred to in article 245-A of the CVM	Verification of the consistency of the management report with the financial statements

Your opinion

Galp wishes to engage in an ongoing and inclusive dialogue with its stakeholders, seeking to respond to and exceed their expectations and requirements. You can express your opinion about this report, or ask questions about it, to the Investor Relations team, using the following contacts:

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Investor Relations
Rua Tomás da Fonseca, Torre C
1600 – 209 Lisbon

Tel.: +351 217 240 866
e-mail: investor.relations@galp.com

This translation of the Portuguese document has been made only for the convenience of non-Portuguese speaking stakeholders. For all intents and purposes, the Portuguese version shall prevail.

1.

To our
stakeholders



Partnership



1.1.

Statement from the Board of Directors



Paula Amorim

Chairman of the Board of Directors

Dear Shareholders,

In 2018, Galp continued to fulfill its ambitions, remaining focused on executing its strategy, ensuring that the Company is well positioned in the global energy landscape, developing its projects according to the best practices and creating sustainable value for all stakeholders.

It is consensual that the global energy mix will continue to evolve over the coming decades, and that energy companies will play a key role in promoting the transition to a lower carbon economy.

While energy demand continues to grow, companies are being required to reduce their carbon footprint, with projections indicating that renewables and other low carbon businesses will grow substantially in the long term.

Nonetheless, hydrocarbons are expected to continue to represent a predominant share of energy demand.

In this transformation scenario, it is vital that companies focus on increasing productivity, competitiveness and overall efficiency of their operations and processes, namely through digitalisation and technological modernisation.

Galp is looking to the future with enthusiasm, focusing on opportunities but mindful of the challenges. The Company continues to benefit from its integrated model, supported on a resilient and sustainable upstream and downstream portfolio, which remains the foundation for future growth.

We continue to provide the Company with people and tools, promoting our values and ambition to grow and optimise our operations, leveraging the Company's financial strength.

We aim to reach more consumers, new markets, new businesses and even different applications for our businesses and products, whilst preserving the essence of our core business.

Galp's ability to execute its strategy has been appreciated by investors and Galp's share price evolution confirms the potential of our approach, with an annualised shareholder return of 7% in the last five years.

A great story does not mean a guaranteed future. It means a greater responsibility to grow, to lead and to innovate.

The Board of Directors believes the Company is well prepared to address the sector's future challenges and will continue to closely monitor the execution of its strategy, ensuring a strong financial discipline and application of industry best practice in terms of sustainability, safety and corporate governance.

Considering Galp's reinforced cash position and solid capital structure, the Board of Directors will propose to the Annual General Shareholders' Meeting a dividend payment for the year 2018 of €0.6325 per share.

I am grateful to all shareholders for their trust in this project and our partners for working together with us in shaping the future of energy. I would also like to express my deep gratitude to the Galp team for their dedication and commitment to continue to leverage our success in the future.

It is with great honour that I serve as Chairman of this Company's Board as we continue to dedicate our energy to a more sustainable future.



Paula Amorim
Chairman of the Board of Directors



Carlos Gomes da Silva

CEO

Dear Stakeholders,

During 2018, the energy sector faced once again significant volatility, with oil prices varying by more than \$30/bbl throughout the year.

This volatility reinforces the importance of our integrated business model. The strategic planning approach supported on different scenarios serves as an important tool for ensuring the resilience and sustainability of Galp's portfolio.

The Company's strategy continues focused on executing the projects where it is present, extracting the maximum value and exploring new ventures which add sources of sustainable value to our portfolio.

Although fossil fuels will remain the predominant means to meet primary energy demand during the coming decades, the world is undergoing an energy transition, facing the challenges of providing society with cleaner and reliable sources of energy, while reducing emissions. With this in mind, Galp is incorporating into its strategy investments to reduce its carbon intensity.

Galp is pursuing this strategy by wagering on technology, digital and innovation as levers to transform the current business model, developing new businesses in the fields of mobility, energy efficiency and convenience, and investing in primary energy generation through renewable sources, always aspiring to provide a distinct and unique experience to our clients and consumers.

In 2018, Galp has accomplished its objectives and ambitions through the strong execution of upstream projects, represented by a significant increase in oil and natural gas production, and solid performance of the downstream.

In the upstream, and in Brazil, we continued developing the large Lula and Iracema fields, in the pre-salt Santos basin, where we concluded the year with eight units producing, after the start of Lula Extreme South FPSO, and with FPSO #9, the last unit of the initial stage of development, having already started production in Lula North at the beginning of 2019.

Iara's commercial development is also imminent, with the start of production planned for 2019, and after an appraisal campaign conducted during the year to optimise the project's development concept, which reduced volumetric uncertainty and improved reservoir representation.

In Greater Carcará, we reinforced our participation in the block BM-S-8, aligning the interests of the partners in the block and Carcará North. We are proceeding with appraisal works in the northern part, having started drilling the first well in Carcará North in 2018.

In Angola, we started production in July with the first unit in the Kaombo development, in block 32, which is already producing near its plateau level of 115 kbpd after just six months online.

In Mozambique, Galp and its partners submitted the Plan of Development for the first phase of the Rovuma LNG project, which will be comprised of two 7.6 mtpa mega onshore trains. The Rovuma LNG developments are expected to play a key role in the Company's gas production mix and in decreasing the carbon intensity of our portfolio over the next decade.

We are pleased with the competitiveness of our upstream development portfolio, and will be looking to maintain its resilience while analysing how we can selectively increase exposure to world-class assets going forward. During the year, the Company acquired strategic and relevant positions in exploration assets in Brazil, through the Uirapuru and C-M-791 licenses, in the Santos and Campos basins, respectively, where expectations and potential are placed to reinforce growth and create future value.

In the downstream, despite a weaker international refining environment, we continued to optimise our operations and to leverage the attractiveness and competitiveness of our refineries. We have been implementing various projects targeting higher conversion and efficiency, as a result of which we were already able to improve the refining margin during the year. Furthermore, we are preparing to meet the demands of our clients and the new specifications, namely in the maritime bunkers segments, regularly known as IMO 2020.

Marketing maintained its solid contribution, and we have continued to strengthen our position in Iberia and explore opportunities in international markets, namely in the target markets in Africa. We see additional potential from this activity, and are developing digital initiatives focused on client-centricity, transforming and innovating, always guided to improve our customers' experience while developing further value sources.

In Gas & Power, we have been increasingly developing network trading activity at international hubs and extending our commercial activity in Iberia, as we saw structured LNG contracts terminating this year. This activity remains a stable cash contributor, with improving volumes, and we see the business evolving as natural gas becomes a key primary energy source in the energy transition. We have also reinforced our offer in new fuels such as NG for road transport and LNG for marine bunkers, and launched an electric offer for urban mobility.

During 2018, Galp acquired solar power generation licenses in Portugal, contributing to the objective of developing its primary energy generation capacity from renewable sources, and integrating the value chain with its electricity sales in Iberia.

The Company's strategy remains anchored on an integrated energy business model, addressing the energy transition's challenges, privileging the generation of growing and sustainable value, maintaining a strict financial discipline.

We incorporate the principles of sustainability and good governance into our strategy, culture and values, ensuring the safety and protection of our people, the environment and our assets, whilst fostering innovation and the development of outstanding human capital.

As part of this growth path, Galp remains committed to delivering on the expectations of all stakeholders. Our suppliers, our customers, our people, the communities in which we operate, and our partners play an important role in building this Company. To you, we address our sincere appreciation.

We also thank all of our shareholders for their trust, and all of Galp's employees for their commitment and contribution to the success of our Company.

It is with enthusiasm and determination that we face the challenges of the industry, and Galp's role in promoting a lower carbon-intensive economy.

Let's face it together.

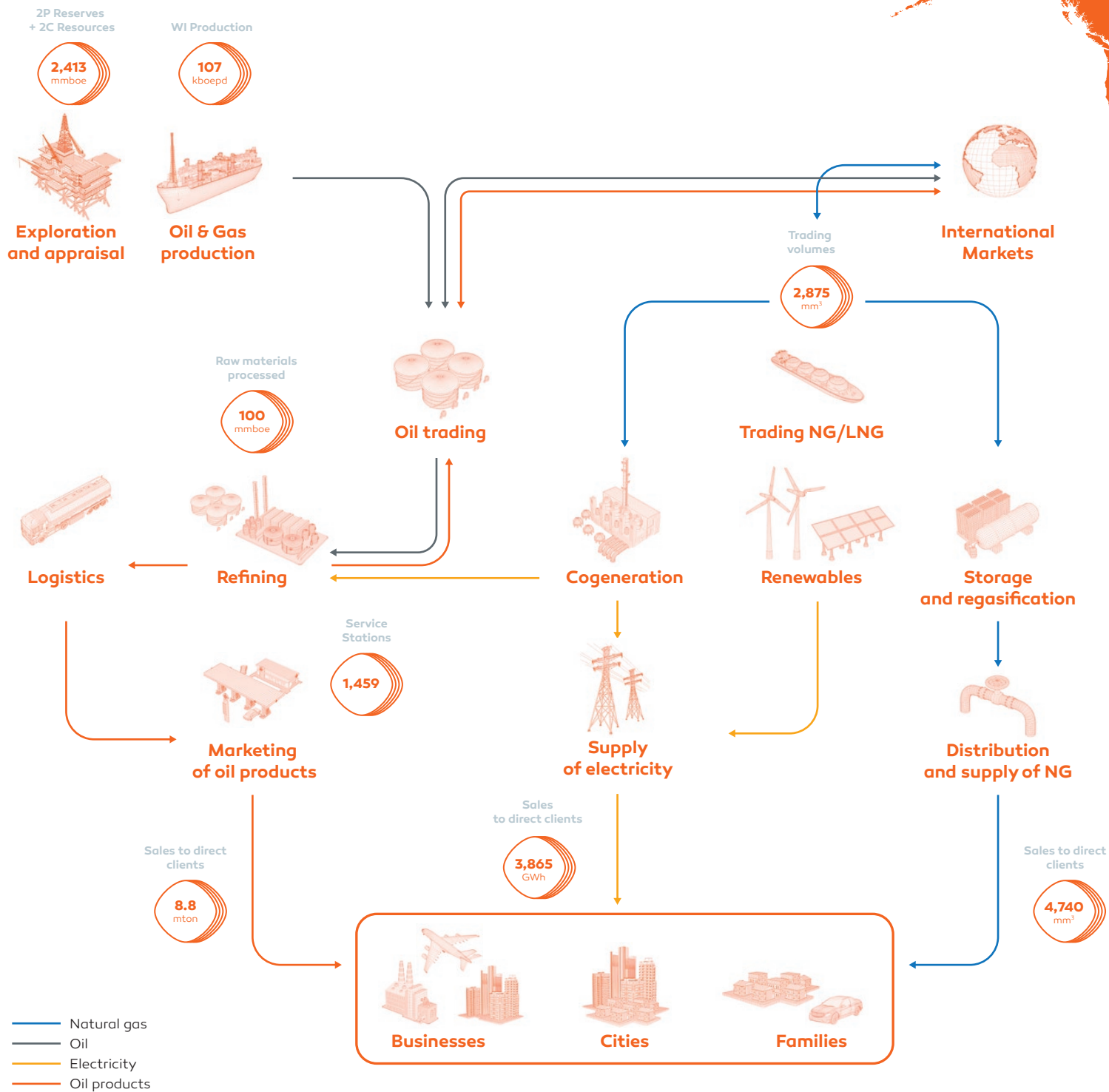


Carlos Gomes da Silva
CEO

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1.2.

Our presence



- 1. Portugal
- 2. Spain
- 3. Brazil
- 4. Mozambique

- 5. Angola
- 6. Cape Verde
- 7. Guinea-Bissau
- 8. S. Tomé and Príncipe

- 9. Namibia
- 10. Kingdom of Eswatini
- 11. East Timor

Exploration & Production

Our E&P portfolio spans across six countries at various exploration, development and production stages. These projects span across three core areas: the Santos basin pre-salt, in Brazil; Angola and Mozambique.

Refining & Marketing

We are a leading player in Iberia, operating across the refining and marketing of oil products activities. We hold an integrated refining system and a wide distribution network for oil products in Iberia and in selected African countries.

Gas & Power

The G&P business covers natural gas trading activities in the international market together with supply in Iberia, which has been gradually integrated with electricity generation and supply.

1.3.

2018 highlights

Completion of the first phase of the Lula/Iracema projects

With the start of production during October from unit #8 in the Lula Extreme South area, and with unit #9 at its final location before the year-end in the Lula North area and having already started production in 2019, the BM-S-11 consortium has successfully completed the initial development stage of the large Lula/Iracema projects. Since the beginning of the decade, a total of nine units have been installed, with a capacity to produce a combined c.1.3 mmbpd, reflecting the successful execution of a global benchmark project.

Accessing new acreage in Brazil and increasing exposure to existing assets

Through our active participation in Brazil's bid rounds, we were awarded the Uirapuru exploration block in the Santos basin (4th PSA Bid Round), with a 14% interest, and block C-M-791 in the Campos basin (15th Concession Bid Round) with a 20% stake. We have also initiated the acquisition of a 3% additional stake in the BM-S-8 license in the Santos basin from Equinor, allowing us to align the interests of partners on both sides of Greater Carcará, with Galp to hold a 20% stake.

Submission of the development plan for Rovuma LNG Phase 1 in Mozambique

Together with our partners in the development of Area 4 in Mozambique, we have submitted to the Government of Mozambique the development plan for the first phase of the Rovuma LNG project, which will produce, liquefy and market natural gas from the large Mamba fields. The development plan for Phase 1 incorporates a proposal for two LNG trains which will produce 7.6 mtpa each.

Start of production of Kaombo in block 32

Production from the Kaombo project in block 32 started in July, with the first of the FPSOs estimated to produce 115 kbpd from the Kaombo North area. The total volume to be recovered from the fields, which will be developed through two units, is estimated at around 650 million barrels of oil.

Execution of energy and operational efficiency projects in refining

During 2018, we have taken advantage of maintenance works at our units to implement projects aimed at gradually increasing Galp's refining margin by \$1/boe up to 2020. The installation of the catalytic cooler, for example, will allow for a greater flexibility of inputs for the FCC, decrease the dependence on imported VGO and increase energy efficiency.

Signature of a 20-year LNG Sale and Purchase Agreement for 1 mtpa

We have signed a 20-year LNG SPA with Venture Global LNG for 1 mtpa from the Calcasieu Pass LNG export facility in Cameron Parish, Louisiana. This agreement fits our global strategy by securing balanced and competitive long-term sourcing of gas for our international natural gas activities, contributing to the development of efficient and environmentally sustainable energy solutions.

Developing new business models in Iberia

Galp has taken a leading role in electric mobility in Portugal where it currently has the largest network of fast charging points, leveraging its commercial offering by providing energy solutions and services on the road and at home. In Spain, we have also continued to reinforce our position in the gas and electricity markets through investments in a digital platform focused on providing a user-friendly client experience.

Development of a cutting-edge AI tool in partnership with IBM

Galp and IBM, through their Brazilian subsidiaries (Petrogal Brasil and IBM Research-Brazil), have developed an artificial intelligence (AI) based advisor to enhance seismic interpretation capabilities within the exploration and development activities.

Acknowledged as a global leader in sustainable practices

Galp was once again acknowledged by reputable organisations as a leader in its sustainability practices. In CDP, we were the only Oil & Gas company to achieve both A or A- classification in the categories of water security and climate change. In the Dow Jones Sustainability Indices (DJSI), Galp ranked first in its sector in DJSI Europe and third in DJSI World. On the FTSE4Good index, our overall score was in the top percentile (100), having achieved the top score in the governance section. We have also been recognised by Oekom, RobecoSAM and the Ethibel Sustainability Index.

The Galp brand celebrates 40 years

For the last 40 years, Galp has had the agility to adapt its brand to an ever-changing world. This is one of Galp's main competitive advantages.

Market indicators

	2017	2018
Average exchange rate €:\$	1.13	1.18
Average exchange rate €:R\$	3.61	4.31
Dated Brent average price (\$/bbl)	54.2	71.3
Heavy-light crude price spread (\$/bbl)	(1.3)	(1.4)
Iberian MIBGAS natural gas price (€/MWh)	20.9	24.4
Dutch TTF natural gas price (€/MWh)	17.3	23.0
Japan/Korea Marker LNG price (\$/mmbtu)	7.1	9.8
Benchmark refining margin (\$/bbl)	4.2	2.5
Iberian oil market (mton)	63.2	65.3
Iberian natural gas market (mm ³)	36,048	35,502

Financial indicators

€m (except otherwise noted)

	2017	2018
Turnover RCA	15,202	17,182
Ebitda RCA	1,786	2,218
Ebitda IFRS	1,898	2,311
Ebit RCA	1,032	1,518
Ebit IFRS	1,114	1,629
Net income RCA attributable to the shareholders of Galp Energia SGPS, S.A.	577	707
Net income IFRS attributable to the shareholders of Galp Energia SGPS, S.A.	597	741
Capital expenditure	948	899
Cash flow from operations	1,565	1,594
Post-dividend free cash flow	142	142
Net debt	1,886	1,737
Net debt to Ebitda RCA	1.1x	0.8x
Dividend per share (€/share)	0.5500	0.6325 ¹

¹ Dividend related to 2018 to be proposed by the Board of Directors at the General Shareholders' Meeting.

Acknowledgements

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM



1.4.

Value creation model

Inputs

Outputs

Business Model

Galp assumes an integrated approach to sustainable value creation, by anticipating risk, maximising opportunities and building strong and lasting relationships with stakeholders.

Business segments

Exploration & Production

755 mboe 2P reserves
1.658 mboe 2C contingent resources

50 projects
6 countries of which three core: Brazil, Mozambique and Angola
107 kboepd Wl average production

Refining & Marketing

330 kbpd Refining capacity
1,459 Service stations
17.1 mton Oil products sales
8.8 mton Sales to direct clients

Gas & Power

0.6 million clients
173 MW Cogeneration capacity
7.6 bcm Total sales of NG/ LNG
5,191 GWh Total sales of electricity

FINANCIAL CAPITAL

- €12,828 m Cost of goods sold RCA
- €1,780 m Supply and Services RCA
- €317 m Salaries and benefits
- €899 m Capital expenditure
- €34 m in the protection of people, the environment and assets

NATURAL CAPITAL

- 10,319 10³ m³ raw water
- 41,688 TJ primary energy
- €13.5 m ecoefficient investment on refining
- 1,771 TJ electricity purchased
- 100 mmboe Raw materials processed

HUMAN CAPITAL

- 6,360 Employees
- 50 nationality
- €624 training by employee
- 168 hires
- 42% women
- 11 countries
- 116 thousand hours of training

INTELLECTUAL CAPITAL

- €12.6 m R&D investment in E&P
- more than €90 m planned R&D investment until 2021
- 232 scholarships in 11 years
- 82 master degrees on Oil Engineering

SOCIAL AND RELATIONAL CAPITAL

- 59.18% free float
- 61 relevant partnerships with sector associations and entities
- 98% local hiring
- 3,277 suppliers
- 80% local purchase
- >6,000 volunteer hours

Financial Outputs

- €17,182 m Turnover RCA
- €707 m Net income RCA attributable to the shareholders of Galp Energia SGPS, S.A.
- €2,218 m Ebitda RCA
- 0.8x Net debt/ Ebitda RCA
- €1,594 m Cash flow from operations
- €0.6325 Dividend per share

Environmental Outputs

- 6,455 10³ m³ waste water
- 0.09 Tier 1 process safety events rate
- 3,036 ton CO₂ (Flaring) – E&P operated
- 42% waste recovered
- 8 contention losses that reached the environment
- 14 m³ Containment losses that reached the environment
- 44.2 kton waste
- CO₂e - scope 1 3.26 mton
- CO₂e - scope 2 0.13 mton

Safety & HR Outputs

- 1.5 IFA lost-time injury frequency
- 0 fatalities
- 90% trainees retention after the first year
- 99% employees assessed
- 2.6% turnover
- 4.9% absenteeism
- €7.99 ROI on human capital

Energy & Innovation Outputs

- €2.95 m Galp 21 energy savings
- 7 Technology programmes in E&P
- 5% Galp 21 projects energy reduction
- 28 R&D projects in E&P in Brazil
- 7 Projects of CO₂ capture and reuse

Community & ESG Outputs

- €19.4 m community investment
- over 3,500 energy classes in the past 8 years
- €16,332 m economic value distributed
- €2.3 m in relevant partnerships with sector entities and associations
- 17 whistle-blowing reports received
- 88% solved

1.5.

Addressing materiality

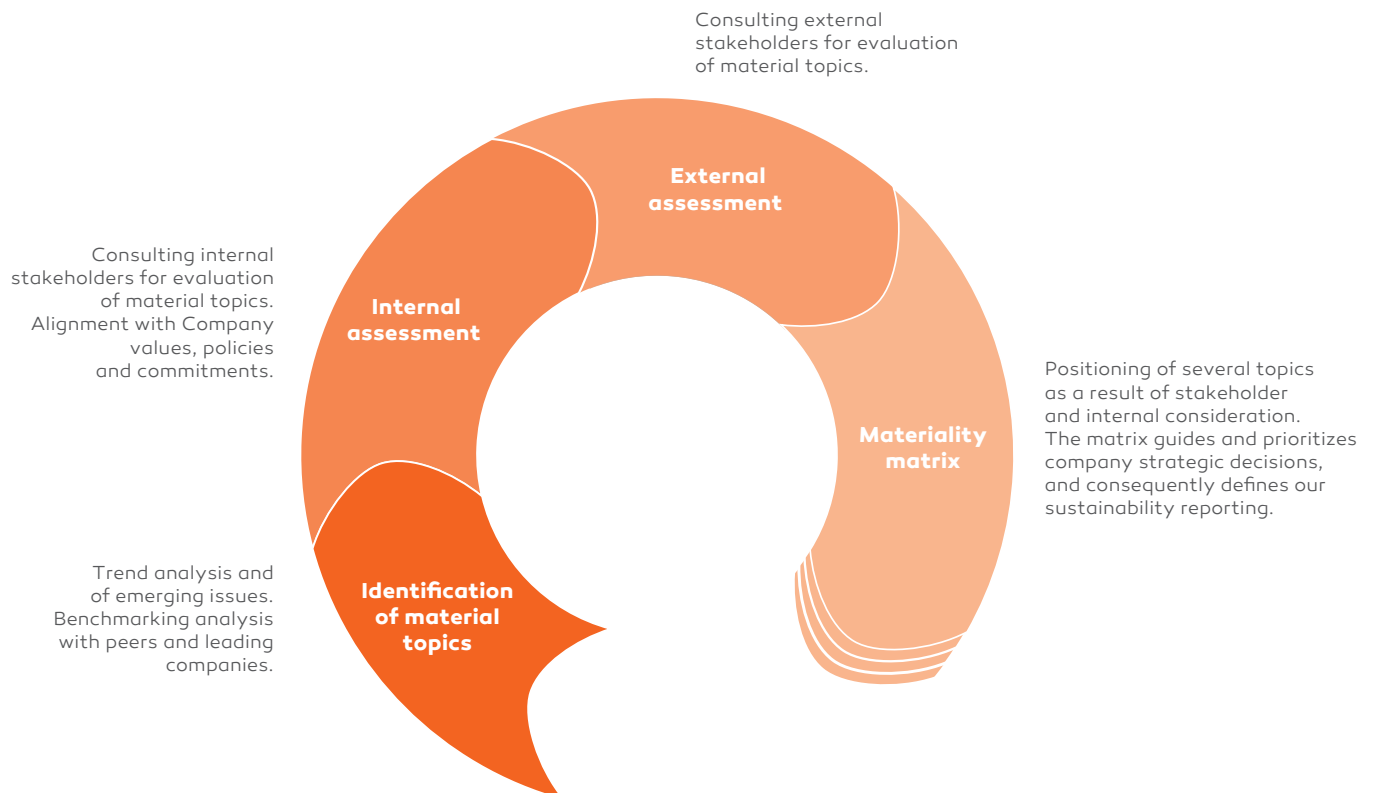
At Galp, we implement a set of processes to identify and prioritise material topics related to sustainability. These issues allow us to continuously update and review how material topics create value to the organisation and its stakeholders.

Materiality

The material topics are those that are considered more relevant, as they reflect the economic, social and environmental impacts of the organisation, or they influence substantially the stakeholders' evaluations and decisions. The materiality is the threshold that defines which topics are relevant enough to be reported.

Source: Global Reporting Initiative

This materiality analysis process includes four major steps:



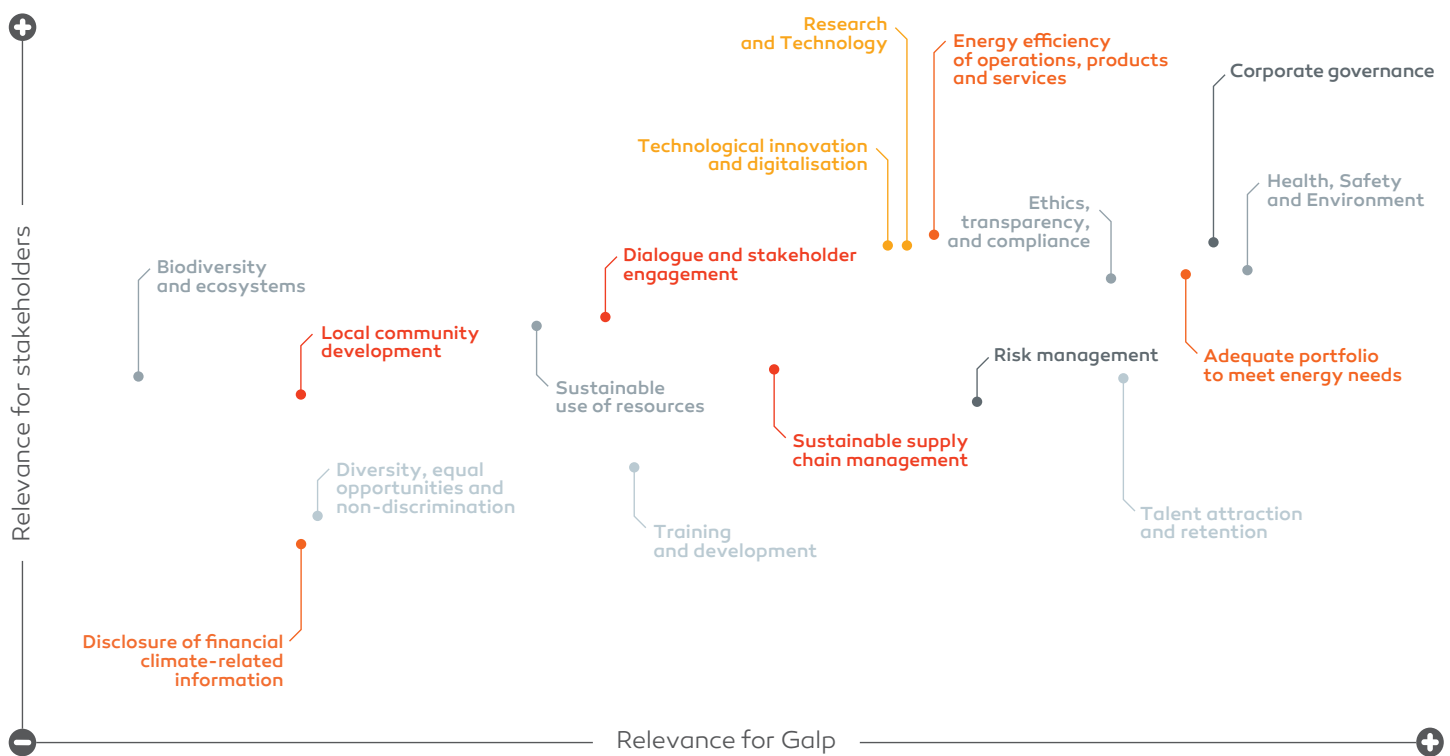
The identification of material topics is done through a comprehensive materiality analysis process, reviewed systematically, using the following guidelines:

- The Global Reporting Initiative;
- The 5-Part Materiality Test, proposed by AccountAbility, the United Nations Environment Programme and the Stakeholder Research Associates.

This approach guides our understanding of the main challenges we face, and those that have an effect on the organisation’s capacity to create long-term value.

The identified methodologies are the basis for the construction of the materiality matrix, reviewed in 2017, that prioritises the most relevant aspects to our business and stakeholders.

Materiality matrix



Note: According to best practices, Galp reports only the material. As such, the illustration above reflects the upper right quadrant of the materiality matrix.

1.6.

Our contribution to sustainable development



Galp is committed to the United Nations' 17 Sustainable Development Goals (SDG), contributing directly to the accomplishment of the most material SDGs, within its scope of activity, and monitoring their impact on the society.

Material SDG

7. Affordable and clean energy:

We are focused on developing new solutions and business opportunities supported by a portfolio of competitive and differentiated renewable energy sources.

- **23,948 ton** of biodiesel produced
- **293,451 MWh** of renewable energy produced in 2018
- **55.7%** of marketed electricity from renewable sources

8. Decent work and economic growth:

We contribute to the development of the countries where we are present, promoting the well-being of the populations.

- **98%** of local hiring
- **10%** of employees with less than 30 years
- **93%** of employees covered by health safety insurance

9. Industry, innovation and infrastructure:

We promote the innovation and technological development, as well as the creation of sustainable, resilient and accessible infrastructure for all.

- **More than €90 m** of R&D investment planned until 2021
- **€12.6 m** invested in R&D in the E&P in 2018
- Partner of the Heriot-Watt University

12. Responsible consumption and production:

We guarantee access to sustainable energy, providing energy solutions to our customers and promoting the efficiency of their consumption.

- **€13.5 m** invested in ecoefficiency projects in refining in 2018
- We will consume 100% renewable electricity in our operations in Portugal in 2021
- **18%** of reused water in refining

13. Climate action:

We participate actively and transparently in global climate change response initiatives.

- Subscriber of the Task-force on Climate-related Financial Disclosures (TCFD)
- Subscriber of the Zero Routine Flaring Initiative
- **71,365 tonCO₂e** of avoided emissions through renewable energy and energy solutions

17. Partnerships for the goals:

We involve the community and other stakeholders, by promoting the creation of shared value.

- Member of the Business Council for Sustainable Development Portugal
- Subscriber of the Voluntary Principles on Security and Human Rights
- Commitment to the 10 Universal Principles of the United Nations Global Compact

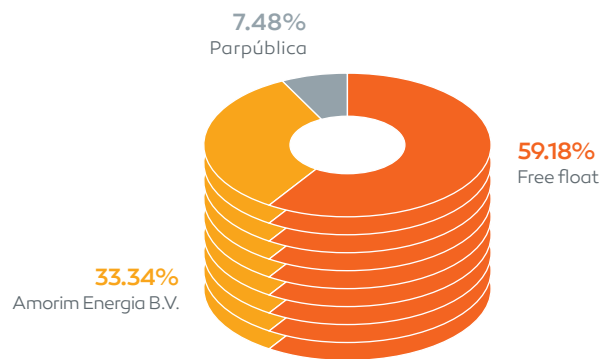
1.7.

Galp in the capital markets

Information to shareholders

Galp's share capital is comprised of 829,250,635 ordinary shares, 93% of which are listed on Euronext Lisbon. The remaining shares are indirectly held by the Portuguese state through Parpública – Participações Públicas, SGPS, S.A. (Parpública). All shares have the same voting and economic rights.

Shareholding structure as at 31 December 2018



For further information about our shareholding structure, please refer to Section 7. Corporate Governance, Part I, A.II, or to our website.

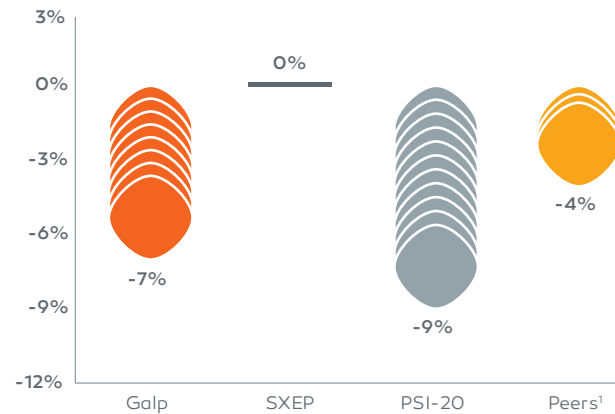
Share capital distribution

At the end of 2018, about 80% of the free float, or 47% of the total shareholder base, was held by institutional investors from 37 countries spanning five continents. Institutional investors outside of Europe accounted for 36% of the free float and are largely concentrated in North America. Individual investors account for approximately 2% of Galp's share capital.

Galp's share performance

At the end of 2018, Galp had a market capitalisation of approximately €11.4 billion (bn), a 10% decrease since year-end 2017. Total shareholder return (TSR) for the year, considering share price depreciation and dividends paid, was -7%.

Galp's TSR against benchmarks in 2018



Source: Bloomberg
¹Eni, OMV, Repsol, Total; equally weighted

During 2018, Galp's stock underperformed the SXEP (the European index for the Oil & Gas sector), which ended the year down c.5%.

Galp's share performance against benchmarks in 2018



Source: Bloomberg
 1Eni, OMV, Repsol, Total; equally weighted

During 2018, 356 million Galp shares were exchanged in the regulated market (Euronext Lisbon), corresponding to 73% of Galp's free float. Considering the trades in the regulated and non-regulated markets, and according to the best available information, the total recorded volume traded was c.1.4 bn shares, or 2.8x the free float (average of 5.3 million shares traded daily). (Source: Bloomberg)

During 2018, Galp's share price hit a high of €17.995 on August 7, and a low of €13.330 on December 21.

Analyst coverage

As at 31 December 2018, the average target price from the 23 analysts covering Galp's share was €17.08, with 35% issuing a Buy recommendation, 48% a Hold recommendation and 17% a Sell recommendation.

Changes to the recommendations and the target prices issued by the various institutions can be tracked on our website.

Dividend distribution

Galp will continue to ensure it has the capital required to implement the planned investment programme, which is critical to the successful execution of our strategy. Dividend distributions are dependent on cash flow generation and value adding re-investment opportunities, while maintaining strict financial discipline.

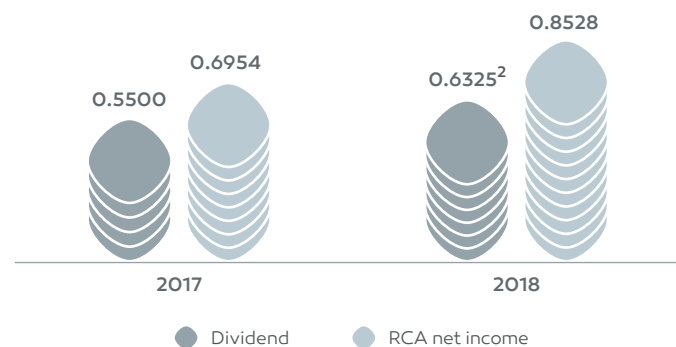
Dividend proposal for 2018

Considering the cash flow generation in 2018 and the strength of the Company's capital structure, the Board of Directors will propose a cash dividend of €0.6325 per share related to 2018, at the General Shareholders' Meeting to be held in April 2019, corresponding to a 15% YoY dividend increase.

An interim dividend was approved by the Board of Directors in August 2018 of €0.275 per share.

Based on the share price as at December 31, 2018 (€13.795), the implicit dividend yield of Galp's share was 5%.

Dividends and RCA net income per share¹ (€/share)



¹ Attributable to the shareholders of Galp Energia, SGPS, S.A.
² Dividend related to 2018 to be proposed by the Board of Directors at the General Shareholders' Meeting

Participation in the General Shareholders' Meeting

The Annual General Shareholders' Meeting was held on 15 May 2018, with the main items on the agenda being the approval of the Annual Report and Accounts for 2017, resolving on the proposal for the allocation of the result for the year 2017, as well as the general appraisal of the members of the Company's Governing Bodies.

A total of 176 shareholders attended the General Shareholders' Meeting, in person or represented, representing 78.86% of the Company's share capital. All proposals submitted to the General Shareholders' Meeting were approved.

Information to bondholders

Under the Euro Medium Term Note (EMTN) programme, the Company has already issued a total of €1.5 bn of debt. This programme is part of Galp's financing strategy, which aims at diversifying its sources of funding and extending the average debt maturity.

The first €500 m issuance matured in January 2019, and it was reimbursed from the available cash position.

Debt issuance under the EMTN programme

Title	ISIN	Date of issuance	Maturity	Amount	Coupon	Yield at year end (%)	Chg. since pricing (bp)
Galp 4.125% 01.2019	PTGALIOE0009	25-11-2013	25-01-2019	€500 m	4.125%	-3.12	-737.30
Galp 3.000% 01.2021	PTGALJOE0008	14-07-2014	14-01-2021	€500 m	3.000%	1.31	-181.80
Galp 1.000% 02.2023	PTGALLOM0004	15-11-2017	15-02-2023	€500 m	1.000%	1.94	88.30

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2.

Strategic framework





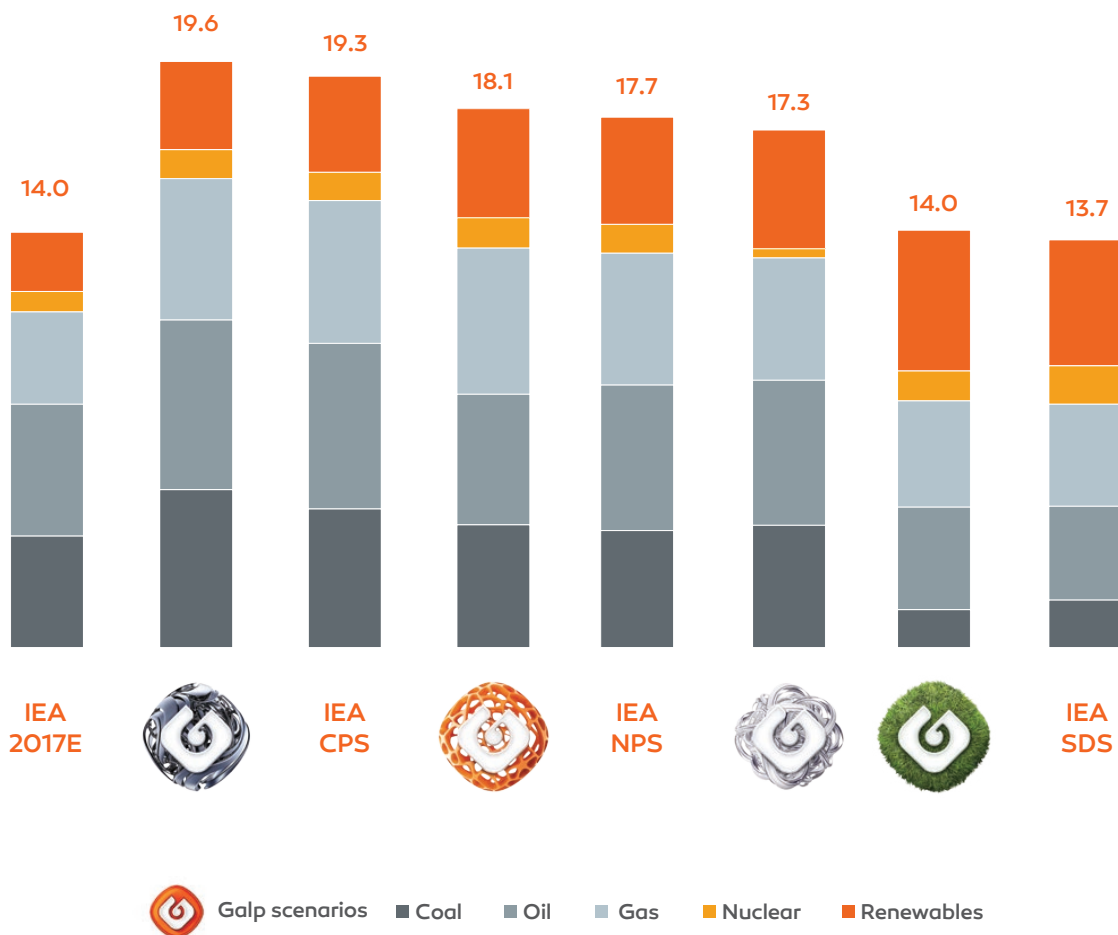
2.1.

We challenge our strategy against multiple futures

In a world marked by increasing complexity, significant volatility and uncertainty, we are working to ensure Galp's sustainability by testing the resilience of our strategy in different scenarios. We present below four contrasting scenarios, with different levels of technological and regulatory disruption, which we believe reflect the critical uncertainties facing the energy sector.



Total primary energy demand mix in 2040 by scenario (bn toe)



Technology is the backbone of a complex and self-centred society



Continued technological acceleration has created shock waves at the political and social levels, leading to the fragmentation of society and the reinforcement of more informal hierarchies and mechanisms of power. With the majority of the world's population living in urban centres, large metropolises have become new city-states, while rural areas are virtually deserted. This new framework prevents the building of an overall global political consensus, and environmental concerns are primarily addressed locally by combating pollution in large urban zones.

Public decision-makers, unable to keep up with changing social dynamics, have renounced their historical regulatory role, meaning that there is no longer integrated monitoring of market equilibria. Urban transportation is mainly provided by private players, who offer clients a wide variety of collective and individual transportation options, ranging from hoverboards to drones. Almost all of these solutions are electric, with wireless hyperchargers and super batteries making the charging procedure almost seamless.

The world is experiencing a process of continuous digitalisation and resulting dematerialisation, with tools such as «blockchain», the «internet of things» and «3D printing» becoming common, resulting in increasing electricity demand at the final energy consumption level.

The mobility of people at a global scale has been influenced by the availability of virtual and augmented reality, which replaced a relevant part of the meetings and face-to-face training, trips to congresses and seminars, and have even given rise to a market niche for virtual tourism. Remote working has also increased, allowing many workers to travel only occasionally to their employer's premises, making corporate spaces significantly smaller.

Most goods – in homes, cars, clothing and even food – generate some form of data, resulting in an explosion of information flows and the associated energy consumption. The sharp reduction in the cost of renewable energy, together with large-scale storage solutions, has allowed for the greater penetration of these alternatives and the multiplication of off-grid systems, with many buildings, neighbourhoods and factories becoming energy-independent. This movement leads to under-investment in public electricity grids and gives rise to a less orderly, more decentralised electrical system.

Lack of political guidelines and technological slowdown move the world away from sustainability goals



Actual greenhouse gas emissions have well exceeded global limits, and world leaders are unable to reach a new consensus on environmental policies.

Emerging economies have continued to insist on their right to drive growth by harnessing abundant and cheap energy sources, while developed countries implement protectionist measures and limit migration flows to fight long-term unemployment and social instability.

Geopolitical tension increases, with regional conflicts hampering investment in infrastructure and the desired integration of transnational energy systems.

Global energy demand has continued to be supported by conventional technologies and fossil resources, with energy intensity unable to be significantly reduced. Air pollution is one of the main issues facing large urban centres, but there are no structural changes allowing a substantial reduction in emissions. Many cities set restrictions on car traffic, not only because of environmental issues but also because of congestion, encouraging the emergence of a number of car-sharing and ride-hailing solutions, which partially replace public transport. Electric vehicles cannot be considered an alternative, because cities lack charging points and the batteries have an insufficient autonomy to handle urban traffic jams.

Several nations with unconventional oil and gas resources created strong local industries and made a political decision to eliminate fossil fuels more difficult. Due to a lack of technological development and inadequate policies, renewable energies are unable to become truly competitive, and remain a niche solution in developed countries.

Adequate public policies help to promote an environmentally sustainable society without hindering personal well-being



Politicians, entrepreneurs and academics from all walks of life have worked together over the past few decades to develop a global programme to eliminate fossil fuels by the end of the century. Appropriate public policies enacted through strong technological entrepreneurship have significantly increased the share of renewable energy in the energy mix, thus mitigating the environmental impact of fossil fuels. The term «Sustech», which combines sustainability and technology, was considered the word of the year, symbolically representing the new global paradigm of a more balanced world.

The advent of tailor-made production solutions in so-called «factories of everything», the result of technological advances in robotics, materials and artificial intelligence, allow goods production to be moved closer to consumption centres, reducing the energy footprint of the global flow

of goods. The food industry also underwent structural changes, redirecting itself towards less energy-intensive products as a result of behavioural changes and progress in the area of genetic manipulation. The best example of this change is the strong growth of the hydroponics industry, enabling the production of food within urban areas.

Significant public investment in the modernisation of road infrastructure has accelerated the transition towards autonomous vehicles and the gradually declining number of manned vehicles. This revolution has reduced road accidents and contributed positively to the economy through the additional productivity of increased life expectancy and savings on healthcare and vehicle repair costs.

The widespread use of autonomous vehicles, along with the availability of multiple mobility management solutions also altered the transportation ownership paradigm. The majority of people in urban areas want transportation that is tailored to their needs, and do not worry about their operational management, which is handled by specialised companies.

This scenario is aligned with IEA's Sustainability Development Scenario.

In a world with limited technological advances, successive regulatory measures are implemented to try to meet environmental objectives



The collective commitment made by the major nations to set limits on greenhouse gas emissions by the end of the century has been renewed year after year by policymakers and transposed into national regulations. In the absence of technological innovations to accelerate the energy transition, the replacement of fossil fuels – mainly coal and oil – has been achieved through additional layers of public policies, namely the implementation of CO₂ quotas and prices, and heavy investment in energy efficiency solutions. Natural gas and nuclear power have played a pivotal role in replacing coal as the main source of primary energy for power production, because of limited advances in battery technology.

In most countries, strong public investment led to the reinforcement of public transport services, and urban planning promotes soft mobility solutions and restricts private cars.

Urban mobility is mostly based on electric vehicles because of prohibitions or strong limitations on the use of internal combustion vehicles in cities, although the limited battery life of the vehicles prevents them from being a true alternative to long journeys, or as replacements for heavy vehicles, where hydrogen has competed with natural gas to replace diesel. Given the strong limitations on the use of fuel oil, LNG has become a primary maritime bunkering fuel.

The aviation fuel price has been significantly aggravated by CO₂ rates and biofuel incorporation obligations. Rail transportation has gained significance as an alternative, with several high-speed rail projects replacing air transport for regional connections.

2.2.

Our strategy

We work to ensure that Galp's businesses are sustainable, with our strategy aimed at ensuring the resilience and agility of the organisation and preparing it for a complex and dynamic world.

Galp's strategy involves the development of a competitive and diversified upstream portfolio, integrated with an efficient and competitive downstream business, constantly adapting to the needs of our clients and based on innovative and differentiating solutions to help support the gradual transition to a low carbon economy.

This strategy is founded on a solid financial capacity, a client-centric organisational culture, and on strong partnerships. We will continue to develop our people, while building a more agile, innovative and technologically advanced corporate environment, that meets the challenges and dynamics of the energy sector during a period of significant uncertainty and complexity.

Upstream

In upstream, Galp is focused on ensuring the competitiveness of its E&P portfolio. The strategy is based on developing our current portfolio, extracting more value from it and identifying new opportunities in geographies where Galp has a competitive advantage or strategic angle. This will ensure the competitiveness of our future production and a balanced exposure to gas.

Downstream

In the oil value chain, Galp will focus on increasing the efficiency and conversion of its refining system. Additionally, it will proceed with the optimisation of its oil products distribution network in Iberia, whilst developing its African clusters by expanding the respective hinterlands.

Galp also intends to grow as a gas supplier and is developing new gas outlets, taking advantage of existing opportunities in the global energy markets.

We are also focused on adapting to evolving consumption patterns in an open, digital and sharing economy. In a world where consumer needs are constantly progressing, new solutions need to be able to adapt to continuously changing market dynamics.

Energy transition

Galp aims to play an active role in adapting its portfolio to future needs, creating synergies with existing activities whenever possible, diversifying its assets and progressively reducing its carbon intensity.

We recognise that new and innovative solutions will foster structural changes to energy consumption, which will become gradually more sustainable, at an economic, environmental and social level. Therefore, we have tested our strategy against a scenario of rapid change in the world energy mix, compatible with the global ambition to mitigate the increase in greenhouse gas emissions.

Despite keeping oil and natural gas at the heart of our strategy, we will develop new solutions and explore business opportunities supported by low-carbon energy sources, where we expect to allocate 5-15% of our capital. Electrification is one of the key trends in the energy sector, and we intend to support our power retail offer with the supply of renewable energy. Among several options, we highlight solar, which has proven an increasingly competitive and flexible solution for both clients and energy companies.

Innovation and new business models

The ongoing digital transformation has created the conditions for innovative products and services to replace previous alternatives with clear benefits for society. Solutions in the field of mobility, decentralised energy generation or the smart management of buildings and cities have influenced the energy sector, enabling significant gains in energy efficiency and more options for consumers.

Galp wants to identify, at any given time, the best solution available for its customers. It will therefore continue to transition into a client-centric organisation with the skills to anticipate and meet their needs.

New technologies have also enabled significant gains, through the introduction of new processes and the automation of industrial activities. Artificial Intelligence solutions have allowed us to improve seismic interpretation in oil and gas exploration, speeding up the creation of enhanced geological models, the risk assessment of new prospects, and the optimal placement of new wells. At our refineries, we have been implementing an extensive automation and digitalisation programme, improving our overall performance and competitiveness.

We will continue to invest in innovation, research and technological development, which are crucial for the continuous extraction of value from our assets and the creation of new business models, promoting the sustainability of the Company and the communities in which it operates.

3.

Strategic execution

A photograph of a modern, brightly lit interior space, likely a transit hub or a corporate lobby. The architecture features a large, curved staircase with a glass railing, and a person is walking on the stairs. The ceiling is made of perforated metal panels with recessed lighting. The word "Agility" is overlaid in large, bold, orange letters across the center of the image.

Agility



3.1.

Exploration & Production

2018 highlights

- Working interest (WI) production of 107.3 kboepd, a 15% increase YoY, driven by the ongoing development of the Lula project in Brazil.
- Start of production at FPSO #8, in the Lula Extreme South area, and start of FPSO #9 in Lula North in February 2019, marking the conclusion of the first phase of the development of the Lula and Iracema projects.
- Execution of an extended well test (EWT) in the Sururu area of the lara project and proceeding with the development campaign for the project start-up.
- Start of the appraisal campaign in the Carcará North block and drilling of the Guanxuma exploration well. Drill stem test (DST) performed in Carcará Northwest in block BM-S-8, where Galp has agreed with Equinor the increase of its stake to 20%.
- Increasing exposure to high-potential ultra-deep water assets in Brazil, with the acquisition of a 14% stake in the Uirapuru licence, located in the Santos basin, and the acquisition of a 20% interest in block C-M-791 in the Campos basin.
- Start of production of the Kaombo North FPSO, the first unit in block 32 in Angola, and sail away of the FPSO to develop the Kaombo South area from Singapore towards final location.
- Submission of the Plan of Development (PoD) for the Rovuma LNG project at Area 4 in Mozambique, a key development in Galp's strategy aimed at a lower carbon portfolio mix, and which will produce, liquefy and market natural gas from the large Mamba fields.
- Successful conclusion of 3D seismic data acquisition in PEL 82 in Namibia and farm-down of a 40% participating interest in the same licence to ExxonMobil.
- 2P reserves increased 1% to 755 mmboe at year end; 2C contingent resources increased 23% to 1,658 mmboe.

Key figures

	2017	2018
Nº. of employees	240	238
2P reserves (mmboe)	748	755
2C resources (mmboe)	1,352	1,658
Average working interest production ¹ (kboepd)	93.4	107.3
Average net entitlement production ¹ (kboepd)	91.5	105.9
E&P carbon intensity ² (kgCO ₂ e/boe)	9.4	8.9
Oil and gas average sale price (\$/boe)	47.6	62.6
Production cost (\$/boe)	8.2	8.2
DD&A ³ (\$/boe)	12.5	10.1
RCA Ebitda ⁴ (€m)	850	1,440
RCA Ebit (€m)	481	1,109
Capital expenditure (€m)	792	622

Note: unit values on a net entitlement basis.

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

² Considers 100% of emissions and oil and natural gas production from operated blocks and the working interest from non-operated blocks.

³ Includes abandonment provisions and excludes exploration expenditures written-off.

⁴ Effective from 1 January 2018, G&G and G&A costs, mainly related to the exploration activity, started to be accounted as operating costs of the period in which they occur, and ceased to be capitalised. The Successful Efforts Method (SEM) was applied retrospectively and the 2017 figures were restated for comparison purposes.

WI AVERAGE PRODUCTION
kboepd

107.3



E&P
PROJECTS

50



2P RESERVES AND 2C RESOURCES
mmboe

2,413



Our E&P portfolio

Our portfolio is comprised of 50 projects in six countries, which are at different stages of exploration, development and production. We are participating in some of the largest and most productive developments in the industry, which are mostly offshore projects where Galp has been acquiring extensive experience.

E&P projects portfolio at the end of 2018

Country	Block(s)	Basin	Type	# Projects	Key projects	Stage	Partners
Brazil (via Petrogal Brasil)	BM-S-11	Santos	Ultra-deep water	2	Lula Iracema	Development & Production	Galp 10% Petrobras 65%* Shell 25%
	BM-S-11A	Santos	Ultra-deep water	3	Iara	Appraisal & Development	Galp 10% Petrobras 42.5%* Shell 25% Total 22.5%
	BM-S-8	Santos	Ultra-deep water	2	Carcará Guanxuma	Exploration & Appraisal	Galp 20% ¹ Equinor 40%* ¹ ExxonMobil 40%* ¹
	Carcará North	Santos	Ultra-deep water	1	Carcará	Exploration & Appraisal	Galp 20% Equinor 40%* ExxonMobil 40%*
	Uirapuru	Santos	Ultra-deep water	1	Uirapuru	Exploration	Galp 14% Petrobras 30%* Equinor 28% ExxonMobil 28%
	BM-S-24	Santos	Ultra-deep water	2	Sépia East Júpiter	Exploration, Appraisal & Development	Galp 20% Petrobras 80%*
	C-M-791	Campos	Ultra-deep water	1	C-M-791	Exploration	Galp 20% Shell 40%* Chevron 40%*
	POT-T-480/ 479/436	Potiguar	Onshore	1	Sanhaçu	Production	Galp 50% Petrobras 50%*
	SEAL-T-412/429	Sergipe- Alagoas	Onshore	1	Rabo Branco	Production	Galp 50%* Petrobras 50%
	BM-POT 16	Potiguar	Shallow to ultra-deep water	2		Exploration	Galp 20% Petrobras 30%* BP 30% IBV 20%
	BM-POT 17	Potiguar	Shallow to ultra-deep water	3		Exploration & Appraisal	Galp 20% Petrobras 40%* BP 40%*
BM-PEPB-783/ 839	Pernambuco- Paráíba	Deep to ultra-deep water	2		Exploration	Galp 20% Petrobras 80%*	
Brazil	POT-M-764	Potiguar	Ultra-deep water	1		Exploration	Galp 20% Petrobras 40%* BP 40%*
	BAR-M-300/ 342/344/388	Barreirinhas	Shallow to deep water	4		Exploration	Galp 10% Shell 50%* Petrobras 40%
	PN-T-182/136	Parnaíba	Onshore	2		Exploration	Galp 50%* Petrobras 50%
	PN-T-166/150	Parnaíba	Onshore	2		Exploration	Galp 50% Petrobras 50%*
Angola	Block 14	Lower Congo	Shallow to ultra-deep water	8	BBLT TL Kuito	Development & Production	Galp 9% Chevron 31%* Sonangol 20% Eni 20% Total 20%
	Block 14k	Lower Congo	Shallow to ultra-deep water	1	Lianzi	Development & Production	Galp 4.5% Chevron 31.25%* Total 36.75% Sonangol 10% Eni 10% SNPC 7.5%
	Block 32	Lower Congo	Ultra-deep water	2	Kaombo	Development & Production	Galp 5% Total 30%* Sonangol 30% China Sonangol 20% ExxonMobil 15%
Mozambique	Area 4	Rovuma	Ultra-deep water	2	Coral South FLNG Rovuma LNG	Development	Galp 10% Eni 25%* (ind. via MRV) ExxonMobil 25%* (ind. via MRV) CNPC 20% (ind. via MRV) Kogas 10% ENH 10%
Namibia	PEL 82	Walvis	Shallow to ultra-deep water	1		Exploration	Galp 40%* ExxonMobil 40% NAMCOR 10% Custos 10%
	PEL 83	Orange	Shallow to ultra-deep water	1		Exploration	Galp 80%* NAMCOR 10% Custos 10%
S. Tomé and Príncipe	Block 5	Rio Muni	Ultra-deep water	1		Exploration	Galp 20% Kosmos 45%* Equator 20% ANP 15%
	Block 6	Rio Muni	Ultra-deep water	1		Exploration	Galp 45%* Kosmos 45% ANP 10%
	Block 11	Rio Muni	Ultra-deep water	1		Exploration	Galp 20% Kosmos 65%* ANP 15%
	Block 12	Rio Muni	Ultra-deep water	1		Exploration	Galp 20% Kosmos 45%* Equator 22.5% ANP 12.5%
East Timor	Block E		Shallow to ultra-deep water	1		Exploration	Galp 10% Eni 80%* Kogas 10%

* Operator

¹ Subject to deal completion

Evolution of reserves and resources

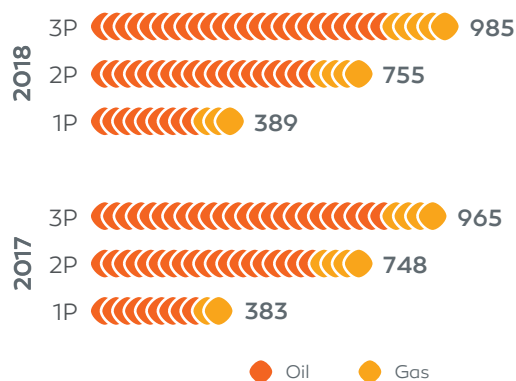
In 2018, proved and probable (2P) reserves increased 1% YoY to 755 mmboe, as upwards revisions in Brazil, namely in blocks BM-S-11/BM-S-11A, more than offset the production during the period. Natural gas reserves increased YoY and accounted for 21% of total 2P reserves.

The 2C contingent resources increased by 23% YoY to 1,658 mmboe, mostly reflecting the revised solution considered for the development of the Rovuma LNG project in Mozambique and the additions in block BM-S-8, in Brazil, as Galp increased its stake to 20%. Natural gas resources increased 49% YoY and accounted for 51% of the total.

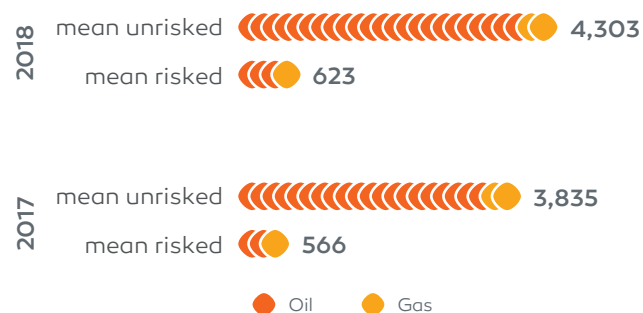
Risked prospective resources at year-end stood at 623 mmboe, up 57 mmboe YoY, mostly driven by the additions from new acquisitions of interests in Brazil which offset the transfer from prospective to contingent resources from new discoveries in Brazil and the relinquishment of Portuguese acreage during the period.

Galp's reserves and resources are subject to an independent evaluation by DeGolyer and MacNaughton (DeMac).

Reserves (mmboe)

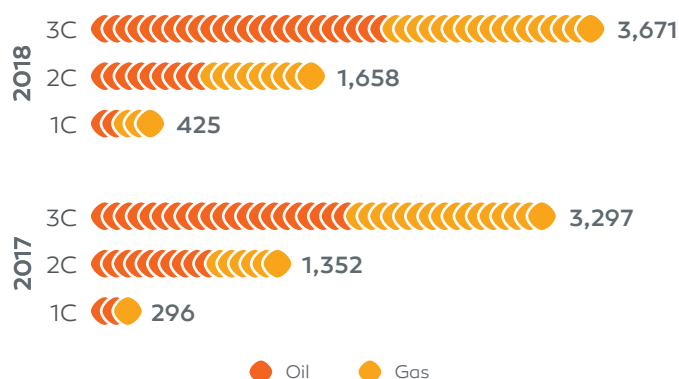


Prospective resources (mmboe)



Note: Reserves on a net entitlement basis. Contingent resources and prospective resources on a working interest basis.

Contingent resources (mmboe)



2018 production overview

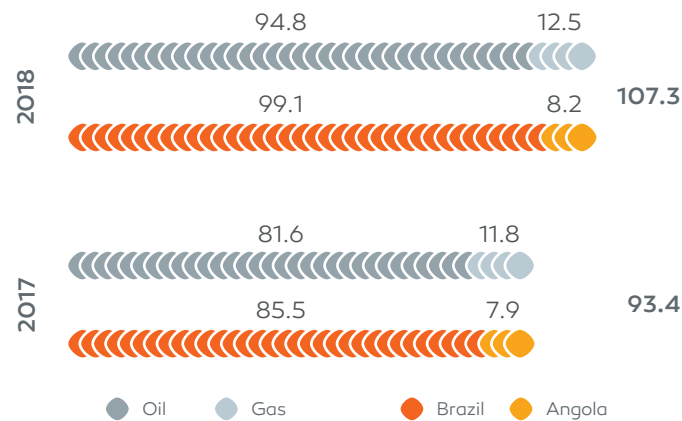
During 2018, the average WI production reached 107.3 kboepd, up 15% YoY, mainly reflecting the increased production from Brazil, but also from Angola. Oil continues to account for most of our production, with gas accounting for 12%, mainly attributable to associated gas from our Brazilian projects.

In Brazil, WI production was 99.1 kboepd, a 16% increase YoY, benefiting from the development of the Lula and Iracema projects, namely from the ramp-up of FPSO #7 in Lula South, which reached plateau production just 11 months after first oil. It is also important to highlight the start of operations of the second replicant unit (FPSO #8), in October.

In Angola, working interest production was 8.2 kbpd, up 4% YoY, after the start of the first FPSO in the Kaombo project, in block 32. This FPSO, which is currently developing the Kaombo North area, started production in July, and its contribution more than offset the natural decline from the producing fields in block 14.

On a net entitlement basis, production rose 16% compared to 2017, to 105.9 kboepd.

Group's working interest production (kboepd)



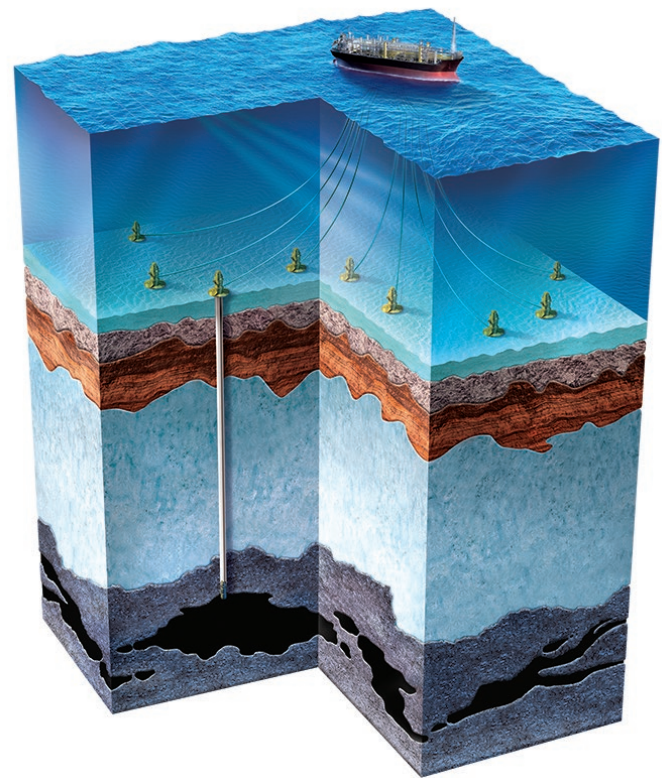
Development activities

Galp's most significant projects include the development of one of the largest oil discoveries in recent decades in the Brazilian pre-salt Santos basin, and among the largest gas discoveries in the Mozambican Rovuma basin.

Brazil

Regarded as a benchmark in the industry, the Brazilian pre-salt province comprises large accumulations of excellent quality oil. Galp has been present in this province since the exploration and appraisal of the first discoveries in the region, and has since been exposed to several of its key finds and developments.

Pre-salt project development



Today, through its Brazilian subsidiary Petrogal Brasil, Galp is the third largest producer in the country, surpassing the 100 kboepd mark during 2018, and continuing to grow rapidly based on world class asset developments.

Lula and Iracema

Located in the pre-salt Santos basin, the Lula and Iracema fields are among the largest and most productive deepwater oil discoveries in the world.

Units in Lula and Iracema

Unit	Name	Location	Capacity Oil Natural Gas	Start-up date	Ramp-up
FPSO #1	Cidade de Angra dos Reis	Lula Pilot	100 kbpd 5 mm ³ /d	Oct. 2010	19 months
FPSO #2	Cidade de Paraty	Lula North East	120 kbpd 5 mm ³ /d	Jun. 2013	15 months
FPSO #3	Cidade de Mangaratiba	Iracema South	150 kbpd 8 mm ³ /d	Oct. 2014	13 months
FPSO #4	Cidade de Itaguaí	Iracema North	150 kbpd 8 mm ³ /d	Jul. 2015	13 months
FPSO #5	Cidade de Maricá	Lula Alto	150 kbpd 6 mm ³ /d	Feb. 2016	10 months
FPSO #6	Cidade de Saquarema	Lula Central	150 kbpd 6 mm ³ /d	Jul. 2016	11 months
FPSO #7	P-66	Lula South	150 kbpd 6 mm ³ /d	May 2017	11 months
FPSO #8	P-69	Lula Extreme South	150 kbpd 6 mm ³ /d	Oct. 2018	ongoing
FPSO #9	P-67	Lula North	150 kbpd 6 mm ³ /d	Jan. 2019	ongoing

During 2018, the consortium for the development of the Lula and Iracema fields remained focused on the execution of the development plan, with the deployment of one additional production unit, and the enhancement of the gas infrastructure network.

Lula and Iracema are, at present, the most productive fields in the Brazilian pre-salt region with a gross installed capacity of c. 1.3 mmbpd, through nine units under production, after the deployment in 2018 of FPSO P-69 to develop the Lula Extreme South area, and already in 2019, the FPSO P-67 located in the Lula North area. This milestone marks the conclusion of the deployment of the production units considered under the first development phase of these top tier projects.

The remaining seven FPSO units are producing at plateau. It is worth highlighting the plateau period achieved by the first two units, which have been at this level for six and four years in Lula Pilot and Lula North East, respectively.

Regarding the drilling campaign, 125 wells (68 producers and 57 injectors) had been drilled by the end of 2018, of around 150 wells planned.

During the year, the consortium performed an EWT in the Lula West area, through a long-distance tie-back to FPSO #1, which was concluded in July. This EWT contributed to reducing uncertainty regarding volume estimates, to assess the pressure connectivity between the Lula West area and the remainder of the field, as well as testing the operational conditions related to the long distance tie-backs in the field. The partners are now proceeding with the maturation of the final development solution for the area.

Galp and its partners are committed to optimising their operations and leveraging the learning curve to enhance the development of the Lula and Iracema projects, and to increase the recovery rate of discovered resources.

Greater lara

Comprised of three different accumulations, designated as Berbigão, Sururu and Atapu, the Greater lara project lies within the core pre-salt cluster area in the Santos basin.

The consortium for BM-S-11A is currently executing the development plan for lara, with the first FPSO to start developing the Berbigão and Sururu areas expected to start operations in 2019, and a second unit, to be deployed in Atapu, by 2020.

During 2018, the partners proceeded with the appraisal campaign in order to optimise the project's development concept, by reducing volumetric uncertainty and improving reservoir representation.

Thereafter, a six-month EWT in the Sururu Southwest area was performed through FPSO Cidade de Sao Vicente. Additionally, an appraisal well drilled in Sururu during the period revealed the largest oil column ever found in the Santos basin pre-salt area, confirming 530 metres of net oil pay. The consortium continues to assess volumetric estimates, as well as optimising the drainage plan of the first FPSO to be deployed in the project.

The lara drilling campaign is proceeding according to plan, with eight producer wells and two injector wells drilled by the end of 2018, out of the around 50 planned wells. The drilling and completion campaign is expected to be more intensive going forward, to prepare the start of commercial production in the different lara areas.

All three different accumulations that make up the lara project extend beyond the boundaries of the BM-S-11A block, and will therefore be subject to unitisation with the surrounding areas. In 2018, the consortium members, along with Petrobras for the Transfer of Rights area, and Pré-Sal Petróleo, S.A. (PPSA), submitted to Brazil's National Agency of Petroleum, Natural Gas and Biofuels (ANP) three distinct Production Individualisation Agreements (PIAs) for the development of the Greater lara project.

Greater Carcará

Extending through block BM-S-8 and the Carcará North block, the Greater Carcará project is considered one of the most promising assets in the pre-salt polygon.

The Carcará discovery in block BM-S-8 extends into the Carcará North block, which was awarded to Equinor, ExxonMobil and Galp, pursuant to the 2nd Production Sharing Bid Round held by ANP in 2017.

Following the award, the partners agreed to align the equity interests across the two blocks that together comprise the Carcará discovery, where Galp will hold a 20% interest in the project, whilst Equinor, the operator, and ExxonMobil will have a 40% stake each. This alignment allows for a strong partnership across the two licences and paves the way for an optimal development.

During 2018, the activities in the Carcará discovery were focused on the exploration and appraisal campaign, with the consortium undertaking a DST in the Carcará Northwest well in block BM-S-8, which once again revealed excellent commercial productivity potential, and allowed for an improved knowledge of the reservoir characteristics.

After receiving the necessary regulatory approvals, the partners spudded Carcará West in September, the first well located in the Carcará North block, which was followed by a DST. Already in 2019, the partners began spudding Carcará East, also in the Carcará North block.

Sépia East and Júpiter

Block BM-S-24 in the Brazilian pre-salt Santos basin holds both the Sépia East area and the large Júpiter discovery.

Sépia East includes the extension of the Sépia discovery (Transfer of Rights, 100% Petrobras) into the BM-S-24 concession.

The Sépia East area will be subject to unitisation, with the PIA and an updated plan of development having been submitted to ANP during 2018, with block BM-S-24 partners and Petrobras awaiting approval by the Brazilian authorities.

The start of production of the unitised Sépia/Sépie East field is planned for 2021, through a unit with a daily capacity of 180 kbbl and 6 mm³ of natural gas, meanwhile already awarded by the operator Petrobras.

Regarding Júpiter, the partners of block BM-S-24 proceeded with the technological development studies.

Onshore projects

Galp is the operator of two onshore fields in Brazil, Rabo Branco and Sanhaçu.

The Rabo Branco field, located in the Sergipe-Alagoas basin, was declared commercial in 2012 and contributed steadily to Galp's 2018 production.

The Sanhaçu field, located in block POT-T-479 in the Potiguar basin, was declared commercial in 2009, and has been producing since 2012.

Mozambique

Strategically located in the Rovuma basin in Mozambique, Galp is involved as a partner of Area 4 for the development of large scale and high quality gas discoveries.

The size and quality of the resources discovered will be transformational and are expected to position the Rovuma basin as one of the world's most significant regions for natural gas. Additionally, Area 4 projects will play a decisive role in Galp's strategy of moving towards a lower carbon portfolio mix.

The Area 4 development, comprising the offshore Coral South FLNG project and the onshore Rovuma LNG, will see ExxonMobil lead the construction and operation of all future LNG trains and related onshore facilities, while Eni will continue to lead the floating LNG (FLNG) project and all upstream operations.

Coral South

Coral South will be the first project to develop the gas resources of Area 4, with production expected to start in 2022.

The project involves the construction of an FLNG unit with a capacity of c.3.4 mtpa, allocated to the southern part of the Coral discovery, which is exclusively located in Area 4 and contains around 16 tcf of GIIP.

The EPCIC contract, as well as all the other relevant contracts related to the project development, were awarded upon the Final Investment Decision (FID) in 2017. The construction of the hull for the FLNG vessel began during 2018.

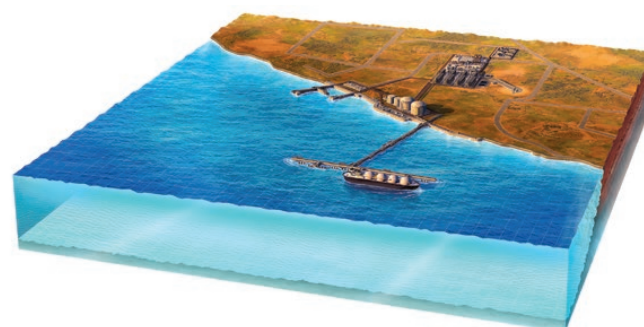
Capex is estimated at c.\$7 bn, with the consortium having achieved a financing package of c.\$4.9 bn.

Rovuma LNG

The Rovuma LNG project will produce, liquefy and market natural gas from the Mamba fields, which stand out for the size and quality of their resources.

In 2018, the Area 4 consortium submitted to the Government of Mozambique the development plan for the first phase of the Rovuma LNG project, which includes the construction of onshore facilities, comprised of two LNG trains which will produce 7.6 mtpa each. FID is expected to occur in 2019.

Rovuma LNG development



Angola

Galp has producing assets in block 32, one of the most relevant projects in the country, as well as a legacy position in blocks 14 and 14k.

Block 32

The Kaombo project is an ultra-deep water project aimed at developing six fields connected via 300 km of pipelines. With two FPSO units, an estimated 650 mmbbl are expected to be recovered. The FPSOs will be connected to 59 subsea wells.

Production from the Kaombo project started in 2018, through the FPSO developing the Kaombo North area, in water depths ranging from 1,400 to 1,950 metres. The second unit, to be allocated to the Kaombo South area, sailed away from the Sembawang yard in Singapore towards Angola at the end of 2018, and is expected to start operations in 2019.

Block 14/14k

Producing since 1999, the Benguela-Belize-Lobito-Tomboco (BBLT), Tõmbua-Lândana and Kuito fields are currently in the natural decline phase of production.

Exploration assets

Galp has a diverse portfolio of exploration projects, centred on the Atlantic basin.

Guanxuma, Brazil Santos basin

During 2018, the BM-S-8 consortium spudded the Guanxuma prospect and an oil discovery was made. Although the preliminary results are encouraging, the partners are assessing the collected data, with further evaluation required to gather more information about this discovery.

Uirapuru, Brazil Santos basin

Galp, together with ExxonMobil and Equinor, were awarded the Uirapuru exploration block pursuant to the 4th Production Sharing Bid Round held during 2018 by ANP. Petrobras exercised its right to enter the consortium as operator, with a 30% interest, with Galp holding 14%, while each of ExxonMobil and Equinor have 28%.

The consortium offered a profit oil share of 75.49%, and the gross signing bonus was c.\$683 m. The consortium has committed to drilling one exploration well.

The Uirapuru block is adjacent to the Greater Carcará area.

Block C-M-791, Brazil Campos basin

During 2018, Galp participated in the 15th Concession Bid Round hosted by ANP and was awarded block C-M-791 in the Campos basin, which has pre-salt play potential.

The consortium, composed of Galp (20%), Shell (the operator with 40%) and Chevron (40%) offered a signing bonus of around \$165 m. Works committed to during the seven-year exploration period include 3D seismic surveys and the drilling of one exploration well.

Blocks 5, 6, 11 and 12, S. Tomé and Príncipe

Galp's exploration portfolio in S. Tomé and Príncipe includes four offshore blocks, block 6 – where Galp is the operator with a 45% interest – and blocks 5, 11 and 12, in which it holds a 20% stake.

During 2018, the partners focused on processing and interpreting the 3D seismic data gathered across an area of 16,000 km², with Geological & Geophysical (G&G) work to assess prospectivity still ongoing.

PEL 82 and PEL 83, Namibia

Galp's position in Namibia consists of two offshore exploration licences, PEL 82 in the Walvis basin and PEL 83 in the Orange basin.

During 2018, the PEL 82 consortium successfully concluded a 3D seismic acquisition campaign, extending across an area of 5,000 km².

It is also worth highlighting the farm-down of a 40% participating interest in PEL 82 to ExxonMobil. After the completion of the transaction, both Galp and ExxonMobil hold a 40% interest in the licence, and Galp maintains the operatorship. The National Petroleum Corporation of Namibia (NAMCOR) and Custos, a local Namibian company, each hold a 10%.

A responsible operator

As an E&P operator, we go beyond the environmental, social and health impact assessment (ESHIA). Galp performed an assessment in accordance with the Natural and Social Capital Protocol, not only identifying, but also quantifying the potential environmental and social risks identified in the ESHIA.

Additionally, in order to involve the communities in which we operate, we are in continuous contact with local communities, aiming to share our geological knowledge with the Namibian government and university students.

Alentejo and Peniche basin, Portugal

Galp and Eni have taken the decision to step out of the frontier exploration in Alentejo, Portugal, which included three offshore blocks. Galp had already relinquished the block in the Peniche basin.

AI tool to support exploration and development activities

In partnership with IBM, we have developed an artificial intelligence based advisor to enhance seismic interpretation.

This prototype will help geoscientists identify and evaluate exploration and development activities, contributing to reducing risk when assessing new prospects and optimising the placement of wells to be drilled. The tool leverages Galp's know-how and its previous seismic interpretation experience.

3.2.

Refining & Marketing

2018 highlights

- Solid operational performance, with Galp's refining margin of \$5.0/boe, despite the less favourable margins in the international market.
- Raw materials processed reflected the planned maintenance activities during the year at the distillation and conversion units.
- Execution of projects aimed at increasing the energy and operational efficiency of refining activities, and adjustments in response to the IMO 2020 sulphur cap.
- Stable oil products sales to direct clients.
- Fostering client-centricity and leveraging digital tools to create an enhanced value proposition and improve client relationship management.

Key figures

	2017	2018
N°. of employees	5,406	5,352
Raw materials processed (kboe)	114,191	100,354
Galp refining margin (\$/boe)	5.8	5.0
Refining cost ¹ (\$/boe)	1.7	2.6
GHG direct emissions (tonCO ₂ e)	3,580,591	3,222,933
Total water consumption per treated feedstock (m ³ /ton)	0.44	0.59
Percentage of water reused	15%	18%
Total oil products sales (mton)	18.5	17.1
Sales to direct clients (mton)	8.9	8.8
N°. of service stations	1,459	1,459
N°. of convenience stores	823	836
RCA Ebitda (€m)	774	610
RCA Ebit (€m)	413	265
Capital expenditure (€m)	145	258

¹ Excluding refining margin hedging impact.

RAW MATERIALS
PROCESSED
mmboe

100.4



SALES TO DIRECT
CLIENTS
mton

8.8



SERVICE STATIONS

1,459



TOTAL OIL PRODUCTS
SALES
mton

17.1



We operate an integrated refining and marketing business, comprising two refineries in Portugal and an extensive distribution network for oil products in Iberia, making us one of the leading players in the region. We also carry out distribution and marketing activities in selected African markets.

To ensure the optimised integration of the R&M business, we focus on maximising value creation, reducing costs and optimising the use of capital. The efficiency of our processes are at the forefront of our strategy, and have been a focus during the year, particularly through conversion and energy efficiency projects on the industrial platform, investing in digitalisation and the implementation of the Kaizen methodology.

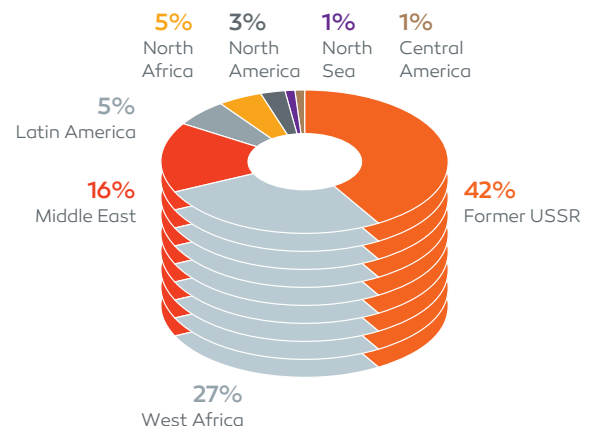
Refining

Galp's modern and complex integrated refining system includes the Sines and Matosinhos refineries, with a crude oil processing capacity of 330 kbpd. The system has substantial conversion capacity installed at the Sines refinery, namely through the hydrocracking (HC) and fluid catalytic cracking (FCC) units producing medium and light distillates, respectively. This provides significant flexibility to process different raw materials and use different energy sources, allowing its optimisation for different market conditions. The Matosinhos refinery is comprised of a visbreaker unit (VB), an aromatics and a base oils plant. The integrated system has a Nelson complexity index of 8.6.

Due to its strategic location and technological configuration, Galp's refining system is competitive, reaching both Iberian and other southern European markets, as well as North American and African markets.

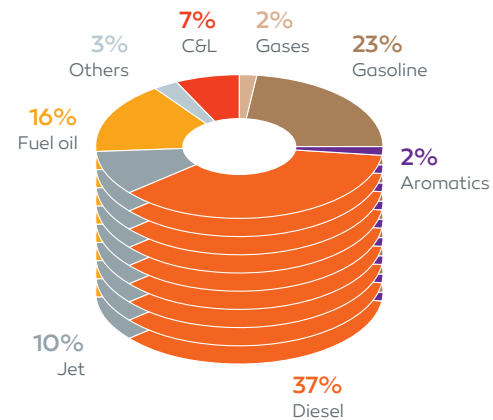
In 2018, we processed approximately 100 million barrels of oil equivalent (mboe) of raw materials, with crude accounting for 92% of the total. Galp imported crude from 16 countries, with medium and heavy crude accounting for 85%.

Crude sources in 2018



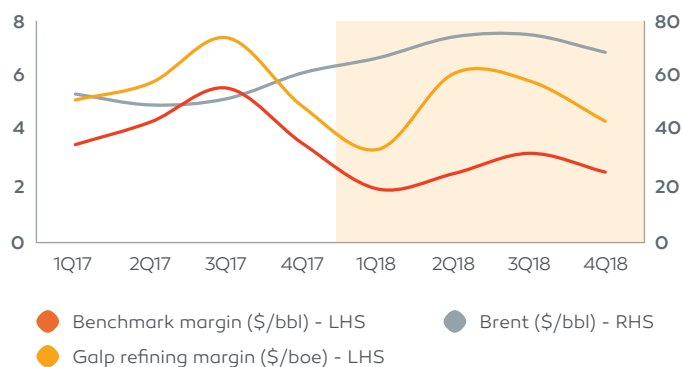
Middle distillates and light distillates were the most relevant products within the Company's production mix, as seen below.

Refineries' yields in 2018



Despite the challenging macro environment, during 2018 Galp managed to take advantage of the flexibility of its refining system to maximise its refining margin. This was carried out by optimising its sourcing, taking advantage of heavy-light spreads, and by optimising the use of different energy sources. The U.S. remained a relevant market for our gasoline components with a favourable spread versus European gasoline prices.

Galp's refining margin vs benchmark and Brent price



Galp's Reliability Centred Maintenance (RCM) programme involves managing the equipment lifecycle, in order to increase the units' predictability and availability. Within this programme, we have been developing algorithms to predict potential dynamic equipment failures and provide alerts on deviations from normal operations. This will help reduce unplanned events and reduce maintenance costs.

During the year, production was impacted by planned maintenance in our refineries, namely an outage of around 30 days in the hydrocracker unit during the first quarter, the full stoppage of the Matosinhos refinery for around 25 days during the second half of the year, as well as further maintenance at Sines, namely in the FCC unit.

Maintenance activities during 2018 played an important role in the implementation of projects aimed at gradually increasing Galp's refining margin by an extra \$1/boe up to 2020. The installation of the Catalytic Cooler, for example, will allow greater flexibility in the inputs for the FCC, decrease the dependence on imported VGO and increase energy efficiency. In 2019, we will already benefit significantly from higher efficiency and conversion as a result of these projects.

We have also been adapting our system for the introduction in 2020 of the 0.5% cap on the sulphur content of marine fuels introduced by the International Maritime Organisation (IMO). Galp will be offering marine products in line with the new requirements. During 2018, we have tested our system and produced batches of fuel oil according to the new specifications, which were sent to some of our clients for trial, with positive results.

Enhance the capabilities of digitalisation at the operational level

Under the Refining 4.0 initiative, Galp aims to capture the benefits of data-driven operations, through various projects which started to be implemented during 2018:

- Upgrade network infrastructure in refineries
- Integrate communication tools
- Visual management through the use of business intelligence online dashboards
- Enhance digitalisation of the planning process

We already have initiatives planned for the coming years, including the use of mobile devices for task management and dissemination of modern collaborative tools, warehouse digitalisation, data analytics, wearable safety tools, augmented and virtual reality, drones and robotics, as well as refinery plant 3D models which should improve the efficiency of our refining operations.

Secondly, we have been implementing a supply chain project, the Market Production Data Platform (MPDP), intended to integrate a wide range of data into a sophisticated and flexible system to ensure greater visibility and accountability. This will leverage the implementation of Refining 4.0 projects, and is centred on predictability and adaptability to promote value-added decision-making.

Biofuels

Galp's bio-industrial unit in Sines, Enerfuel, focuses on the transformation of waste oils and waste animal fats into second generation FAME biodiesel. In addition, we are producers of second generation biofuels by co-processing vegetable oil together with gasoil, resulting in a final diesel fuel indistinguishable from diesel of fossil origin.

In accordance with the goals established by the European Commission and the respective countries regarding the introduction of biofuels into Iberia, Galp will continue to pursue the goal of incorporating 10% into gasoline and diesel by 2020, using the various complementary renewable sources at its disposal. In 2018, we introduced about 130 thousand m³ of biofuels to comply with the legal obligation to put 7.5% of energy content from renewable sources for road transport in Portugal. In Spain, around 130 thousand m³ of biofuels were introduced, also in accordance with local legislation.

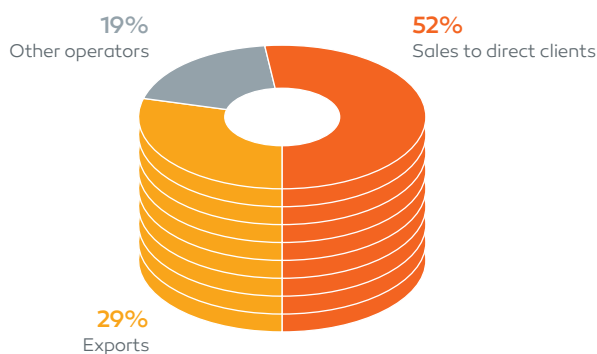
Marketing of oil products

We are a leading player in Iberia, where we operate a distribution network for oil products. We have also been reinforcing our position in selected African countries where we stand to benefit from attractive market growth, whilst leveraging our logistical capabilities and synergies with the Group's existing businesses.

In Iberia, our focus remains the marketing of oil products under the Galp brand, both through the Company's network of service stations and through direct sales to wholesale clients. Galp also supplies other operators in Iberia and operates in the export market.

In 2018, we sold 17.1 mton of oil products, 8% lower YoY, following the lower availability of our refining system resulting from planned maintenance carried out during the period.

Refined products sales in 2018



Sales to direct clients

Oil product sales to direct clients are mostly made through Galp's network in Iberia.

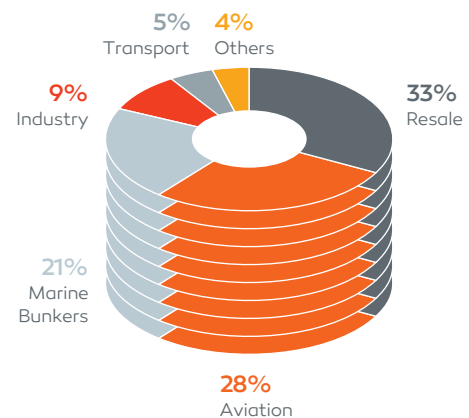
In 2018, volumes sold to direct clients were mostly stable YoY, amounting to 8.8 mton. Volumes sold in Africa accounted for around 11% of sales to direct clients.

Galp's retail network at the year-end was comprised of a total of 1,459 service stations, of which 1,283 in Iberia and 176 in Africa. Galp is the leading player in the retail market in Portugal, and is a significant player in Iberia with a c.9% market share. During 2018, we continued to optimise and renew our service station network, integrating our value proposition with low carbon products and services, whilst also launching a pilot project focusing on new ways of operating service stations.

In the retail segment, sales remained stable at 2.8 mton. Galp's additive fuel range, Evologic diesel and gasoline, with additives which allow for greater savings, extended engine life and improved efficiency, accounted for more than 55% of sales of automotive fuel during the year. Non-fuel products accounted for over 10% of total sales in the retail segment in Iberia.

In the wholesale segment, volumes sold increased 2% YoY to 5.4 mton, namely benefiting from jet sales and from marine bunkers activity.

Iberian wholesale segment sales in 2018



In the LPG segment, Galp has developed online channels with e-ordering services for the supply of bottled gas to improve customer experience.

We remain focused on providing our clients with a differentiated value proposition. We have been fostering client-centricity, leveraging analytical tools which allow us to gain a better knowledge of our customers and to scale loyalty revenue streams. Through customer journey analysis, we have identified quick wins in the retail and bottled gas segments and have implemented c.85% of these. In 2018, we initiated the same methodology for the wholesale segment, where we have identified areas for improvement. Additionally, we invested in technology and processes to enable a more agile and flexible feedback system from our customers.

We also continue to leverage strong partnerships in various market segments, ranging from food retailers to healthcare, which have allowed us to increase cross-selling and strengthen our role as a service provider. Our client base associated with loyalty programmes continued to increase, having reached a total of c.2 million clients in 2018, of which c.1.8 million through our partnership with the largest food retail group in Portugal, Sonae. In the retail segment for example, 64% of the volume sold is attributed to loyalty programmes. Galp has also been investing in the development of digital tools to provide targeted and real-time data and offerings to its customer base.

Transforming customer experience through digital media and technologies

During 2018, Galp continued to develop the following digital media and customer relationship tools, operations, products and business models:

- The Galp EvoDriver App is a digital loyalty mechanism aimed at facilitating and providing a better customer experience, which by the end of 2018 reached a total of 233 k users. The dematerialisation of cards and mobile payments are two of the main initiatives we have been implementing.
- The client portal is an online platform through which customers can autonomously manage the activities of their fleet or their cards, including checking consumption and invoices, as well as managing savings.

Sales to other operators and exports

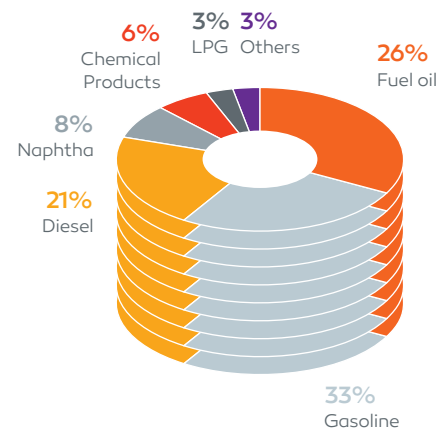
Galp is the main supplier in Portugal, and among the most relevant in Iberia, meeting demand for oil products in this region. In 2018, we sold 3.3 mton to other operators, corresponding to 19% of our sales volumes.

The Company also benefits from the strategic location of its refining system, placing some of its sales volumes outside of Iberia through its trading activities. In 2018, we exported 4.9 mton of oil products, down 21% YoY, due to a lower volume available for sale considering the outages during the period.

Gasoline, fuel oil and diesel accounted for 33%, 26% and 21% of total exports, respectively, destined mostly to the United States, Spain and Morocco.

Heavy gasoline components continued to be an important driver of exports to the North American market, particularly to the East Coast, where they are used for blending purposes.

Exports by product in 2018



3.3.

Gas & Power

2018 highlights

- Focusing on balancing our sourcing basket, we signed an agreement for the acquisition of 1 mtpa of LNG from the U.S..
- Sales of NG/LNG increased 4% YoY to 7.6 bcm, of which 4.7 bcm to direct clients.
- Network trading gained relevance, after structured LNG contracts ended during the third quarter of 2018.
- Developing the electric mobility business through a new commercial offer.
- Building a lower carbon portfolio through the acquisition of licences for solar power generation in Iberia.

Key figures

	2017	2018
Nº. of employees	157	173
Sales of NG/LNG in trading (mm ³)	2,974	2,875
Natural gas sales to direct clients (mm ³)	4,374	4,740
Sales of electricity to the grid (GWh)	1,548	1,326
Electricity sold to clients (GWh)	3,625	3,865
GHG direct emissions (tonCO ₂ e)	18,041	18,909
RCA Ebitda (€m)	132	137
RCA Ebit (€m)	112	116
Capital expenditure (€m)	7	9

NG SALES
TO DIRECT CLIENTS
mm³

4,740



NG/LNG TRADING
mm³

2,875



SALES OF ELECTRICITY
GWh

5,191

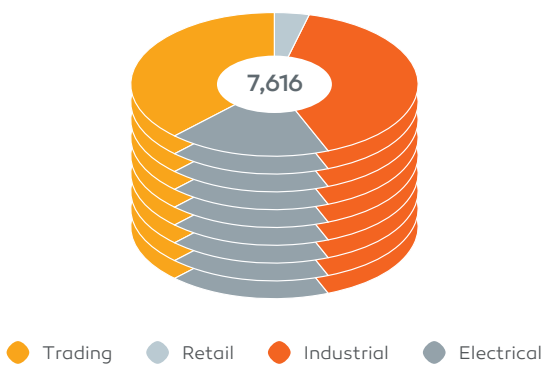


The G&P business covers natural gas sourcing and supply activities, which have been gradually integrated with electricity generation and supply.

Supply and trading

Galp has an integrated offering of natural gas and electricity to its customers in Iberia and carries out NG/LNG trading in the international market. The Company sold 7.6 bcm of natural gas during 2018.

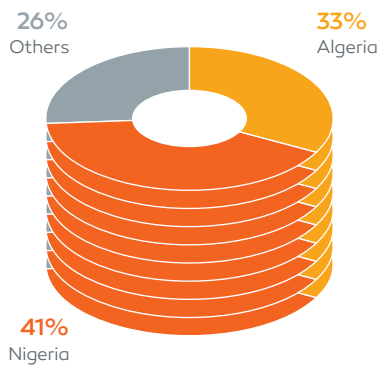
NG/LNG volumes sold in 2018 (mm³)



Sourcing

Galp's NG/LNG sourcing is mostly based on long term contracts established with Sonatrach in Algeria and with Nigeria LNG in Nigeria. These amount to 5.7 bcm per year and accounted for 74% of the Company's sourcing basket in 2018.

Natural gas sourcing in 2018



Natural gas from Algeria is transported through the Europe Maghreb (EMPL), Al-Andalus and Extremadura pipelines, in which Galp holds stakes.

Equity stakes in international gas pipelines

International pipelines	Country	Capacity (bcm/year)	Galp %
EMPL	Algeria, Morocco	12.0	23
Al-Andalus	Spain	7.8	33
Extremadura	Spain	6.1	49

The remaining natural gas requirements are satisfied from other markets, namely Spanish and French wholesale players, but also on the spot market.

Following our strategy of securing a diversified and competitive long-term sourcing basket, during 2018 Galp signed an SPA with Venture Global LNG for the acquisition of 1 mtpa from the Calcasieu Pass LNG export facility in the U.S. for a period of 20 years starting from 2022. The agreement is subject to a final investment decision for the project.

Supply

Galp has over 600 thousand Gas & Power clients, supplying natural gas to over 520 thousand customers in the industrial, electrical and retail segments in the Iberian market.

The Company sold 4.7 bcm of natural gas to direct clients in 2018, up 8% YoY, and reinforced its electricity commercial activity, reaching a volume of 3.9 TWh.

In 2018, Galp launched a commercial offering through the Galp Electric card, offering energy solutions and services on the road and at home. Galp has taken a leading role in electric mobility in Portugal, where it currently has the largest network of fast charging points.

The Company has also partnered with companies focusing on innovative business models, having invested during 2017 in a start-up operating in the Spanish gas and electricity market, with an increasing customer base currently standing at 30 thousand clients, aiming at adapting to customer needs, improving efficiency and client experience.

Working together with our customers, through Galp Energy Solutions, we have been implementing energy efficiency projects to optimise and reduce energy consumption through the installation of more efficient equipment and behavioural changes.

We are also developing projects related to the supply of natural gas to road transportation and LNG to ships, as a step towards the implementation of sustainable natural gas and LNG operations, and the reduction of emissions.

Trading

In 2018, Galp continued to strengthen its position in the network trading activity in European natural gas hubs, namely in Spain, France and the Netherlands.

The significant increase in network trading volumes offset the more limited opportunities in the LNG international market, and should keep gaining relevance as the last structured LNG contract in place ended during the third quarter of 2018.

Power

Galp has 173 MW of installed capacity in cogeneration units in Portugal, namely in the Sines and Matosinhos refineries.

As part of Galp's low carbon strategy, we are preparing the development of sustainable renewable power generation projects, enabling integration with our electricity sales in the markets in which we operate. For that purpose, during 2018 we began acquiring licences for solar power generation in Iberia.

The Company also has a 50% stake in a project with 12 MW of installed capacity in a wind farm in Portugal, producing over 30 GWh in 2018.

Regulated distribution infrastructure

Galp holds a 77.5% non-controlling stake in Galp Gas Natural Distribuição (GGND), which operates in the regulated distribution of natural gas in Portugal. GGND controls nine local natural gas distributors in the country with a total network of 13,015 km. GGND's regulated asset base related to gas infrastructure amounts to approximately €1.1 bn as of year-end 2018.

The remuneration rules for this activity are defined by the Portuguese Energy Market Regulator (ERSE), with a rate of return expected for the 2018-2019 period revised from 6.65% to 5.82%, reflecting the declining yields of benchmark bonds during the period.

4.

**Sustainability,
our long standing
commitment**

Sustainability

A young girl with long brown hair, wearing an orange jacket, a patterned skirt, and orange boots, stands in a lush green forest. She is looking up at the tall, dark trunks of the trees. The forest floor is covered in green grass and small plants. The trees are arranged in rows, creating a sense of depth and perspective. The overall atmosphere is serene and natural.



4.1.

Energy transition: where next?

The energy transition is guided by the sustainable development scenario set out by the International Energy Agency (IEA), which proposes an integrated approach to achieving internationally agreed-upon objectives in terms of climate change, air quality and universal access to affordable, reliable and modern energy. The most recent World Energy Outlook report from the IEA makes it clear that a move towards renewables alone will not be sufficient, and calls for a more inclusive energy strategy, encompassing the development of hydrogen-based technologies, improvements in energy efficiency and the implementation of emerging mitigation technologies such as carbon capture, utilisation and storage (CCUS).

The current IEA projections make it clear that current policies and those proposed up to the end of 2018 are not enough to meet the 2°C commitment. On this basis, both the Portuguese and European governments are committed to developing a transition aligned with the climate targets. The European institutions and the Portuguese Government have established a long-term shared vision and a national roadmap for harnessing decarbonisation opportunities and meeting climate challenges. To achieve these expectations and targets over the next 30 years, energy consumption patterns will need to be realigned in the transportation, industrial and residential sectors.

Financial organisations are realising that the transition to a lower-carbon economy will also create a new investment dynamic. In this context, organisations such as the Task Force on Climate-related Financial Disclosure (TCFD) have emerged, alongside various financial players, to promote the reporting and disclosure of consistent climate-related financial indicators, along with risks and opportunities, by businesses. The relevance of TCFD to companies' stakeholders was quickly recognised by investors, who determined which TCFD recommendations should be priorities for 2018. At the same time, organisations such as Carbon Tracker are developing studies to support transitions within companies, and alerting investors to existing investments that may not produce the expected returns in the future.

This paradigm entails both challenges and opportunities, and calls for the full integration of climate variables into business planning and strategy, by assessing the resilience of companies in the face of energy transition, as well as reinforcing the significance of carbon pricing as a variable in decision making.

4.2.

How can we turn challenges into opportunities?

The changes to production, distribution and consumption patterns during the energy transition expose energy companies to new risks, but also give rise to opportunities.

Energy transition and climate change risks and opportunities are integrated and evaluated by the Company through a holistic risk management approach. In addition to this approach, the corporate departments play an important role in navigating the transition, identifying financial and non-financial risks and opportunities, finding methodologies to assess and incorporate them into the business and strategy, and establishing initiatives, action plans and targets to mitigate risks and exploit opportunities. The Board of Directors and Executive Committee also play an active role, with their members participating in specialised committees in areas such as sustainability, environmental and risk management.

Galp recognises the existence of various risks associated with climate change and the energy transition, analysing the so-called transition risks and opportunities, in addition to the physical risks of climate change. Transition risks, including policy, legal, technological, market and reputational risks have been identified as the main risks faced by Galp, and these have been incorporated into our analysis of competition, legal and compliance, and markets. Physical risks, both event-driven (acute) and long-term (chronic), are identified in our risk management approach within the category of “Disruptive Events” as explained later in this report.

Galp has reflected in its reporting the increasing risks relating to carbon pricing and its possible impact on operations. The price of emissions licenses granted under the European Union Emissions Trading System had a substantial increase in 2018, representing an opportunity to

improve resource efficiency and the atmospheric emissions of our refining activities. We pursue the continuous improvement of the carbon and energy intensity of our refining system, setting ambitious targets, supported by a rolling plan for investments in operational eco-efficiency.

Galp is incorporating carbon into its project investment analysis, through two different mechanisms. We consider a carbon price (\$40/tonCO₂e) in all investment decision-making processes, which together with a due diligence analysis of the activity’s carbon intensity, ensures the alignment of our assets and operations with a lower carbon economy.

Technology is constantly changing, enabling the emergence of new disruptive players, some from non-energy sectors, leading to deep changes in the relationship between energy companies and their customers. At this field, Galp adapted and improved its digital strategy, improving digitalization and automation to better respond to both internal processes and customers’ needs.

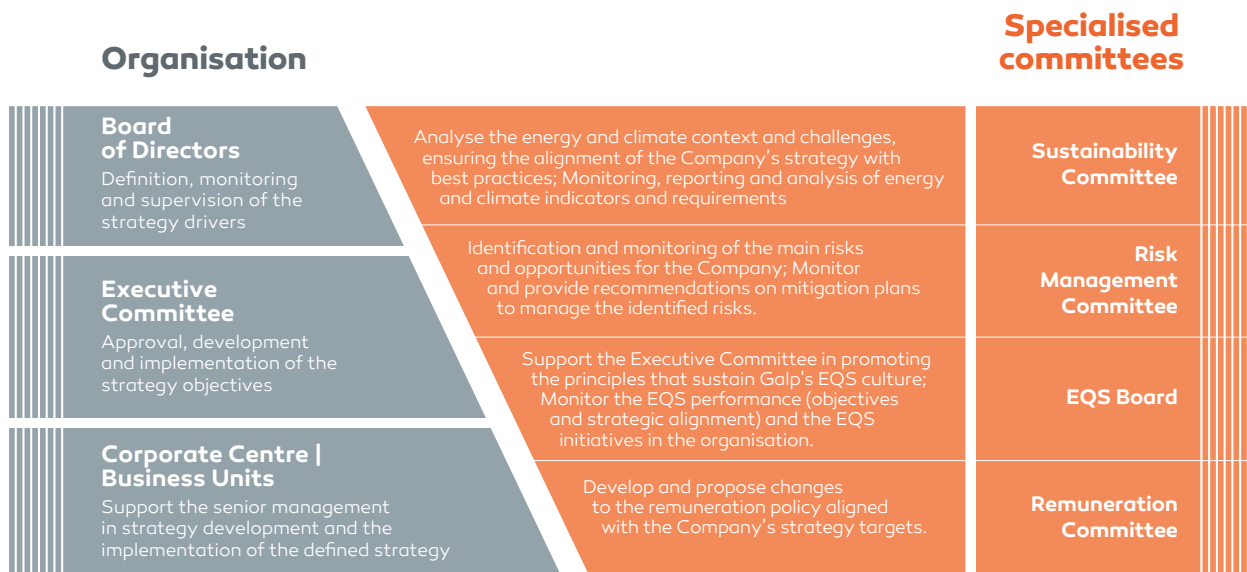
The growing demand for low-carbon energy is changing the consumption patterns of our customers and also opening an opportunity for the growth of natural gas, including LNG, bioenergy, renewables and hydrogen. Galp is taking advantage of the portfolio diversification opportunity, namely by increasing the share of natural gas in the oil and gas upstream portfolio, through the Mamba project, and developing solar power parks, with a first project in Portugal.

As an integrated energy player, our current market presence puts us in a strong position to integrate current products with new services and business models during the decarbonisation of the economy.

4.3.

A call to action

The role of management



At Galp, we manage climate-related risks and opportunities with the active participation of several departments and teams within the company. From the business units to the Board of Directors, we all participate in and contribute to mitigating risks and seizing opportunities.

We continuously monitor environmental and climate performance using various internal tools. Every quarter, a health, safety, environment and quality (HSE&Q) performance report evaluates our ongoing performance against overall objectives, as well as against more specific quantitative targets defined at the beginning of each year.

Along with the Company’s performance, the business environment is monitored at Sustainability Committee meetings, ensuring that senior management monitor evolving climate-related issues.

Sustainability issues play a significant role in our strategic decision-making. In 2018, we implemented a training session for the Board of Directors focused on sustainability guidelines and the climate context. From 2019, Galp’s carbon intensity will be part of the assessment of senior management’s performance.

Main issues addressed by specialised committees meeting in 2018



Discussion of energy transition context and trends



Monitoring of the energy transition initiatives



Analysis of climate-related risks and opportunities



Definition and monitoring of objectives and targets



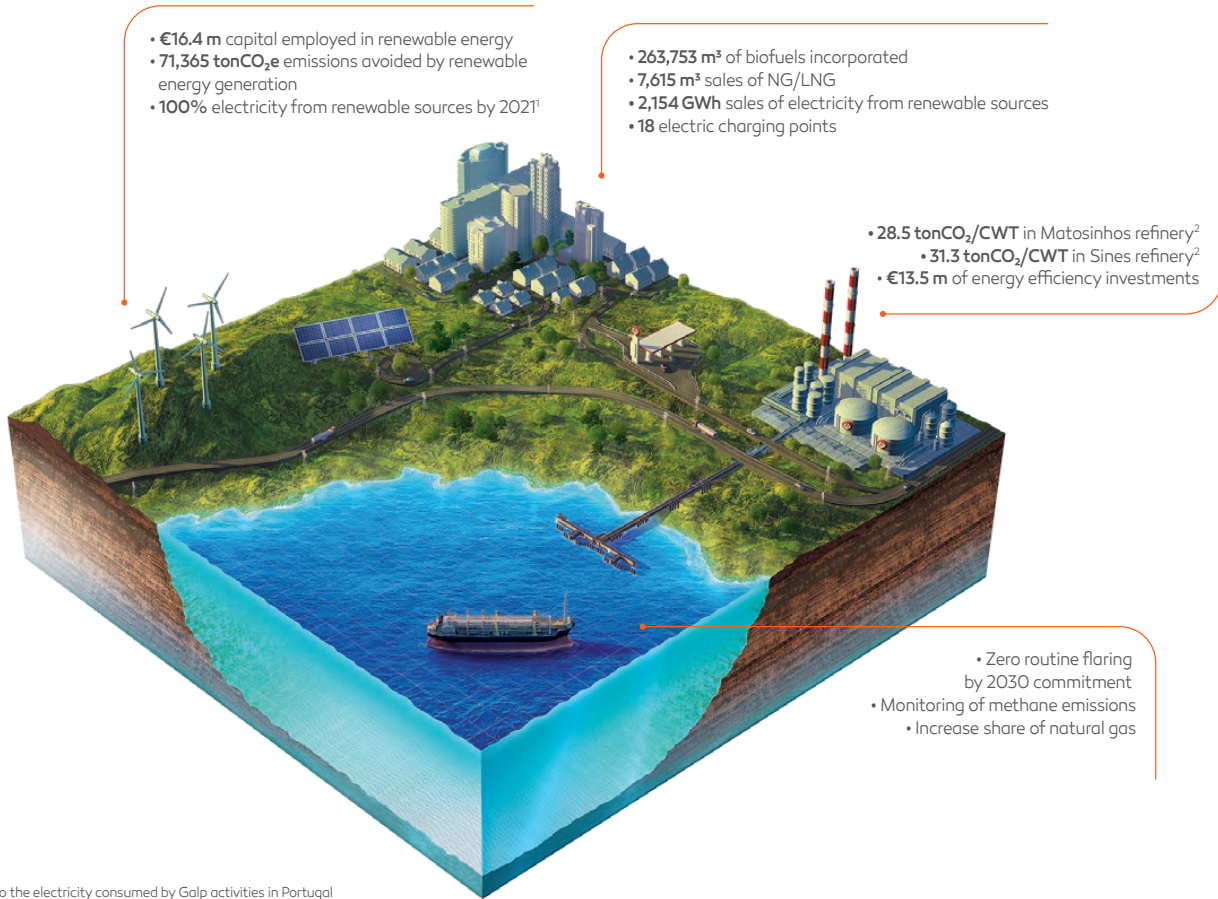
Alignment with climate-related disclosure initiative

Through a climate governance model based on input from senior management, headquarters and business units, and shaped by ongoing debates within specialised committees, we have been able to incorporate all energy transition issues set out above into the Company’s strategy.

Our role in this transition

Innovative and differentiating solutions

Competitive and Diversified Upstream Portfolio



- €16.4 m capital employed in renewable energy
- 71,365 tonCO₂e emissions avoided by renewable energy generation
- 100% electricity from renewable sources by 2021¹

- 263,753 m³ of biofuels incorporated
- 7,615 m³ sales of NG/LNG
- 2,154 GWh sales of electricity from renewable sources
- 18 electric charging points

- 28.5 tonCO₂/CWT in Matosinhos refinery²
- 31.3 tonCO₂/CWT in Sines refinery²
- €13.5 m of energy efficiency investments

- Zero routine flaring by 2030 commitment
- Monitoring of methane emissions
- Increase share of natural gas

Efficient and Competitive Downstream Business

¹Applicable to the electricity consumed by Galp activities in Portugal
²Carbon Intensity in refining

Constant Adaptation to the needs of our clients

Internal price on carbon (\$40/tonCO ₂ e)	Alignment with the TCFD	CDP recognition	Development of a low carbon profile
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Competitive and diversified upstream portfolio

Managing CO₂ in the pre-salt

The Brazilian pre-salt is characterised not only by its high productivity in the current upstream oil and gas context, but also by its operational efficiency. Since the beginning of operations at Block BM-S-11, located in the ultra-deep waters of the Brazilian pre-salt (Santos basin), the partners took the initiative to separate and inject into the reservoir the CO₂ from the natural gas produced.

This was a win-win solution, leading to a reduction in the carbon footprint of our operation and more consistent reservoir pressure. Through the use of a selective permeation method at the production units, we separate the CO₂ from natural gas, and inject it back into the reservoir using the WAG method.

More activity with less carbon

To ensure optimal performance, the carbon intensity of our activities is continuously monitored, from the investment analysis stage through ongoing operations. The first assessment of the potential carbon intensity of the upstream assets is made at the investment decision-making stage. Greenhouse gas emissions remain a concern through the various stages of an asset's lifecycle, and their reduction is subject to continuous improvements.

This approach has allowed us to achieve an activity carbon intensity of 8.9 kgCO₂e/boe, considering operated and non-operated assets (WI), better than the benchmarks used by the IOGP. We expect to continue to beat these benchmarks by ensuring that our operations are as efficient as possible, both in terms of energy and greenhouse gas emissions.

Galp is also committed to scaling new E&P to zero flaring under normal operating conditions, by joining Zero Routine Flaring by 2030 initiative as an E&P operator.

Projecting the future with LNG

Our commitments are reflected in our actions, and as part of our strategy for a portfolio mix aligned with the energy transition. Galp has an ongoing development plan for LNG in the Rovuma basin. As an integrated energy operator, we are present in the upstream segment in this area, in the midstream by extending its LNG value chain by developing support infrastructure, and in the downstream, where in 2018 we signed a 20-year LNG Sale and Purchase Agreement for 1 mtpa.

Galp as low carbon energy generator

Galp is positioning itself as a renewable energy provider, developing low-carbon methods of supplying electricity. In 2018, Galp acquired licenses for solar power generation in Iberian Peninsula.

These licenses represent Galp's first step towards the generation of solar energy, and strengthen our low carbon power capacity, which already included 12 MW of wind power through Ventiveste, where Galp holds a 50% stake. Galp continues to seek and evaluate opportunities for renewable energy generation, with a focus on projects in the Iberian Peninsula, integrating this with the marketing activities throughout the power value chain.

Mitigating our impact through biofuels

At Galp, we have been studying alternative responses to decarbonisation. This has included developing our biofuels segment, which represents a proven solution with immediate effects, and which can be incorporated into existing liquid fuels.

Following this pathway, we have an industrial unit in Sines, Enerfuel, focused on the production of second-generation biofuels, which we want to develop in order to leverage the production of advanced biofuels. In 2018, we concluded the evaluation of alternatives to process a wider range of feedstock and raw materials, leading to possible new investments to reinforce our production capacity.

Galp has several projects in development to improve its current processes and integrate processes and technologies based on different raw materials and biofuels. These projects include the co-processing of used cooking oils, the generation of ethanol and bio-oil through residual forest biomass and the production of syncrude and biomethane through municipal solid waste and refuse-derived fuels.

We also play an active role in taskforces and working groups to promote new initiatives in the biofuels field in Portugal. In this context, Galp is participating in the LNEG working group on biorefineries and has also integrated the technical standardisation commission for natural gas and biomethane for transportation and biomethane for injection into the natural gas network.

Innovative and differentiating solutions

Using carbon as a resource

Galp's research and innovation activities are geared towards new sustainable business opportunities. We are committed to finding new disruptive technologies to enable us to decrease the environmental impact of our global operations.

Faced with technological challenges resulting from our E&P activities, in 2018, we moved forward with the development of seven Carbon Capture, Utilisation and Storage related R&D and innovation projects within the following areas of interest:

1. Utilisation of CO₂ as a feedstock in industrial processes;
2. Development of sustainable and competitive technologies for the separation of CO₂/CH₄;
3. Development of a new simulator to minimise the problems associated with oil flow production with a high CO₂ content; and

4. Increasing the oil recovery factor through the reinjection of CO₂, either standalone or mixed with water.

In the Gas & Power segment, we participated in the project "Advanced MEMBranes and membrane assisted procEsses for pre- and post- combustion CO₂ captuRe (MEMBER)", aimed at developing novel membrane-based technologies for pre- and post- combustion CO₂ capture at power plants, as well as H₂ generation with integrated CO₂ capture. As a deliverable, an advanced membrane-based prototype will be tested for post-combustion CO₂ capture in our facilities.

In 2018 we were also authorised by the Portuguese Foundation for Science and Technology (Fundação para a Ciência e Tecnologia (FCT), to create a Collaborative Laboratory that will be called NET4CO₂ (NETwork for a Sustainable CO₂ Economy). It will be a non-profit private association founded by six Industrial, Scientific and Academic partners, where each partner's skills and expertise can contribute to the development of new technologies to minimise the impact of CO₂ emissions.

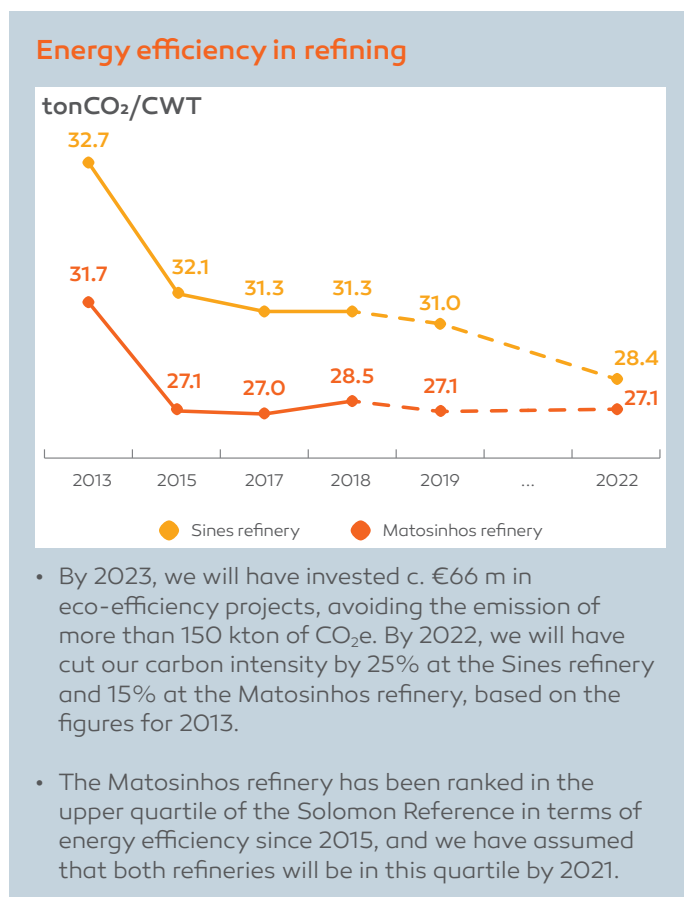
Effective and competitive downstream business

Working towards a more efficient refining system

Galp remains focused on optimising its refining system processes and maximising energy efficiency. We have several ongoing programmes and projects to optimise the use of resources in our operations, both in the Sines and Matosinhos refineries, with a view to achieving continuous improvements, minimising process variations and reductions in waste and effluents.

In 2018, relevant refining activity conversion and energy efficiency improvement projects were implemented, with a total investment of c.€13.5 m.

At Galp, we are working towards reducing the carbon intensity of our refining activity, as shown in the graphs below:



Promoting more sustainable marketing activities

Galp remains focused on minimising energy use, as well as on reducing the wastewater generated at our service stations. In 2018, several energy efficiency programmes were carried out at our service stations in Portugal and Spain, these measures included replacing lighting, the installation of capacitor banks and battery renewal schemes.

As a result of these improvements, all our service stations in Portugal now have energy-efficient lighting, and we are committed to achieving the same goal in Spain in 2019.

Galp is also implementing a new energy and water monitoring system, which will allow us to improve our energy consumption even further and to reduce wastewater.

Constantly Adapting to the Needs of our Clients

Galp Energy Solutions

Through our energy solutions segment, we are implementing energy efficient and sustainable solutions for our customers, allowing them to reduce their energy consumption and costs and to avoid greenhouse gas emissions.

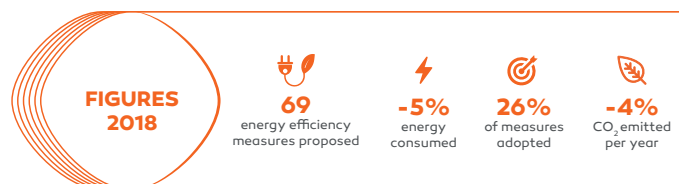
Alongside its clients, in 2018, Galp developed energy efficiency solutions which avoided emissions of 723 tonCO₂e/year.

Along with these projects, Galp was chosen to develop a photovoltaic power plant project at Cooperativa Agrícola dos Fruticultores do Cadaval (COOPVAL) that will begin operating in the beginning of 2019. The project was optimised for the energy consumption profile of the facility, based on an energy performance contract (ESCO). The energy produced will be consumed by the customer at its own premises, eliminating more than 10% of their current energy needs through the generation of 5.7 GWh and avoiding an expected 8,000 tonCO₂e.

Galp 21

For the twelfth year, Galp organised the Galp 21 programme, supporting 19 students to carry out an energy diagnosis at companies and to propose improvements to systems and behaviours. The programme is the largest of its kind in Portugal and is based on a shared mentoring system between Galp, its corporate customers and universities.

We aim to promote energy efficiency solutions and behaviours of our customers, the projects implemented in 2018 will enable total energy savings of almost €3 m, with the support of 232 grantees since the beginning of the programme.



New realities, new services

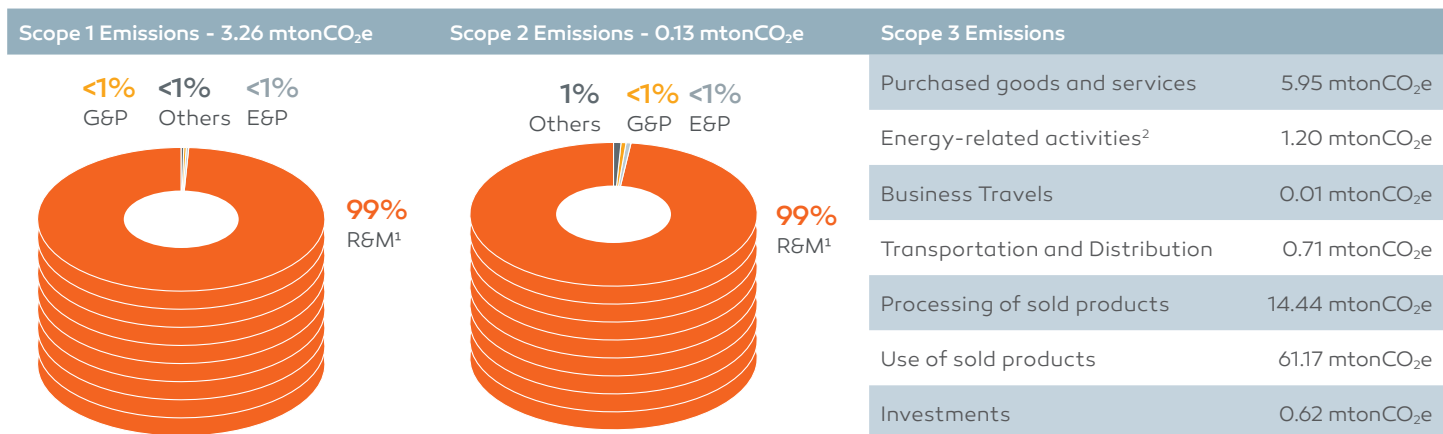
In line with the continuing adaptation to our customers' needs and behaviours, Galp partnered with a start-up operating in the gas and power market at Spain. This investment enables us to reach 25 thousand customers in the Spanish G&P market, through a digital and innovative business model, adaptable to the customer needs, improving their efficiency and experience.

In Portugal, aware of the current changes in energy consumption in the transportation sector, Galp has developed an electric transportation strategy which is focused on an integrated commercial offering, through the inclusion of electric transportation solutions in our G&P offer, and the implementation of a network of fast-charging points at our service stations in Portugal. In 2018, we had 18 fast-charging points on the main Portuguese highways, and we expect to install 18 more in 2019 in the two main Portuguese metropolitan areas.

We have continued to seek to meet our customers' expectations, which is why since 2016 Galp has provided Evologic diesel and gasoline, a new fuel range with additives allowing greater savings, extended engine life and greater efficiency.

Monitoring our footprint

Carbon Footprint



¹ Includes biofuels

² Only considers activities not included in scopes 1 & 2.

Scope 1 Emissions: direct GHG emissions from sources which are controlled or owned by the company.

Scope 2 Emissions: indirect GHG emissions from the acquisition of electricity, cold, heat or steam produced by other company.

Scope 3 Emissions: indirect GHG emissions from company's activities which occur in sources that are not controlled or owned by the company.

In 2018, Galp reviewed the methodology for calculating the carbon footprint, highlighting the integration of more scope 3 categories, promoting a more transparent mapping and reporting of the indirect emissions. This update is in line with the best practices applicable to the Oil & Gas sector, taking into account the GHG Protocol and IPIECA guidelines, as well as the materiality analysis of the emission sources.

As a result of this review, Galp's carbon footprint in 2018 has a broader scope than in the previous years, including more indirect emissions from activities such as: purchased goods and services, energy-related activities, business travels, transportation and distribution, processing of sold products, use of sold products and investments.

Also in 2018, Galp presented for the first time its carbon intensity adapted to its value chain and applicable to all business segments. The carbon intensity was calculated considering the emissions from its activities, including the scopes 1, 2 and 3 mentioned above, and the energy marketed by the various business segments, namely crude oil, natural gas, liquid fuels, biofuels and electricity.

Carbon intensity Galp
77 gCO₂e/MJ

4.4.

How are we doing it?

Ensuring transparency in our actions

At Galp, we value our business behaviour, ethics and conduct, and extend this to all our employees and contractors. Galp is committed to respecting human rights as set out in the Universal Declaration of Human Rights and the International Labour Organisation's core conventions.

We undertake to ensure that none of our management activities give rise, directly or indirectly, to abuses or violations of human rights in any geographical location or context, throughout the value chain or anywhere within our sphere of influence, or through the actions of our stakeholders.

We have embedded respect for human rights into our policies, business systems and processes. We believe that this integrated approach allows us to manage our business behaviour efficiently and effectively. This commitment

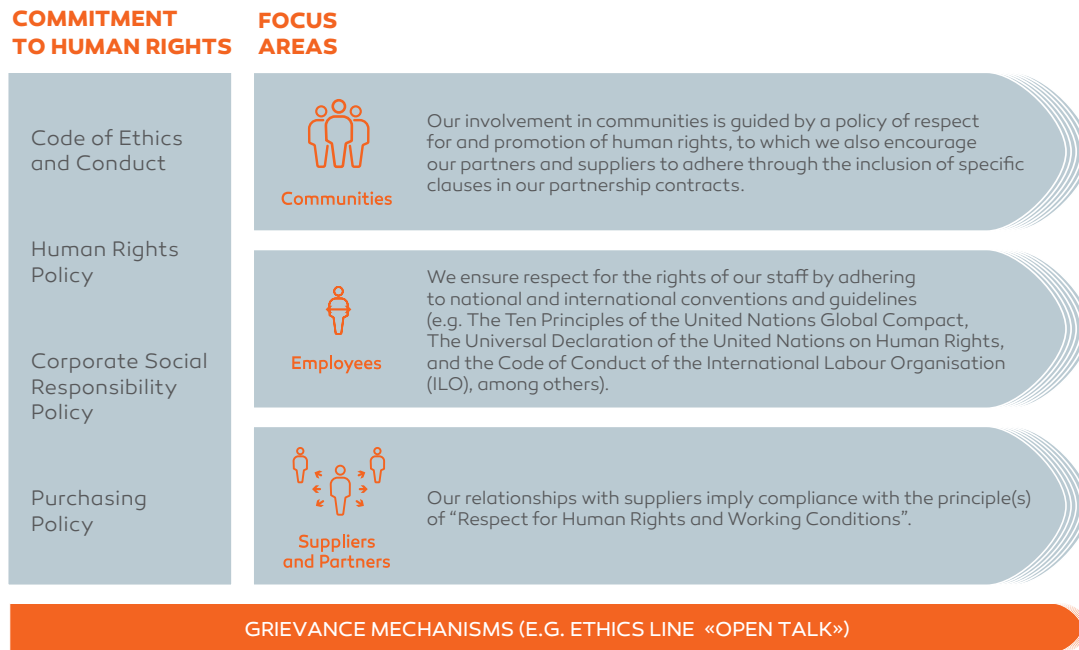
is reflected in our codes of conduct, policies and norms, and ensures the defence and promotion of human rights in all of the geographies in which we operate, as well as continuously improving the tools we use to implement these policies.

We focus on three areas where respect for human rights is particularly critical to the way we operate: i) Communities, ii) Employees, and iii) Suppliers and Partners.

Galp has an open line for reporting grievances (the "Open Talk" Ethics Line), ensuring that information is treated the strictest confidentiality. This includes any human rights concerns arising from Galp's activities.

The mechanism is managed by the Ethics and Conduct Committee, which is an independent and impartial internal structure responsible for monitoring the implementation and interpretation of the Code of Ethics and Conduct.

Approach to Human Rights



We have engaged with international organisations, companies and civil society to understand and respond to current and emerging human rights issues relevant to our business. Galp has signed up to the Voluntary Principles on Security and Human Rights (VPs). Since then, the company has been working diligently to find ways to promote and integrate the VPs across its operating units and the business as a whole.

We have carried out assessments across all of the geographies in which we operate to identify and assess potential impacts and risks related to human rights concerns. After the initial screening, we defined a human rights risk matrix for each country. This matrix has been taken into account when engaging with local partners during the lifecycle of projects, contributing to the stakeholder engagement plan.

We involve our stakeholders in our projects, and we care about the communities we impact. Prior to any exploration activity, contact sessions are planned with potentially affected communities, during which we clarify any doubts regarding the company’s activities. Moreover, we have put in place a grievance mechanism to gather and respond to any doubts or demands from communities regarding our projects.

As part of our own operations, we have identified and assessed the potential impacts and risks related to human rights. In this regard, in 2018 we developed workshops in Portugal and Mozambique focused on the grievance mechanism which discussed, among other matters, a framework approach to community consultation. These workshops were given to a specific group at Galp which, in the course of its work is or may be in contact with communities affected by human rights violations.

Energising our People

6,360
EMPLOYEES



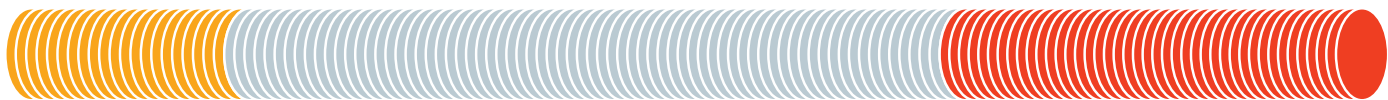
42%
WOMEN



58%
MEN



DISTRIBUTION BY AGE

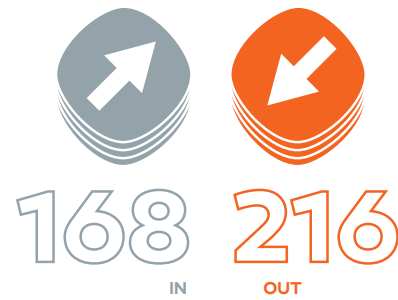
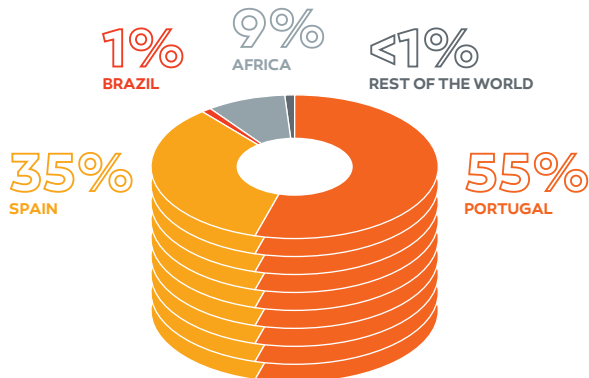


10%
< 30 YEARS
GENERATION Y

66%
30 - 50 YEARS
GENERATION X / Y

24%
> 50 YEARS
BABY BOOMER

DISTRIBUTION BY REGION



>500
EMPLOYEES RECRUITED
FROM THE TRAINEE PROGRAM
OVER THE YEARS



116
THOUSAND HOURS
OF TRAINING



The success of our Company depends on our people.

In an increasingly competitive world, we need to position ourselves as an attractive employer and offer optimal conditions for the recruitment, development and retention of talent. Galp follows an integrated lifecycle approach to managing talent, focused on recruitment, onboarding, performance management, development, rewards and recognition, learning and training, mobility, the organisational climate and the Company's values.

We support opportunities for career development

Attracting new generations of professionals

We engage and attract young talent through our graduate programme, Generation Galp, which identifies and develops promising new professionals, simultaneously reinforcing Galp's connection with the academic world. The graduate programme fosters diversity within the Company and brings in new perspectives from young professionals, supported by networking opportunities and a follow-up plan to make sure trainees understand Galp's business and reality. Recently, we have been improving the programme to offer its participants with an opportunity to play a more active role in their journey at Galp and to share their experiences with former participants, as well as to learn from them.



Involving people in career development

In 2018, Galp introduced "People Days" dedicated to reflection and debate on our people's performance and potential. As an outcome of this discussion, Personal Development Plans (PDP) emerge, aligned with the learning and training plans and with initiatives proposed by the employees themselves during the performance assessment process.

The actions arising from People Days may include not only conventional training, but also short-, medium- or long-term career mobility, project nominations, mentoring programmes and initiatives as part of the reward plans.



Promoting transparency and clarity on People development

Galp defined a new role management model known as the Job Family Model (JFM), which will be applied from 2019. This model groups functions into families and subfamilies that share common characteristics. We are moving from an organisational approach based on very detailed and segmented functional levels into a more agile, simplified, adaptable and interdepartmental methodology.

Our JFM provides a global vision of the Organisation, as well as a better overview of the development possibilities. As such, each person can better explore personal development opportunities, become an expert in their own knowledge area, assume other responsibilities or be involved in cross-company projects or initiatives.



Our people learn from new challenges and different experiences

A new strategy for learning

The new learning strategy is based on a 70/20/10 model (Do, Share, Know) which establishes different types of learning, with different approaches tailored to the learning topic. Our training programmes are developed, structured and managed according to their scope and purpose, including strategic, leadership and management, transversal, functional and technical, personalised, tactics and refresher training.

The learning programmes have an impact on the employees' career and business behaviour, which can be assessed in terms of its return on investment in human capital. In 2018, we invested c. €4 m in 116,220 hours of training.

Investing in a healthy mind

Galp is aware of the importance of a healthy mind and environment. Therefore, we have been running a meditation programme that promotes the full use of the mind through face-to-face sessions and an online practice period. This programme aims to lay the foundations for autonomous practice mindfulness meditation by Galp's People, cultivating a habit of healthy living. In its second year, Mindfulness has already reached more than 500 people from the Organisation in Portugal and Spain.

Developing skills through experiential learning

We believe that experience plays a relevant role in the learning processes. In this sense, we provide training opportunities based on experiential learning methods, not only focused on the development of soft skills, but also in specific programmes where experience can drive the development of technical skills.

In one of our ongoing projects, we are developing and testing an initiative focused on change management, which aims to develop communication inside the work team and improve individual and team effectiveness. During this programme, the participants learn to identify critical

success factors for change and how to empower leadership, improving the team dynamics to create a more collaborative and effective way of working.

With this same learning concept, and based on the principles of martial arts (mind and body), we have also developed a transformational path for Galp's sales professionals, negotiators and contract managers. This programme is called Samurai G and aims to improve negotiation skills, with a focus on the negotiation capacity of a specific group at Galp (60 people).

Providing new technology outlooks

Galp is one of the founding members of the Singularity University Portugal, a local chapter of the SingularityU project. This initiative aims to promote tailored programmes on various technological domains, reflecting on how they interconnect with the various business sectors as part of a forward-looking vision.

As a founding partner, Galp has the ambition to promote and inspire innovation, and help national leaders and entrepreneurs to interconnect valid concepts and emerging technologies, in order to address the major global challenges society is facing. In 2018, this initiative already included 60 participants in a two-day summit and a workshop.

Different people, equal opportunities

At Galp, our values are guided by the principles of diversity and equal opportunities, total opposition to any discrimination, and the promotion of a culture of social integration.

We are opposed to any form of discrimination, whether based on gender, nationality, ethnicity, religion or sexual orientation. As at 31 December 2018, Galp had 6,360 employees made up of people from 50 different nationalities.

Professional category	Total	Age distribution			Distribution by gender		Distribution by nationality	
		< 30 years	30-50 years	> 50 years	Female	Male	Portuguese	Other nationalities
Top managers	47	0	22	25	7	40	36	11
First line managers	178	0	93	85	42	136	157	21
Middle managers	453	4	285	164	163	290	373	80
Specialists	1,918	209	1,254	455	737	1,181	1,285	633
Other	3,764	430	2,550	784	1,720	2,044	1,603	2,161
Total	6,360	643	4,204	1,513	2,669	3,691	3,454	2,906

We have been a member of the Business Forum for Gender Equality (IGEN), an initiative of the Portuguese Commission for Equality in Labour and Employment (CITE). In 2018, we created a permanent group to analyse and take action on diversity matters, responsible for the discussion, definition and implementation of best practice in this area. We want to promote equality, inclusion and the well-being of all those who work in the company, with gender balance being one of the main concerns and a cornerstone of the People Management policies. The Gender Equality@Galp: Equality Means Business programme performed an initial diagnosis and defined an action and communications plan. The main issues discussed and identified were career development and rewards structure, as well as work-life balance. The implementation of the plan has already begun, and will continue throughout 2019.

We promote gender equality by expressing our commitment to the implementation of the United Nations' seven Women's Empowerment Principles. Galp also promotes gender equality and the creation of professional opportunities for young women by supporting programmes such as Girls Move. In 2018, we received two young Mozambicans under this partnership, which aims to improve the lives of these girls through education and healthcare and to creating more opportunities for them to have a multiplying positive effect on society.

Involving our stakeholders

Involving our supply chain

At Galp, we continuously monitor the performance of our suppliers, service providers and other business partners. We require their business practices to be aligned with best practice, and have established several sustainability components.

Galp's activities generate thousands of direct and indirect jobs worldwide. This requires a range of environmental, economic and social impact concerns to be addressed by Galp when dealing with its contactors and suppliers, through its commitments and sustainable procurement initiatives.

The relationship between Galp and its suppliers is based on the principles of respect for Human Rights and working conditions, transparency and integrity, and assumes quality as a critical success factor alongside the protection of people, the environment and assets.

At Galp, we see our suppliers as business partners, given their importance to our business. This partnership is governed not only by compliance with commercial and technical conditions, but also by compliance with the provisions of our Code of Ethics and Conduct and the related normative documents, as well as compliance with current legislation in the countries in which the suppliers operate, for the purpose of creating shared value in a sustainable manner.



3,277
Suppliers



595
Tier 1 critical
supplier*



57%
of tier 1 critical
suppliers*
certified



24
Audits of tier 1
suppliers



52
Average days
for payments
to suppliers

* Critical suppliers are: High billing volumes suppliers (> €100,000); non-substitutable suppliers; suppliers of goods or services whose failure to supply or to continue operating could affect Galp group's activities, in areas such as compliance and the safety of people, environment and assets

1. Establishing key principles for suppliers

Our Purchasing Policy states that we work with our suppliers to ensure the protection of the interests of both parties on the basis of clear and fairly negotiated contractual conditions. This relationship is founded on four key principles:

- Respect for Human Rights and Working Conditions;
- Acting with transparency and integrity;
- Quality as a critical success factor; and
- Protection of the environment, people and assets.

Accordingly, the Company does not establish or maintain relationships with suppliers who are not aligned with the above principles, and adopts appropriate measures in cases where the ethical and professional conduct or the sustainability requirements of suppliers are in any doubt.

2. Monitoring responsible practices among suppliers

At Galp, we use Achilles and Supply4Galp, as well as supplier audits, to monitor and manage risks related to our suppliers. The Supply4Galp platform integrates all information related to supply chain and procurement management, covering the entire procurement cycle. Achilles, an internationally recognised system, identifies, qualifies, assesses and generates information about suppliers for buyers, drawn from the largest organisations in the world. Using this methodology, we assess our most critical suppliers in terms of their sustainability risk:

Risk level	2016	2017	2018
Above the average risk classification	152	200	111
Within the average risk classification	208	215	212
Below the average risk classification	32	99	40

We also ensure that our suppliers hold the appropriate environment, safety and quality certifications to ensure their commitment. We require the key certifications shown in the table below:

International standard	2016	2017	2018
ISO 9001	2,098	2,938	2,791
ISO 14001	908	1,305	1,474
OHSAS 18001	633	1,261	1,330
Other certifications	26	581	760

3. Promoting sustainable procurement

To promote the full alignment of our contractors and suppliers with our code of ethics and conduct, we promote knowledge sharing sessions focused on ethics and sustainability. These training sessions are provided for two groups of suppliers: construction suppliers, who may have large projects at our refineries, and materials suppliers. The main goal is to raise awareness and reinforce their relationship with Galp. In 2019, we intend to continue these sessions, since the feedback has been very positive.

Involving the communities in which we operate

The communities and the environment surrounding our operations in the 11 countries in which we operate are of the utmost importance to us. We play an influential role in local sustainable development, promoting well-being through social projects, primarily promoting access to energy and education.

Galp has identified these causes by taking into account three strategic areas which resulted in community initiatives, such as:



Sustainable Energy
Promoting community prosperity and environmental protection through energy



Social Development
Embracing the causes of local communities in partnership







Education and Knowledge
Being a positive influence for a sustainable society

Likewise, community initiatives must take into account the following criteria:



Among the projects that have an impact on the development of surrounding communities, we highlight the following four projects:

 PROJECT	 PARTNERS	 OBJECTIVE	 IMPACT
Bissau Home Sustainable Energy Development Project Fumukaba	Galp Foundation, UCCLA (Union of the Portuguese Speaking Capital Cities), European Europe, Petromar and the City Hall of Bissau.	Encourage the abandonment of biomass and charcoal burning in rudimentary stoves in favour of simple, comfortable and low cost solutions that facilitate the transition to the use of modern energy sources such as Butane Gas.	Expected Reach 25,000 families in Guinea-Bissau Region; Avoid deforestation of 100 thousand hectares and the emission of 530 thousand t CO ₂ .
Energiza	FUNAE, Galp Foundation and Galp Mozambique	Develop communities in the provinces of Maputo, Sofala, Manica and Cabo Delgado, in Mozambique, through the electrification of 125 infrastructures from solar panels, allowing access to energy.	2018: 5,918 Mozambicans positively affected; C. 50,000 kWh of renewable energy generation.
Mission UP Power UP Switch UP	ADENE Portuguese Ministry of Education	Promote the change of behaviours related to energy, through a more efficient consumption, having as target the Portuguese students, aparents and teachers.	Since 2010: The educacional projects covered more than 1 million students and 120 thousand teachers, from the 1st to the 12 th year (6-18 years) and over 3,500 energy classes were taught.
Galp Prosperity Challenge	IES - Social Business School	Stimulate a true innovation and social entrepreneurship culture at Galp, from the idea stage to the project implementation, through a pilot programme.	57 participants from Galp; 6 social organisations: 2 major themes: social responsibility at Galp and helping third sector companies to solve real problems in their organisations.

In S. Tomé and Príncipe, we entered into a commitment with the State of S. Tomé and Príncipe to undertake social projects, as well as funding specialised training sessions for the citizens of the country.

In 2018, we entered into a project for the renewal of the school situated in Vila da Madalena and the construction of a sports centre, in partnership with the Oil National Agency of Sao Tome and Principe. The implementation will occur in 2019.

We also perform corporate social responsibility actions through Galp Voluntária, which includes an annual time bank for employee volunteering. We highlight the Terra de Esperança movement, a partnership between the Galp Foundation and the National Association of Forestry, Agriculture and Environment Companies (ANEFA) to reforest areas that were affected by the forest fires in Portugal, through Galp's donation of 500,000 trees of native species to the association.

We measure the scope of our social initiatives

Ensuring full transparency, Galp assesses the social impact of its projects, monitoring its returns in terms of benefits to the community. We have been members of the London Benchmarking Group since 2012.

	2018 (€k)
Motivation	
Charitable gift	94
Community investment	18,074
Commercial initiatives in the community	801
Global breakdown	
South America	14,666
Europe	3,478
Middle East and Africa	826
Subject Focus	
Education	16,573
Health	79
Economic Development	2
Environment	927
Arts/Culture	416
Social welfare	947
Emergency relief	0
Other	28
Total (without management costs)	18,970
Total with management costs	19,397

Minimising environmental impacts

We promote reductions in water consumption and increased water reuse



15%

of water recovery
in all the activities



100%

of Galp's operations
whose water use risk
is monitored



4%

of Galp's facilities located
in areas of water scarcity

Galp's HSE Policy supports the corporate strategy by adopting the best available technologies and the use of resources in an eco-efficient manner for our operations. In addition, Galp integrates the specific requirements of HSE&S, such as water management, throughout the project lifecycle to ensure that water risk assessments inform the criteria for decision-making. The water assessment methods used are in line with international best practice.

We are working to reduce water consumption and improve water treatment

Our refineries consume 88% of the water used in all our operations. We have set performance targets to reduce water consumption and increase reuse at our refineries. In recent years, we have made efforts to adopt water and wastewater efficiency measures to reduce water consumption, increase water reuse and recycle and improve the wastewater treatment, reducing the discharges.

Every year we define targets and goals which are integral to our Environmental Management Systems, and our commitment is embedded in management contracts and the performance evaluations of our people. Since 2014, we have achieved a 4% reduction in raw water consumption as processed feedstock in our refining units.

Galp has continued to invest in new effluent treatment equipment, and in 2018 we invested €359 k in achieving greater efficiency and improving the quality of effluents, which are monitored periodically. This also enables an increase in the amount of water reused/recycled to 1,592,585 m³, 18% of the water consumption at our refineries.

Thus, at a local level Galp has implemented tools to track the impact of effluents, including monitoring ground water quality via piezometer networks. Galp also has internal and external audits to ensure compliance.

We have updated our assessment of water risks

We periodically update the mapping of risks associated with the use of water in 100% of our operations. This mapping is performed using the Global Water Tool for Oil & Gas (GWT) - developed by IPIECA in collaboration with WBCSD.

According to mapping, only 4% of our operations are located in water resource-poor areas. These areas represent only 0.14% of Galp's total water consumption.

We are actively engaged with stakeholders

Galp participated in the “Integrated Water Approach and Urban Reuse” project, developed by an IMPEL Working Group (European Union Network for the Implementation and Enforcement of the Environmental Law). The aim was to share refinery practices relating to water consumption, water reuse and wastewater treatment with the European regulatory entities, and to develop a best practice guide for water management which complies with the industrial emissions directive and the water framework directive.

We protect habitats and species impacted by our activities

At Galp, we care about the preservation of biodiversity and ecosystems, participating in programmes for the protection and recovery of species and habitats in the areas in which we develop our projects. We evaluate our impact on natural resources, particularly in protected and sensitive areas, or those that are prone to water scarcity.



At Galp, we are dedicated to safeguarding biodiversity and ecosystem services in all geographies in which we operate, and to ensure its preservation over the entire lifecycle of our projects. This takes on particular significance given the expansion of our activities.

Over the years, we have developed procedures to strengthen our commitment to minimising the impact of our activities on biodiversity and ecosystem services. These include internal guides to integrating biodiversity into environmental and social impact assessments (ESIAs) and to identifying and implementing suitable solutions to the management of upstream activities in areas with high biodiversity. These procedures are aligned with international and national law, such as the IMO, IOGP and IPIECA.

As part of our E&P activities, we factor biodiversity issues into upstream project decision-making.

Likewise, we have identified the risks and impacts through an annual update to the map of biodiversity protection and conservation areas around our facilities, applying the Integrated Biodiversity Assessment Tool (IBAT). In 2018, 100% of our operations (73 sites) were examined under this system. We considered the most important areas in terms of biodiversity conservation, such as areas protected by the International Union for the Conservation of Nature (IUCN), and UNESCO World Heritage sites.

Because we believe that quantifying impacts and dependencies makes it easier to reduce negative impacts and leverage positive ones, we introduced into our analysis the approach set out under the Natural Capital Protocol in order to measure the economic value of environmental impacts and reflect the value added to society. To help us to fulfil this commitment, we also work with external partners to protect people, the environment and assets.

S. Tomé and Príncipe

The Company’s exploration portfolio in S. Tomé and Príncipe was subject to an environmental impact study which identified mitigation measures for some potential impacts. To maximise the protection of biodiversity, vessel activity was adapted with the involvement of eight marine fauna observers accredited by the Joint Nature Conservation Committee (JNCC) and the Bureau of Safety and Environmental Enforcement (BSEE).

In S. Tomé and Príncipe, as the operator of one of the blocks in which we are present, we share data on species observations with international environmental organisations.



16,050 km²
Monitored area



8 Months
of monitoring



307 Groups
of marine mammals or turtles



12
Different species identified

Namibia

In 2018, the exploration portfolio in Namibia was subject to a marine seismic survey and a health, safety and the environment audit, with no serious incidents reported. To ensure the maximum protection of biodiversity, specialists have carried out continuous monitoring of marine mammals. As part of engaging with our stakeholders and seeking to be transparent in all our projects, we supported local merchants and disclosed relevant information about the project to local fishing companies that operate within our zones of operations.

Oceantech project

Galp is a partner of the Oceantech project, an operations management system based on the use of smart robotic vehicles to explore the sea around Portugal. Oceantech aims to develop a versatile passive acoustic monitoring system for marine biodiversity, positioning Portugal to take advantage of the growth in the so-called “blue economy” by exploring global opportunities.



Continuing to improve our environmental performance

Galp periodically monitors and reports the environmental impacts and risks of our operations in all of the geographies. In order to promote continuous improvement, we set targets and goals and set-up follow-up plans.

	2015	2016	2017	2018	Refining ¹
Direct energy consumption per primary source (TJ)	49,286	45,712	49,815	41,688	97%
Purchase of electric energy (TJ)	2,008	1,728	1,911	1,771	87%
Total consumption of raw water (10 ³ m ³)	10,535	10,176	10,812	10,319	88%
Wastewater produced (10 ³ m ³)	6,543	6,336	5,697	6,455	92%
Waste produced (ton)	25,434	27,215	30,115	44,203	87%
Number of primary containment losses discharged into the environment ²	8	4	3	8	
Volume of primary containment losses discharged into the environment (m ³) ²	99	5	5	14	
GHG emissions under EU-ETS (tonCO ₂ e)	3,496,077	3,424,131	3,578,168	3,216,219	
NO _x emissions (ton) (scope 1)	1,691	1,571	1,617	1,530	
SO ₂ emissions (ton) (scope 1)	6,008	5,233	5,664	3,957	
Particulate matter emissions (ton) (scope 1)	250	183	227	221	
Carbon Footprint – direct emissions (tonCO ₂ e) (scope 1)	3,766,626	3,759,931	3,624,706	3,264,935	
Carbon Footprint – indirect emissions (tonCO ₂ e) (scope 2)	273,458	171,950	228,035	133,516	
Gas Flaring – E&P (m ³)	967,854	783,168	1,109,485	1,191,924	

¹ The refining activity is the segment with the greatest materiality in the environmental performance of the company

² Includes containment losses >150L, excluding gaseous products

We put our people's safety in first place

At Galp, safety is a priority in all our projects. We aim to achieve zero accidents in our operations, so it is necessary to ensure that we all work safely.

We take care to act in accordance with safety best practice, making use of international guidelines and experts in the field, in order to protect our employees and service providers, as well as to preserve our assets and the surroundings in which we undertake our activities.

We re-evaluated Galp's safety culture

In 2018, we completed a new diagnosis of Galp's safety culture, which covered all employees. The methodology used was based on a survey of all employees, document analysis, expert visits and interviews, and the results were disclosed at the end of 2018.

Our ultimate goal is to achieve ZERO personal, material and environmental accidents with a significant impact.

The assessment was followed by the development of a strategic action plan to be implemented in the period 2018–2020. This will allow Galp to create and uphold an excellent safety culture. This strategic plan resulted in a corporate action plan and specific initiatives within organisational units. The implementation of these plans will begin in 2019 and they are structured across four key areas:

- I. Leadership commitment
- II. Physical environment
- III. Risk
- IV. Social context

As part of this action plan, some initiatives have begun to be implemented, including the adoption of the Life Saving Rules, the reinforcement of training activities related to safety leadership and the development of a reward-consequence system for all of our operations. The methodology chosen gives us the possibility to repeat the survey, based on the same assumptions, in the near future. This periodic assessment allows us to act to maintain high standards.

We share knowledge and experience

The communication of lessons learned plays a significant role in our safety strategy, promoting a culture of prevention, the appropriate management of change and emergency responses, and continuous improvements to operational procedures. Safety is continuously assessed through incident reporting and investigation, including near misses, risk assessments, safety and security audits.

Galp promotes training opportunities and sessions to share experiences as a way of spreading safety knowledge, improving safety performance and protecting our people and assets. In 2018, all employees with accident investigation and approval responsibilities received training in this subject, through 248 hours of specialized training, 360 people from across all Galp's geographies are now better prepared to carry out this job, in parallel we have registered an improvement in our incident investigation and approval processes.

As part of our annual safety forum, Galp promoted an interactive session to share safety and security experiences with its business partners. Several speakers from other oil and gas and chemicals companies participated in the session and shared safety best practice, recent trends, knowledge and possible strategies in this area, which is of paramount importance to Galp's overall safety practices.

We continuously monitor safety indicators

Lost-time injury

	2016		2017		2018	
	Number of accidents	Frequency Index	Number of accidents	Frequency Index	Number of accidents	Frequency Index
Employees	10	0.8	13	1.1	19	1.6
Contractors	8	0.8	4	0.4	16	1.3
Employees and contractors	18	0.8	17	0.8	35	1.5

Lost-time injury frequency by region

	2016			2017			2018		
	South America	Africa	Europe	South America	Africa	Europe	South America	Africa	Europe
Employees	0.0	0.8	0.8	0.0	0.0	1.3	0.0	0.9	1.8
Contractors	0.0	0.0	0.9	0.0	1.6	0.3	0.0	1.3	1.4
Employees and contractors	0.0	0.5	0.8	0.0	0.6	0.8	0.0	1.1	1.6

Total Recordable Injury Rate

	2016	2017	2018	Target for 2019
Total Recordable Injury Rate	2.3	1.7	3.0	1.7

Includes all personal accidents except first aid.

Although we have registered a not normal number of lost-time accidents in 2018 we are able to say that they are, mostly, the consequence of small impacts in stationary objects and slips, trips and fall that despite having forced some rest of the affected people did not give rise to incapacitating injuries.

Assuring the safety of our processes

At Galp, the safety of people, environment and assets is a critical goal, so we operate our facilities in order to reduce and minimise risk.

We monitor and analyse process safety issues arising at our facilities. We incorporate best practice into our operations, evaluate the effectiveness of prevention and safety management measures, and clearly identify any potential vulnerabilities in our assets and operations, in order to minimise the possibility of accidents. We complete this cycle by conducting audits of the Company's operations to verify the efficiency of the risk mitigation measures implemented.

Our process safety strategy has shown a positive trend, mainly in Tier 1, and we are continuing to work towards a lower rate of process safety events per million hours worked.

	2016	2017	2018	Target for 2019
Tier 1	0.17	0.23	0.09	0.09
Tier 2	0.39	0.47	0.30	0.30

Integrated Management System: Five dimensions in a single system

In 2018 we completed the DRIVER project, which had as its main objective the implementation of a management system (SIG) with an approach of full alignment with business processes and a cross-over application of the regulatory requirements.

The strategy for the design of the Integrated Management System was based on the Business Process Management methodology as a quality management tool. In this context, the Company's process model was developed and the concept of process lifecycle management was introduced in an end-to-end perspective, achieving a set of benefits:

- Unique and integrated vision of processes
- Standardization of processes lifecycle management methodologies
- Elimination of duplicate efforts with the aim of optimizing processes
- Sharing of experiences and good practices through the organization

We have developed and published the Reference of the Integrated Management System, having been certified in 2018 in five dimensions: Environment, Quality, Safety, Energy and Social Responsibility. Galp was the first energy company to obtain certification of this type in Portugal. SIG allows us to have an integrated and holistic overview of Galp's critical processes and promotes a uniform and consistent application of its regulatory requirements, as well as other commitments made to our stakeholders.

Through this integrated system, we ensure Galp's commitment with the quality of processes, services and products, protection of people, environment and assets, the energy efficiency of our operations and the well-being of the communities where we operate.

15 MANAGEMENT SYSTEMS



1 INTEGRATED MANAGEMENT SYSTEM



The integrated management system consolidates the previous 15 Management Systems into a single system and ensures alignment with best practices and international reference standards.

1,351	Actions
775	Actions arising from non-conformity
576	Actions arising from improvement opportunities



In 2018, with the end of the implementation of the SIG, 26 audits were carried out in the Environment, Quality, Safety, Energy and Social Responsibility dimensions, involving 23 internal auditors and 27 external auditors, with 330 identified, of which 102 were non-conformities and 228 improvement opportunities. Actions have been identified and are monitored. An implementation rate of 93% was achieved in 2018.

The integration of previous management systems led to a simplification of the systems management, despite the expansion of the number of facilities and activities covered. In this way, the total number of qualifications has decreased, given the synergies achieved. At the same time, the certification in Social Responsibility was achieved for the first time.

We continue to have the 3 accreditations (ISO / IEC 17025) of our Laboratories, ensuring the highest level of quality of our products. Complementary to the SIG there are still other certifications in companies of the Galp group in the areas of environment (3), quality (5) and safety (4).

5.

The Galp brand





5.1.

40 years of the Galp brand

In the current era of the ephemeral, immediate satisfaction and instant deadlines, the Galp brand, which was created exactly 40 years ago, was able to maintain its relevance because, in key moments, it was able to anticipate or respond to the trends of its time, transforming itself in order to respond to the challenges that history has put up.

The creation of the brand itself resulted from the need to humanise and give commercial coherence to the company resulting from the process that, in the years following the April 1974 revolution in Portugal, gave rise to Petrogal through the merger of the companies that had set up the entire oil sector: Sonap, Sacor, Cidla and Petrosul.

This is how, in 1978, the Galp brand was born.

By its genesis and position in the Portuguese market, the Brand stood as an important reference from the very beginning, with a dynamic and irreverent attitude, well reflected in the choice of the strong and extroverted colours it showed to the world, trying to shake off the difficult times that were being lived.

Throughout its history, instead of adopting a reactive stance, the brand has always positioned itself as a vehicle for mobilising major societal movements, both in terms of behavioural changes, namely the adoption of more environmentally friendly practices, or in terms of more competitive energy sources.

The Brand's longevity - and of any brand - mainly depends on the ability of the company behind it to permanently provide the most relevant products and services to its customers lives and to value them, not only for what they are, but for what they represent - in this case, a more comfortable, easier, more efficient and productive life concept.

An essential factor in this path was that the Brand has always known how to keep coherence between what the company was, and how it as evolved, and the messages transmitted to society.



The firm steps of a great Brand

Since the introduction of the Brand, the market grew and Galp anticipated the new reality, attracting consumers and reducing distances.

With the overall market experiencing a strong expansion, and with the release of new brands, Galp began to tread a path of differentiation more than ever, including the way it communicated with its public, conquering territory and taking a prominent position in the market.

The communication strategy had a strong focus towards youngsters, a target audience that was quite unlikely at the time, but which began to get the Brand's attention in a movement that was innovative, disruptive and clearly an indicator of Galp's ability to anticipate scenarios and design its future positioning. An initial contact, an engagement and an acquaintance were projected, which would extend for future generations and would make the Galp brand one of the public's favourites.

In the early 90's, with a renewed awareness of the importance of the Brand and its perception by the public, Galp committed to creating a visual identity that was sustained and strategically aligned with Petrogal's industrial production and Galp's commercial offer.

So much so that, with the absorption of Gás de Portugal by Petrogal at the end of that decade, the name of the combined company did not reflect the name of any of the companies which it originated from. It was from the brand itself that the new company was founded. And that's how Galp Energia was born.

At the beginning of the new millennium, the Galp brand reinvents itself and embarks on a new path of approach to the consumer with a promise that goes far beyond the product, an emotional and intangible offer - your positive energy, which became the Brand's signature. Its consumers have this energy themselves and this positive attitude towards life.



On the road to globalisation

In 2006, there was a key event in the Group's future: the reconfiguration of the shareholding structure and the listing in the stock market the following year. In the following years, Galp strengthened its international dimension and became globalised by its large-scale investment in the E&P business, namely after the discovery of the Tupi field (currently called the Lula field) in the Brazilian pre-salt, which was one of the world's largest oil discoveries in the last 40 years.

Galp also participated in one of the largest natural gas discoveries in the world in the last decades in the Rovuma basin in Mozambique, in 2011, which instilled greater dynamism and significance to the Brand at an international level.

Prior to 2008, the Brand expanded to Africa, with the purchase of the Shell network, and reinforced its presence in Spain, with the acquisition of the Iberian networks of ExxonMobil and Agip. The refining system itself was also reconfigured to approach the world in a more global perspective, with investments of an unprecedented scale in the Portuguese industry.

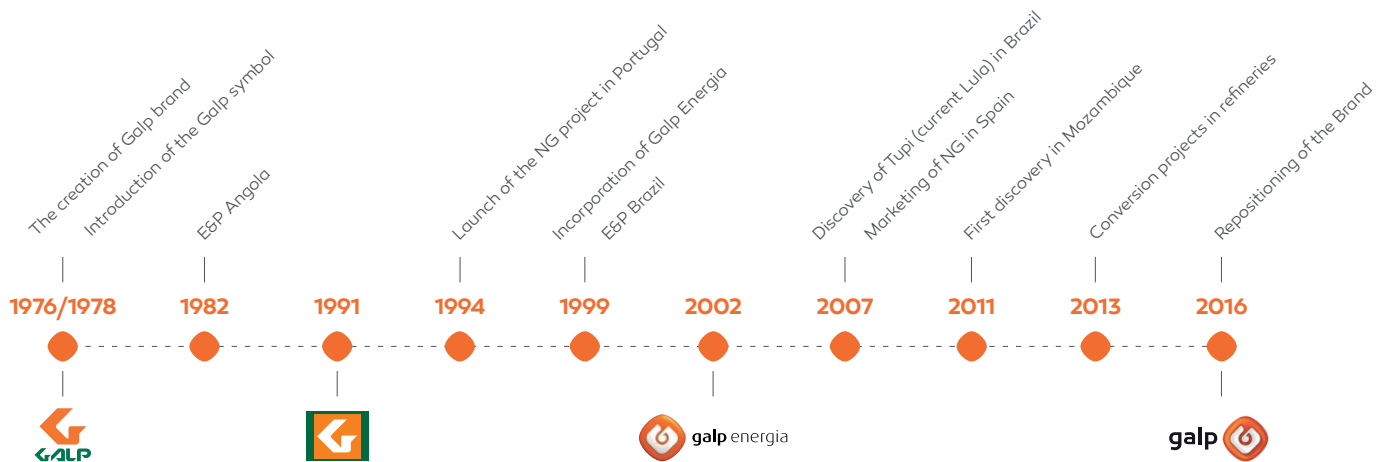
The initial strategic reinforcement was followed by a new dynamism, with a new focus on the client. This was substantiated in the first combined gas and electricity supply for domestic consumers, GalpOn, where the Company became the only player in the market to provide a tri-fuel offer from 2012.

The world is changing, it is global and dynamic. Every person is aware of their responsibility in building something bigger. Galp has changed, it is also global and dynamic and lives on the awareness of the importance of this energy combination. There is a search for harmony between the Brand and the world that surrounds it.

In 2016, the "Positive energy" signature gave place to "Energy creates energy", thus aligning Galp's image with its target audience, now in 11 countries on four continents.

Galp has consolidated itself as an international integrated energy operator, present in the exploration, transformation and supply of energy resources and services.

The Brand repositions itself to take on the ambition and challenges of being a global Brand with a mission - creating energy - and with it, positively influencing the world that surrounds each and every one of us, filling everything that we do with more energy, in a sustainable and innovative way that generates well-being.



Shape the future

The memory of these 40 years of the Brand's history is, above all, significant for showing us its ability to anticipate major global movements, which is particularly important at a time when the world is once again facing a paradigm shift in the ways we produce and consume energy - and how, as a species and as individuals, we relate to the Planet we momentarily live in.

The urgency and depth of the behavioural changes that we will have to operate in society in order to be successful in fighting climate change, as well as the instrumental role of energy companies - and the strength of their brands - in this process, confronts us with the greatest responsibility we have taken on throughout our history.

As a company, we fully take on this responsibility in the scenarios we draw, in the strategies we outline and in the projects we have developed and where we invest in to provide our partners, stakeholders, clients and the society in general with the ability to transition to more sustainable behaviours.

The Galp brand is once again undergoing a period of repositioning in the face of this new framework, with a clear challenge for the next 40 years, which, rather than changing the company, is to generate the energy needed to accelerate the change of an entire society.

A National Brand with worldwide expression

The Galp's presence in the world is also ensured by its participation in local brand management.



Portugal
Spain
Mozambique
Brazil
Kingdom of Eswatini



Angola



Cape Verde



Guinea-Bissau



Reputation and brand - two sides of the same coin

In order to build and manage brands that claim to have a good reputation in the market, it is necessary to identify the main advantages and attributes for clients and consumers, and to identify the functional and emotional benefits that sustain it and that serve as pillars for creating and developing differentiation and loyalty among clients and consumers in the long term.

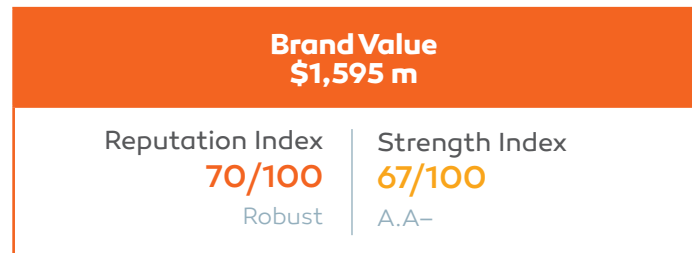
In this sense, Galp assesses and studies its brand reputation in all the countries it has commercial operations in, from Upstream to Downstream. This study is carried out every year by an independent Brand reputation and strength firm that ranks brands in the most diverse sectors in order of importance. Thus, this study translates into a financial assessment of every audited brand.

Currently, in the specific case of Portugal, Galp not only heads the reputation rank of all the brands listed on the PSI-20 index, but it also leads the Energy & Utilities category, being defined as a robust brand in terms of its reputation value in both categories.

This model qualitatively and quantitatively interprets the emotional and rational dimensions. At the emotional level, variables such as admiration, significance, trust, preference and recommendation are analysed. In turn, at the rational level, products and services, innovation and differentiation, work environment and well-being, citizenship and social responsibility, governance and ethics, leadership and vision and business and financial performance are analysed.

This brand strength complements the robustness of the company’s operational results, and consolidates in a very coherent way the position and the paths that have been selected to confirm Galp as an innovative, credible Brand that follows a path of being increasingly closer to its clients, with the clear goal of becoming increasingly more relevant, more beneficial to society and also sustainable, in terms of its operating model, which will enable it to strengthen and consolidate the leadership of the Brand’s reputation.

The financial reputation assessment is supported by an acknowledged international methodology based on two analysis sources: the company’s financial information and the evolution of several qualitative and quantitative reputation indicators ascertained throughout the year with a representative basis of society. Based on this analysis and methodology, Galp is the second most reputable brand in Portugal, with an estimated Brand Equity value of \$1,595 m.



Source: OnStrategy Brand Equity Report 2018

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6.

Financial performance

A modern, bright kitchen and dining area. The kitchen features white cabinetry, a stainless steel range hood, and a countertop with various items. A wooden dining table with white legs is set with a white mug, a bowl of fruit, and a plate. Several wooden chairs with woven seats are around the table. In the foreground, a blue rocking horse sits on a wooden floor. The word "Intelligence" is overlaid in large orange letters across the center of the image.

Intelligence

Intelligence



6.1.

2018 highlights

- Cash flow from operations (CFFO) of €1,594 m, with the increasing contribution from the upstream business partially offset by a weaker refining environment and a €230 m working capital build.
- Free cash flow (FCF) reached €619 m during 2018, up 11% YoY, and was €142 m after dividends.
- RCA Ebitda up 24% YoY to €2,218 m, reflecting a 15% WI production growth and higher oil and natural gas prices, and despite lower refining margins and a higher concentration of planned maintenance.
- Capex was €899 m, including payments for E&P acquisitions in Brazil.
- At the end of the year, net debt was €1,737 m, with net debt to Ebitda RCA of 0.8x.

From January 1, 2019, Galp will be implementing the IFRS 16 accounting standard. For additional information, please refer to section 3.4 of the Consolidated Accounts.

Ebitda and Ebit by business segment in 2018 (€m)

	IFRS Ebitda	Inventory effect	RC Ebitda	Non-recurring items	RCA Ebitda
Total	2,311	(65)	2,245	(28)	2,218
E&P	1,440	-	1,440	-	1,440
R&M	687	(50)	637	(28)	610
G&P	152	(15)	137	-	137
Others	31	-	31	-	31

	IFRS Ebit	Inventory effect	RC Ebit	Non-recurring items	RCA Ebit
Total	1,629	(65)	1,564	(46)	1,518
E&P	1,128	-	1,128	(19)	1,109
R&M	343	(50)	293	(28)	265
G&P	132	(15)	116	-	116
Others	27	-	27	-	27

6.2.

Business performance

Exploration & Production

RCA Ebitda amounted to €1,440 m, up €590 m YoY, benefiting from the higher commodity prices and production increase.

Production costs increased €26 m YoY to €268 m, as a result of a higher number of production areas operating in Brazil and Angola, and considering maintenance activities in 2018. In unit terms, and on a net entitlement basis, production costs were stable at \$8.2/boe, as the higher production dilution offset increased costs.

RCA amortisation, depreciation charges and abandonment provisions amounted to €331 m, down €38 m YoY, benefiting from the lower BRL:EUR and from reversions of abandonment provisions in block 14/14k in Angola. On a net entitlement basis, unit depreciation charges were \$10.1/boe, down \$2.4/boe YoY.

RCA Ebit was €1,109 m, up €628 m YoY.

Refining & Marketing

RCA Ebitda decreased €165 m YoY to €610 m, mainly due to the lower contribution from the refining activity.

Galp's refining margin stood at \$5.0/boe, compared to \$5.8/boe the previous year, mainly due to a lower gasoline crack as well as fuel oil trading at a higher discount to Brent.

Refining costs were €219 m, up €46 m YoY, mainly due to a higher maintenance activity in both refineries,

including maintenance in the HC and FCC units. In unit terms, refining costs were \$2.6/boe.

Refining margin hedging operations contributed with €21 m during the period, compared to a loss of €24 m in the previous year.

The marketing activity maintained its positive contribution to results.

RCA Ebit was €265 m and IFRS Ebit decreased to €343 m. The inventory effect was €50 m.

Non-recurring items of €28 m were mainly related to a litigation compensation inflow.

Gas & Power

RCA Ebitda was €137 m YoY, up €5 m YoY, supported by a higher contribution from the power business, benefiting from the lag between natural gas purchase and electricity sales price.

RCA Ebitda for the Supply & Trading activity decreased €3 m YoY to €91 m, impacted by a decrease in LNG cargoes and by a lower contribution from the sales to direct clients.

RCA Ebit was €116 m, while IFRS Ebit was €132 m.

RCA results from associated companies stood at €93 m, of which €30 m related to GGND.

6.3.

Consolidated income

Consolidated income (€m, RCA except otherwise noted)

	2017	2018	Var.	% Var.
Turnover	15,202	17,182	1,980	13%
Costs of goods sold	(11,494)	(12,828)	1,334	12%
Supply & Services	(1,613)	(1,780)	167	10%
Personnel costs	(317)	(317)	(0)	(0%)
Other operating revenues (expenses)	24	(24)	(48)	n.m.
Impairments on accounts receivable	(15)	(14)	(1)	(6%)
RCA Ebitda	1,786	2,218	432	24%
IFRS Ebitda	1,898	2,311	413	22%
Depreciation, Amortisation and Impairments	(746)	(709)	(37)	(5%)
Provisions	(7)	9	17	n.m.
RCA Ebit	1,032	1,518	486	47%
IFRS Ebit	1,114	1,629	516	46%
Net income from associates	150	137	(13)	(8%)
Financial results	(34)	(70)	(36)	n.m.
Net interests	(74)	(41)	33	45%
Capitalised interests	77	49	(29)	(37%)
Exchange gain (loss)	(18)	(31)	(13)	(71%)
Mark-to-market of hedging derivatives	(0)	(28)	(28)	n.m.
Other financial costs/income	(19)	(19)	0	0%
RCA net income before taxes and non-controlling interests	1,147	1,585	438	38%
Taxes ¹	(483)	(726)	244	50%
Non-recurring interests	(88)	(151)	63	72%
RCA net income attributable to the shareholders of Galp Energia, SGPS, S.A.	577	707	131	23%
Non-recurrent items	(76)	(31)	45	59%
RC net income attributable to the shareholders of Galp Energia, SGPS, S.A.	501	676	175	35%
Inventory effect	96	64	(32)	(33%)
IFRS net income attributable to the shareholders of Galp Energia, SGPS, S.A.	597	741	143	24%

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

RCA Ebitda increased 24% YoY to €2,218 m, driven by a stronger upstream performance, following increased production and average sale prices.

RCA Ebit reached €1,518 m, up €486m YoY, while IFRS Ebit increased to €1,629 m.

RCA results from associated companies decreased to €137 m.

RCA financial results of -€70 m were impacted by the mark-to-market of derivatives and FX effects. It is also worth highlighting the decrease in net interests following the reduction in the average cost of funding during the period.

RCA taxes increased €244 m YoY to €726 m, mainly due to higher taxes related to the production of oil and natural gas.

Non-controlling interests of €151 m were mainly attributable to Sinopec's 30% stake in Petrogal Brasil.

RCA net income reached €707 m, while IFRS net income was €741 m.

The Portuguese Extraordinary Energy Sector Contribution (CESE) had a negative impact on IFRS results of around €52 m. This provision related to CESE results from the strict applicability of accounting standards. However, in Galp's opinion, based on the opinion of renowned legal experts, the laws regarding these contributions have no legal grounds and, accordingly, such amounts are not due.

Non-recurring items (€m)

	2017	2018
Non-recurring items impacting Ebitda	4.0	(27.8)
Accidents caused by natural events and insurance compensation	(2.9)	-
Gains/losses on disposal of assets	(1.1)	-
Asset write-offs	0.6	-
Employee restructuring charges	3.1	3.6
Litigation costs (revenues)	4.3	(31.4)
Non-recurring items impacting non-cash costs	30.1	(18.6)
Provisions for environmental charges and others	14.4	-
Asset impairments	15.6	(18.6)
Non-recurring items impacting financial results	(16.2)	7.9
Gains/losses on financial investments ¹	(13.4)	7.9
Impairment of financial investments	(2.8)	-
Non-recurring items impacting taxes	57.3	69.4
Income taxes on non-recurring items	(6.7)	9.0
Energy sector contribution taxes	64.1	60.4
Non-controlling interests	0.4	(0.1)
Total non-recurring items	75.6	30.9

¹ Includes CESE impact on GGND.

6.4.

Capital expenditure

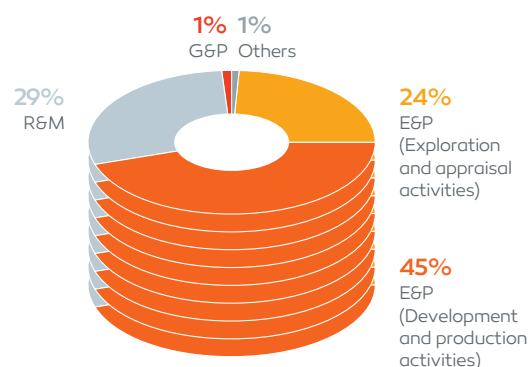
During 2018, capex totalled €899 m, including payments within the E&P business related with the signing bonuses of Uirapuru and C-M-791 licences as well as with the acquisition of a further 3% stake in block BM-S-8.

E&P accounted for c.70% of capex, of which development and production activities accounted for 65%, mostly allocated to the Lula project development in Brazil and to block 32 in Angola. It is also worth highlighting the increased investment in the Coral South FLNG development, in Mozambique.

Capex in exploration and appraisal activities was mainly related with the acquisition of new acreage through Brazilian bid rounds and with the increased stake in block BM-S-8.

Investment in downstream activities (R&M and G&P) reached €267 m and was mostly allocated to refining maintenance, the \$1/boe initiatives as well as to the renewal of the retail network.

Capital expenditure by segment (%)



6.5.

Cash flow

Cash flow – Indirect method (€m, IFRS)

	2017	2018
Ebit	1,114	1,629
Depreciation, Amortisation and Impairments	762	691
Corporate income taxes and oil and gas production taxes	(373)	(613)
Dividends from associates	134	118
Change in working capital	(72)	(230)
Cash flow from operations	1,565	1,594
Net financial expenses	(75)	(63)
Net capex	(925)	(896)
Dividends paid to non-controlling interests	(9)	(16)
Free cash flow	555	619
Dividends paid to shareholders	(414)	(477)
Post-dividend free cash flow	142	142
Others ¹	(158)	7
Change in net debt	16	(149)

¹ Includes CTAs (Cumulative Translation Adjustment) and partial reimbursement of the loan granted to Sinopec of €52 m during 2018.

CFFO stood at €1,594 m, with the increasing contribution from the upstream business partially offset by a weaker downstream refining environment and a €230 m working capital build.

The full year post-dividend FCF reached €142 m, considering a net capex of €896 m and dividends paid during the year.

Cash flow – Direct method (€m, IFRS)

	2017	2018
Cash and equivalents at the beginning of the period¹	923	1,096
Received from customers	17,646	19,450
Paid to suppliers	(11,046)	(12,301)
Staff related costs	(344)	(327)
Dividends from associates	134	118
Taxes on oil products (ISP)	(2,825)	(2,706)
VAT, Royalties, PIS, Cofins, Others	(1,718)	(2,026)
Corporate income taxes and oil and gas production taxes	(373)	(613)
Cash flow from operations	1,474	1,594
Net capex	(914)	(896)
Net Financial Expenses	(102)	(63)
Dividends paid	(423)	(493)
Post-dividend free cash flow	35	142
Net new loans	183	232
Sinopec loan reimbursement	90	52
FX changes on cash and equivalents	(135)	(17)
Cash and equivalents at the end of the period¹	1,096	1,504

¹ Cash and equivalents differ from the Balance Sheet amounts due to IAS 7 classification rules. The difference refers to overdrafts which are considered as debt in the Balance Sheet and as a deduction to cash in the Cash Flow Statement.

6.6.

Financial position

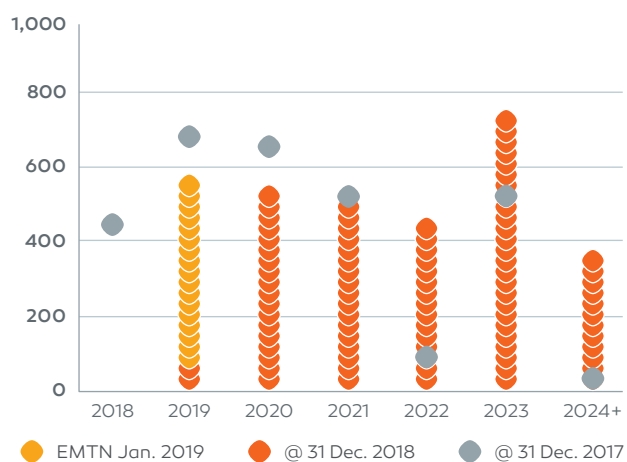
Consolidated financial position (€m)

	Dec. 31, 2017	Dec. 31, 2018	Var.
Net fixed assets	7,231	7,340	109
Working capital	584	814	230
Loan to Sinopec	459	176	(283)
Other assets (liabilities)	(609)	(546)	63
Capital employed	7,665	7,784	118
Short term debt	551	559	8
Medium-long term debt	2,532	2,686	154
Total debt	3,083	3,245	162
Cash and equivalents	1,197	1,508	311
Net debt	1,886	1,737	(149)
Total equity	5,779	6,047	268
Total equity and net debt	7,665	7,784	118
Net debt to RCA Ebitda	1.1x	0.8x	-

On December 31, 2018 net fixed assets were €7,340 m, up €109 m YoY, with net capex more than offsetting DD&A. Work-in-progress, mainly related to the E&P business, stood at €2,253 m at the end of the year.

Capital employed increased YoY to €7,784 m, reflecting the evolution of net fixed assets and working capital, with a ROACE of 12.6%.

Debt reimbursement profile (€m)



On December 31, 2018 net debt was €1,737 m, down €149 m YoY. Net debt to RCA Ebitda stood at 0.8x.

During 2018, the average funding cost decreased to 2.5%, reflecting debt issuances and reimbursements during the year.

At the end of 2018, the average life of debt was 2.7 years and medium and long term debt accounted for 83% of total debt.

At the end of the period, Galp had unused credit lines of approximately €1.4 bn, of which 75% were contractually guaranteed.

During January 2019, Galp reimbursed its first Euro Medium Term Notes (EMTN) of €500 m, from its available cash position.

7.

Corporate Governance



FORWARD



This chapter on this report complies with article 245.º-A of the Portuguese Securities Code, and Governance Code model as established by CMVM Regulation No. 4/2013 on Corporate Governance, which is available online at the CMVM website: www.cmvm.pt/en/Legislacao/National_legislation/Regulamentos/Documents/Reg4_2013.Governo.das.Sociedades.en.pdf

PART I

Information on the company's shareholding structure, organisation and corporate governance

A - Shareholding structure

I - Capital structure

1. Capital structure (share capital, number of shares, distribution of capital by shareholders, etc.), including an indication of any shares that are not admitted to trading, different classes of shares, rights and duties of the same, and the capital percentage that each class represents (Article 245(A)(1)(a) of the Securities Code).

Galp's share capital is €829,250,635.00, fully paid, and represented by 829,250,635 shares with a par value of €1.00 each.

771,171,121 shares, representing 93% of the share capital and voting rights, are ordinary shares listed on Euronext Lisbon.

The remaining 58,079,514 shares are indirectly held by the Portuguese state through Parpública and are not listed, representing 7% of Galp's share capital. These shares are undergoing a privatisation process, which, in accordance with the applicable privatization legal regime, must be sold in a regulated market, as they were not used for the reimbursement of the exchangeable bonds to which those shares were related to, according to the legal obligation imposed on Parpublica. These may become fungible with the other shares by means of a simple request to Galp, without requiring the need for approval from any of the Company's corporate bodies. No special rights are attached to this category of shares.

2. Restrictions on the transfer of shares, such as clauses on consent for disposal or limits on the ownership of shares (Article 245(A) (1) (b) of the Securities Code).

Galp shares are freely transferable under the terms of the applicable law, with no restrictions under the By-laws that may prevent their transferability or ownership.

3. Number of treasury shares, the percentage of share capital that these shares represent, and the corresponding percentage of voting rights that corresponded to these treasury shares (Article 245(A)(1) (a) of the Securities Code).

On 31 December 2018, Galp held no treasury shares or treasury bonds.

4. Important agreements to which the company is a party and that come into effect, are amended, or are terminated following events such as a change in the control of the company after a takeover bid, and the respective consequences, except where due to their nature the disclosure thereof would be seriously detrimental to the company. This exception does not apply where the company is specifically required to disclose such information pursuant to other legal requirements (Article 245(A) (1) (j) of the Securities Code).

Galp is not a party to any significant agreements that will take effect, be amended, or be terminated in the event of a change of the control of the Company. In accordance with normal market practice, certain financing agreements and bond issues include change of control provisions, with the possibility of the respective creditors/bond holders requesting early debt repayment up to an amount of €545 million.

Galp has not adopted any mechanisms that imply payments or the responsibility for costs in the event of a change of control or a change in the composition of the Board of Directors, which are likely to constrain the free transferability of the shares and the free appraisal of the performance of the members of the Board of Directors by the shareholders.

5. Any systems subject to the renewal or withdrawal of countermeasures, particularly those that provide for a restriction on the number of votes that are capable of being held or exercised by one shareholder individually or together with other shareholders.

The By-laws enshrine the “one share, one vote” principle, and there are no provisions or other legal instruments imposing any limitations on the number of votes that can be held or exercised by a single shareholder or by agreement with other shareholders.

Similarly, the By-laws do not contain any provisions preventing takeover bids or establishing voting caps.

6. Any shareholder agreements that the company is aware of and that may result in restrictions on the transfer of securities or voting rights (Article 245(A) (1) (g) of the Securities Code).

The Board of Directors is not aware of any shareholder agreements relating to Galp which could lead to restrictions on the transfer of securities or the exercise of voting rights.

II - Shareholding and bonds held

7. Details of the natural or legal persons who, directly or indirectly, are the holders of any qualifying holdings (Article 245(A) (1) (c) and (d) of the Securities Code), with details of the percentage of capital, votes attributed, and the sources and causes of attribution.

The shareholders and other entities must report to CMVM and to Galp qualifying holdings, especially when the holding that is attributable to such a shareholder or entity reaches, exceeds, or falls below the thresholds of 2%, 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3, and 90% of the voting rights corresponding to Galp's share capital. These reporting duties are generally applicable in the European Union countries. In Portugal, these reporting duties are set out in Article 16 of the Portuguese Securities Code, which is available online at the CMVM website: www.cmvm.pt.

As at 31 December 2018, the qualifying holdings in Galp's share capital, and as calculated in accordance with Article 20 of the Portuguese Securities Code and reported to Galp in accordance with Article 16 of the Portuguese Securities Code, were as follows.

Shareholders	No. of shares	% of voting rights
Amorim Energia, B.V.*	276,472,161	33.34%
Parpública - Participações Públicas (SGPS), S.A.*	62,021,340 ¹	7.48%
BlackRock, Inc.*	41,448,338	4.998%
T. Rowe Price Group, Inc.*	17,424,072	2.10%

¹ 58,079,514 of which are subject to a privatisation process.
* Direct holdings

In 2018, the following transactions related to qualifying holdings occurred in Galp's share capital:

In early 2018, BlackRock, Inc., Janus Henderson Group plc and Templeton Global Advisors Limited held 2.45%, 2.34%, and 2.03% of the voting rights in Galp's share capital, respectively, based on the information that was provided to the Company in April 2014, September 2016, and April 2013, respectively.

On 2 March 2018, Templeton Global Advisors Limited notified Galp that it had reduced its indirect holding in Galp's share capital to 1.97% on 1 March, which is below the 2% disclosure threshold, and thus no longer holding a qualifying holding.

On 5 March, Black Creek Investment Management, Inc. notified the Company that it had increased its holding in Galp's share capital on 5 March, as well as its respective voting rights, from 1.99% to 2.02%, but that it would cease to have a qualifying holding soon after, as it intended to decrease its holding in Galp's share capital and respective voting rights from 2.02% to 1.99%, on 7 March, and thus no longer holding a qualifying holding.

In July, Janus Henderson Group plc notified Galp that it had decreased its indirect holding in Galp's share capital, on 13 July, and its respective voting rights, from 2.34% to 1.84%, and thus no longer holding a qualifying holding.

During September, BlackRock, Inc. notified Galp that it had increased its indirect holding in Galp's share capital on 26 September, from 2.45% to 5.00%, reaching the 5% disclosure threshold.

During October, BlackRock, Inc. notified the Company that its subsidiary, BlackRock Investment Management (UK) Limited, had increased its indirect holding in the Company's share capital and voting rights to 2.01%, above the 2% disclosure threshold, on 28 September.

Since then, BlackRock Inc. has notified Galp of several further changes in its indirect holding. On 14 November, BlackRock Investment Management (UK) Limited decreased its total voting rights relating to Galp's share capital to below the 2.00% disclosure threshold. In addition, on 18 December, BlackRock, Inc. decreased its voting rights relating to Galp's share capital to 4.998%, below the 5% disclosure threshold.

During November, T. Rowe Price Group, Inc. notified Galp that, on 19 November, its indirect holding in Galp's share capital corresponded to 2.10%, above the 2.00% disclosure threshold.

8. A list of the number of shares and bonds that are held by the members of the management and supervisory boards.

The number of shares held by, or attributed to, members of the Board of Directors and the Audit Board, as well as the changes that occurred during the 2018 financial year, under Article 447 paragraph 5 of the Commercial Companies Code (CSC), are presented in Appendix 9.8 to this report.

On 31 December 2018, none of the members of the Board of Directors held any bonds issued by the Company.

On 31 December 2018, the Chairman of the Audit Board held one Galp Energia, SGPS, S.A. EMTN Note, with an interest rate of 4.125%, and maturing on 25 January 2019, but performed no transactions involving those debt instruments during 2018.

9. Any special powers of the Board of Directors, especially with regard to resolutions on the capital increase (Article 245(A) (1) (i) of the Securities Code), with an indication as to the allocation date, the time period within which such powers may be carried out, the upper ceiling for the capital increase, the amount already issued pursuant to the allocation of the powers, and the mode of implementing the powers assigned.

The Board of Directors has the typical powers relating to a company's management, as set forth in the corporate legislation for the applicable corporate governance model. The By-laws do not provide for any special powers to the Board of Directors, including with respect to the increase of the Company's share capital.

The annual General Shareholders' Meeting held in 2018 granted the Board of Directors the power to acquire and dispose of the Company's own shares and bonds. The timing and size of the transactions are determined depending on market conditions and criteria approved at the General Shareholders' Meeting, in accordance with the applicable laws and regulations, including, inter alia, the CSC and the provisions of Regulation (EU) No. 596/2014 of the European Parliament and of the Council, of 16 April 2014. The relevant resolution is available online at the Galp website: <https://www.galp.com/corp/Portals/O/Recursos/Investidores/SharedResources/Assembleias/EN/2018/Proposal%207.pdf>

10. Information on any significant business relationships between the holders of qualifying holdings and the company.

In 2018, there were no significant relationships of a commercial nature between holders of qualifying holdings and Galp.

B - Corporate Bodies and Committees

I - General Shareholders' Meeting

a) Composition of the Board of the General Shareholders' Meeting

11. Details and positions of the members of the Board of the General Shareholders' Meeting and their respective terms of office (beginning and ending).

Under Article 11(2) of the By-laws, the Board of the General Shareholders' Meeting consists of Vice-Chairman, and a Secretary, each of whom are elected at the General Shareholders' Meeting.

The members of the Board of the General Shareholders' Meeting who have been elected for the 2015–2018 term of office, which started on 16 April 2015 and ended on 31 December 2018 (although the present members will remain in office until the new members are elected), are as follows:

Chairman: Daniel Proença de Carvalho
Vice-Chairman: Victor Manuel Pereira Dias
Secretary: Maria Helena Claro Goldschmidt

b) Exercising the right to vote

12. Any restrictions on the right to vote, such as restrictions on voting rights subject to holding a number or a percentage of shares, the deadlines for exercising voting rights, or any systems whereby the financial rights attaching to securities are separated from the holding of securities (Article 245(A)(1)(f) of the Securities Code).

The By-laws enshrine the “one share, one vote” principle, with no provisions or other legal instruments restricting the exercising of voting rights.

Galp has not established any mechanism to create a discrepancy between the right to receive dividends or subscribe to new securities and the voting rights relating to each share.

The right to vote is exercised pursuant to Article 10(1) of the By-laws, in accordance with the Shareholders' Rights Directive. Therefore, any shareholder may participate in, discuss issues, and vote at the General Shareholders' Meeting in person or by proxy, by meeting the following requirements:

- a) on the record date, i.e., 00:00 (WEST) of the fifth trading day prior to the date of the General Shareholders' Meeting, s/he is a holder of at least one share;
- b) s/he proves the ownership of share(s) by sending to the Chairman of the Board of the General Shareholders' Meeting a declaration issued and sent by the financial intermediary with information relating to the number of shares that have been registered and their registration date, by 23:59 (WEST) of the record date;
- c) s/he must state an intention to participate in the General Shareholders' Meeting, in writing, and send this to the Chairman of the Board of the General Shareholders' Meeting and the financial intermediary with whom the individual registration account is open by the end of the sixth trading day prior to the date of the General Shareholders' Meeting.

The exercise of these rights is not affected by the transfer of the shares at any time after 00:00 (WEST) on the record date, and it does not require any blocking between that date and the date of the General Shareholders' Meeting. In any event, shareholders who – having declared their intention to participate in the General Shareholders' Meeting – transfer the ownership of shares between 00:00 (WEST) on the record date and the end of the General Shareholders' Meeting shall immediately inform the Chairman of the Board of the General Shareholders' Meeting and the CMVM.

Article 10(6) to (9) of the By-laws permits voting by mail, without any restrictions.

The right to voting by mail may be exercised electronically, in accordance with the requirements defined by the Chairman of the Board of the General Shareholders' Meeting in the convening notice for the respective General Shareholders' Meeting, in order to guarantee authenticity and confidentiality.

As specified in the convening notice for the relevant General Shareholders' Meeting, shareholders may also participate in the General Meeting by means of telecommunications, namely through a conference call. Detailed instructions for participating are included in the applicable convening notice and the preparatory General Shareholders' Meeting information, which is published on the Company's website as well as on CMVM's website. The possibility of participation by means of telecommunications was available during the Annual General Shareholders' Meeting held on 15 May 2018.

13. Details of the maximum percentage of voting rights that may be exercised by a single shareholder or shareholders in any relationship asset, as established in Article 20(1) of the Securities Code.

The By-laws do not include any limitations on the voting rights that may be exercised by a single shareholder or shareholders in any of the relationships established under Article 20 of the Portuguese Securities Code.

14. Details of any shareholders' resolutions that, in accordance with the By-laws, may only be taken with a qualified majority, in addition to those that are legally provided, and the details of such majority.

The resolutions of the General Shareholders' Meeting are passed by a simple majority of the votes cast, except where the law or the By-laws require a qualified majority. Abstentions are not counted as votes cast.

Pursuant to the By-laws, a qualified majority of two-thirds of the votes cast is required for the following matters:

- a) resolutions on matters relating to the Company's management submitted to the General Shareholders' Meeting by the Board of Directors;
- b) amendments to the By-laws, including capital increases, and the limitation or suppression of any pre-emption rights of the shareholders;
- c) mergers, demergers, or the transformation or winding up of the Company.

According to the By-laws, any resolutions on the matters referred to in a), b), or c) of article 12 of the By-laws, or on any other matters for which the law requires a qualified majority, two-thirds of the votes cast are necessary in both the first and second call of the General Shareholders' Meeting, even if shareholders holding shares representing at least half of the capital are present or represented (this is higher than the number required by the CSC, in the case of the second call, and also for some matters included in a), in the case of the first call).

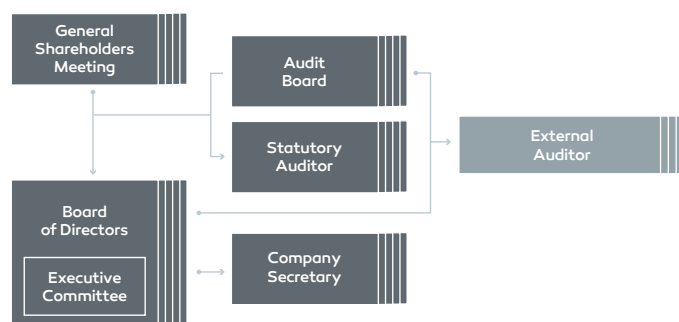
These provisions of the By-laws have the purpose of ensuring the adequate representation of shareholders when passing resolutions on matters of strategic importance for the Company.

II - Management and supervision

(Board of Directors, Executive Board and General and Supervisory Board)

a) Composition

15. Details of the corporate governance model that has been adopted.



Galp's corporate governance model comprises: (i) a management structure that is composed of a Board of Directors and an Executive Committee; (ii) a strengthened supervisory framework, including the Audit Board and the Statutory Auditor; and (iii) a Company Secretary providing specialist support to the Company's corporate bodies.

Galp has the corporate bodies which are mandatory for companies with shares listed in a regulated market and which adopt the one-tier model under Article 278(1)(a), Article 413(1)(b) and (2)(a) and Article 446(A)(1) of the CSC.

Galp's governance model is designed to ensure the transparency and effectiveness of the Group by means of a separation of powers between the different corporate bodies. While the Board of Directors exercises the oversight, definition, and supervision of the strategic guidelines, as well as of the management supervision and the relations between shareholders and other corporate bodies, the duties of the Executive Committee, as delegated by the Board of Directors, are operational in nature and entail the day-to-day management of the business and corporate services.

The existence of matters which are the exclusive remit of the Board of Directors (i.e. that are not subject to delegation in the Executive Committee) ensures that the Board of Directors defines and monitors Galp's strategic guidelines.

The allocation of responsibility for coordinating specific management areas between each member of the Executive Committee, without prejudice to the collective nature of the exercise of management functions by this corporate body, promotes the effective monitoring of the Company's management and the use of synergies within each business unit, as well as in the Company as a whole. For a description of this allocation, please refer to section 29 of this chapter non this report.

The regulations of the Board of Directors set out that its members have, strictly for the performance of their duties, and in compliance with the applicable legal limits, access to any necessary information, particularly by means of access to documents or information or clarifications provided by Company's employees, in order to assess the Company's performance, status, prospects, and developments, including minutes, documents, supporting decisions that have been taken, convening notices, and papers of the Executive Committee meetings.

The Chairman of the Board of Directors has, among other responsibilities provided by law, by the By-laws, and by the regulations, the authority to coordinate and supervise relations between the Company and its shareholders, in accordance with the Company's objectives, to ensure the long-term interests of the shareholders, and to ensure the sustainable development of Galp's business.

Under the legal provisions applicable to the relationship between the non-executive members of the Board of Directors and the Executive Committee, including the monitoring of the Executive Committee's activity by non-executive members (in accordance with Article 407(8) of the CSC), the Chairman of the Board of Directors has the right to attend to the meetings of the Executive Committee.

The Audit Board is responsible for exercising the oversight functions of the Company's business in five key areas:

- (i) the supervision of the Company's activity;
- (ii) the control of the Company's financial information;
- (iii) the oversight of the internal risk management, internal control, and internal auditing systems;

(iv) the receipt (and processing) of whistle-blowing notifications; and

(v) the protection of the External Auditor's independence.

The Statutory Auditor is also responsible for controlling the Company's financial information.

16. The rules of the By-laws relating to the procedural requirements governing the appointment and replacement of members of the Board of Directors, the Executive Board, and the General and Supervisory Board, where applicable (Article 245(A)(1)(h) of the Securities Code).

The members of the Board of Directors, including the Chairman, are appointed and replaced at the General Shareholders' Meeting.

The shareholders also decide on the continuity of each director, on an annual basis, by vote of praise and/or confidence, in the event of a positive appraisal of their performance.

The absence of a positive annual appraisal, through the attribution of a vote of no confidence, may lead to the dismissal of the director in question, in accordance with the law.

In the event of the permanent absence or impediment of any member of the Board of Directors, the latter shall proceed to co-opt a replacement member, and they must submit this replacement for endorsement at the following General Shareholders' Meeting.

The members of the Board of Directors are appointed for a term of four calendar years, with the year of appointment counting as a full year, and they may be re-elected one or more times. Members of the Board of Directors take office at the time of appointment and they remain in office until the nomination, co-option, or appointment of a substitute, except in the case of a member who has resigned or who has been removed, who remains in office for the period established in the CSC.

In view of the Portuguese legal framework, which attributes the power to elect the members of the Board of Directors to the shareholders, and limits the participation of the Board of Directors in matters of shareholder competence, Galp does not have a nomination committee within the structure of the Board of Directors. In fact, such a committee could

not replace the competency of the shareholders, according to Article 391 of CSC.

The Company has been involved in the identification of specific profiles and in the selection processes for different management positions by using reputable international companies specialized in matters of executive selection.

Members of the Board of Directors are elected from a list, with an indication of the proposing shareholders, and with the vote applying only to the list as a whole and not to each of its members, as provided by the law and the By-laws.

Minority shareholders that, either individually or as an established group, have a voting interest in the Company of at least 10% and not greater than 20%, have the right to nominate one director, as per the following terms of Article 14(2) of the By-laws:

- a) each list must propose at least two candidates for each position to be filled;
- b) the same shareholder cannot subscribe to more than one list;
- c) if lists for an individual election are presented by more than one group of shareholders, then voting will be based on all of the lists;
- d) The General Shareholders' Meeting cannot proceed to elect other directors until the successful election of a director who has been proposed by minority shareholders;
- e) the above rules apply to the election of the substitute member director.

If no list is submitted under the above provisions, or once the above procedure has been concluded, then the other directors can be elected, including the Chairman of the Board of Directors. The shareholders who have successfully voted in favour of a director who has been proposed under the procedure outlined above may not participate in this election.

The other directors, including the Chairman of the Board of Directors, are to be elected by a vote from any lists

submitted for this purpose, with the proposal that obtains the highest number of votes in favour being deemed to have been approved.

If the approved proposal includes the maximum number of directors that are allowed by the By-laws, and a director has been elected by the minority shareholders, then the director thus elected shall replace the person who appears in thirteenth place in the proposal that has been successful. If the approved proposal does not include the maximum number of directors allowed by the By-laws, then a director elected under the procedure referred to in a) to d) above is added to the number of directors who have been elected, under the terms mentioned above.

In accordance with Article 393(1) of the CSC, and for the purpose of the replacement of a director due to her/his permanent absence, the By-laws state that a director is deemed permanently absent when, without justification accepted by the Board of Directors, s/he misses three consecutive meetings or five non-consecutive meetings.

In accordance with the By-laws, if the proposal for the election of directors (except the director who is to be elected by the minority shareholders) is not approved by a majority of 55% of the votes cast, and with at least 40% of the share capital with voting rights, then the shareholders that: (i) are eligible to participate in this election (not having voted in the election of the director appointed by the minority shareholders); (ii) have voted against that proposal or in favour of a proposal that did not prevail in this election; and (iii) hold, themselves or in a group formed for this purpose, shares representing at least 25% of the share capital with voting rights, may submit and vote on proposals, electing between themselves a number corresponding to one third of the elected directors (not including the director who is elected by the minority shareholders under the above terms).

If the total number of elected directors is not divisible by three, then the number of directors to be elected will be rounded up to the next whole number. The directors who are elected under this procedure automatically replace those who are in the final places of the initially approved list.

17. The composition of the Board of Directors, the Executive Board, and the General and Supervisory Board, where applicable, with details of the by-law regulations regarding the minimum and maximum number of members, the duration of the term of office, the number of effective members, the date when first appointed, and the end date of the term of office for each member.

In accordance with the By-laws, the Board of Directors has a minimum of 19 and maximum of 23 directors, who are appointed for four-year terms.

The 19 current members of the Board of Directors, elected for the four-year term 2015–2018, as well as the date of their election and end of term of office are listed in the following table and available online at the Galp website (www.galp.com/corp/en/corporate-governance/governing-model-and-bodies/board-of-directors).

Members of the Board of Directors

Name	Position	Date of first appointment	Term end date
Paula Amorim	Chairman	2012.04.24	2018.12.31
Miguel Athayde Marques	Vice-Chairman and Lead Independent Director	2012.11.23	2018.12.31
Carlos Gomes da Silva	Vice-Chairman	2007.04.26	2018.12.31
Filipe Crisóstomo Silva	Member	2012.07.26	2018.12.31
Thore E. Kristiansen	Member	2014.10.03	2018.12.31
Sérgio Gabrielli de Azevedo	Member	2012.07.26	2018.12.31
Abdul Magid Osman	Member	2012.07.26	2018.12.31
Marta Amorim	Member	2016.10.14	2018.12.31
Raquel Vunge	Member	2014.10.03	2018.12.31
Carlos Costa Pina	Member	2012.04.24	2018.12.31
Francisco Teixeira Rêgo	Member	2015.04.16	2018.12.31
Jorge Seabra de Freitas	Member	2012.11.23	2018.12.31
José Carlos Silva	Member	2012.11.23	2018.12.31
Pedro Ricardo	Member	2015.04.16	2018.12.31
Tiago Câmara Pestana	Member	2015.04.16	2018.12.31
Rui Paulo Gonçalves	Member	2008.05.06	2018.12.31
Luís Todo Bom	Member	2012.11.23	2018.12.31
Diogo Tavares	Member	2006.02.22	2018.12.31
Joaquim Borges Gouveia	Member	2008.05.06	2018.12.31

18. The distinction to be drawn between executive and non-executive directors and, as regards non-executive members, the details of members that may be considered independent or, where applicable, the details of independent members of the General and Supervisory Board.

18.1. The independence of the members of the General and Supervisory Board and the members of the Audit Board shall be determined in accordance with the applicable law. As regards the other members of the Board of Directors, the independence of those who are not associated with any specific interest group within the company, nor are under any circumstances that may be capable of affecting their impartiality in terms of their analysis and decision-making, shall be determined with particular regard to the following:

- a) whether s/he has been an employee of the Company, or a company which is in a controlling or a group relationship, in the past three years;
- b) whether, in the past three years, s/he has provided services to or established a significant business relationship with the Company, or a company with which it is in a controlling or a group relationship, either directly or as a partner, Board member, manager, or director of a legal person;
- c) whether s/he is receiving remuneration that is paid by the Company, or by a company in a controlling or a group relationship, in addition to the remuneration that is derived from carrying out tasks as a member of the Board of Directors;
- d) whether s/he is living with a partner or a spouse, or next of kin up to and including third degree relatives, of a member of the Board of Directors, or someone who directly or indirectly holds individual qualifying holdings; and

- e) whether s/he is a qualifying shareholder or representative of a qualifying shareholder.

On 31 December 2018, the Board of Directors had 12 non-executive members (who remain in office on this date) from 19 directors, corresponding to more than half (i.e. 63%) of the total number of directors, which is an adequate number, particularly given Galp's shareholder structure, capital dispersion, and the size of the Company and the complexity of the Company's activity. The non-executive members engage in monitoring activities as well as continuous evaluation of the risks of its management in order to ensure its effective capacity for monitoring, supervising, overseeing, and evaluating the activities of the executive members, ensuring, with efficiency, the duties which have been attributed to them.

The composition of the Board of Directors and its distribution in terms of executive and non-executive members is indicated below:

Executive Directors



Carlos Gomes da Silva



Filipe Crisóstomo Silva



Thore E. Kristiansen



Carlos Costa Pina



José Carlos Silva



Pedro Ricardo



Tiago Câmara Pestana

Non-Executive Directors



Paula Amorim



Miguel Athayde Marques



Sérgio Gabrielli de Azevedo



Abdul Magib Osman



Marta Amorim



Raquel Vunge



Francisco Teixeira Rêgo



Jorge Seabra de Freitas



Rui Paulo Gonçalves



Luís Todo Bom



Diogo Tavares



Joaquim Borges Gouveia

Considering the criteria for determining the independence of the non-executive members of the Board of Directors mentioned above, and in the Corporate Governance Code of the Portuguese Institute of Corporate Governance (“IPCG Corporate Governance Code”), the Board of Directors includes the following five independent directors, based on their self-assessment for the 2018 financial year:

Non-Executive Independent Directors
Miguel Athayde Marques (Lead)
Sérgio Gabrielli de Azevedo
Abdul Magid Osman
Luís Todo Bom
Joaquim Borges Gouveia

Given the Company’s governance model, its shareholder structure, and its free float, Galp believes that the proportion of independent directors – which is over one third (i.e. 42%) of the non-executive members of the Board of Directors – is suitable and compliant with the recommendations of the IPCG Corporate Governance Code.

Through the Board of Directors, and as provided for in its regulations, the non-executive members of the Board of Directors promote and participate in the definition of the Company’s strategy, its major policies, its corporate structure, and its decisions that are deemed strategic due to their amount or risk, as well as in the assessment of the accomplishment of these actions.

The Board of Directors decided to assign two non-executive independent directors – Sérgio Gabrielli and Abdul Magid Osman – the special responsibility of monitoring the evolution of the markets in Brazil and Mozambique, respectively, to ensure a detailed strategic analysis of these two key markets for the Company.

On 14 October 2016, Galp reinforced the participation of independent Directors in the Board of Directors through the appointment of the non-executive independent director Miguel Athayde Marques (who has been a member of the Board since 2012 and who has enjoyed a respected professional career in the financial sector) to the position of Vice-Chairman of the Board of Directors.

In addition, on 26 October 2018, Miguel Athayde Marques was also appointed the lead independent director, with a purpose, among other things, of: (i) acting, whenever necessary, as an intermediary between the Chairman of the Board of Directors and the rest of the members; and (ii) ensuring that they have all of the necessary means and conditions for the performance of their functions.

19. Professional qualifications and other relevant curricular information for each member of the Board of Directors, the General and Supervisory Board, and the Executive Board, where applicable.

The members of the Board of Directors have a range of acknowledged skills, professional experience, and academic backgrounds, as shown on the table below, which provides evidence of the diversity within the Board of Directors, which is in line with the Diversity Policy of the management and supervisory bodies (and which is available online at the Galp website: http://www.galp.com/Portals/O/Recursos/Governo-Societario/SharedResources/Documents/EN/Diversity_policy_for_the_board_of_directors_and_audit_board_-_Versao_publicada_-_EN.pdf).

In order to strengthen the competencies of the members of the Board of Directors, and to ensure the adequate knowledge and monitoring of the activities that are pursued by the business units by the non-executive members, an annual knowledge development plan has been implemented since 2017. In 2018, members of the Board of Directors participated in four training initiatives relating to Galp’s businesses and governance issues.

The diversity among the members of the Board of Directors is appropriate in light of the activities that are pursued by the Company and the strategy which has been defined for the coming years, especially in terms of the origin and background of its members. In fact, the Board includes members who originate from some of the countries in which Galp is present – Portugal, Brazil, Angola, and Mozambique.

The biography of each member of the Board of Directors has been included in Appendix 9.9 of this report.

Skills matrix of the members of the Board of Directors

		Education		Main area of expertise										Operacional experience							Others										
		Engineering	Economics/Finance	Business Administration and Management (including Risk Management)	Law	Scholar	Energy/Oil and Gas Organisations	Financial Services	Paper and Forest Products	Real Estate /Hotels and Resorts	Public Offices	Beverage Industry	Securities and Derivatives Market	Telecommunications	Textile Industry	Retail	Experience as Chairman of Board of Directors	Experience as Chairman of Executive Committee (CEO)	Experience as Chief Financial Officer (CFO)	International experience	Finance	Investor Relations	Marketing	Asset Procurement/Purchase and Management	Legal	Climate Change	Oil and Gas Organisations	Environmental Associations	United Nations Development Programmes	Social Responsibility Associations	
Paula Amorim (Chairman)	Non-Executive		●			●	●	●							●	●	●		●		●										
Miguel Athayde Marques (Vice-Chairman and Lead Independent Director)	Non-Executive	●	●		●	●	●				●				●	●	●		●	●	●	●			●					●	
Carlos Gomes da Silva (Vice-Chairman and CEO)	Executive	●	●			●				●					●	●	●		●		●	●			●	●				●	
Filipe Crisóstomo Silva	Executive	●	●			●	●				●						●	●	●	●	●					●					
Thore E. Kristiansen	Executive	●	●			●											●	●	●	●	●					●					
Sérgio Gabrielli de Azevedo	Non-Executive	●			●	●				●							●	●	●	●											
Abdul Magid Osman	Non-Executive	●				●				●					●	●			●								●	●			
Marta Amorim	Non-Executive	●	●				●	●	●						●				●	●			●								
Raquel Vunge	Non-Executive	●	●			●	●										●		●	●											
Carlos Costa Pina	Executive	●			●	●	●	●		●	●				●				●	●	●				●	●	●	●	●	●	
Francisco Teixeira Rêgo	Non-Executive	●	●			●	●	●									●		●	●		●									
Jorge Seabra de Freitas	Non-Executive	●	●											●			●		●	●	●										
José Carlos Silva	Executive	●				●			●						●				●		●				●	●					
Pedro Ricardo	Executive	●	●			●									●	●					●	●				●					
Tiago Câmara Pestana	Executive	●	●												●		●		●	●		●	●								
Rui Paulo Gonçalves	Non-Executive		●	●	●	●				●															●						
Luís Todo Bom	Non-Executive	●	●			●	●	●	●	●				●		●	●		●		●									●	
Diogo Tavares	Non-Executive	●	●			●	●	●	●										●	●											
Joaquim Borges Gouveia	Non-Executive	●	●			●	●								●	●									●	●				●	

Description of the Diversity Policy of the management and supervisory bodies (Article 245(A)(1)(r) of the Portuguese Securities Code):

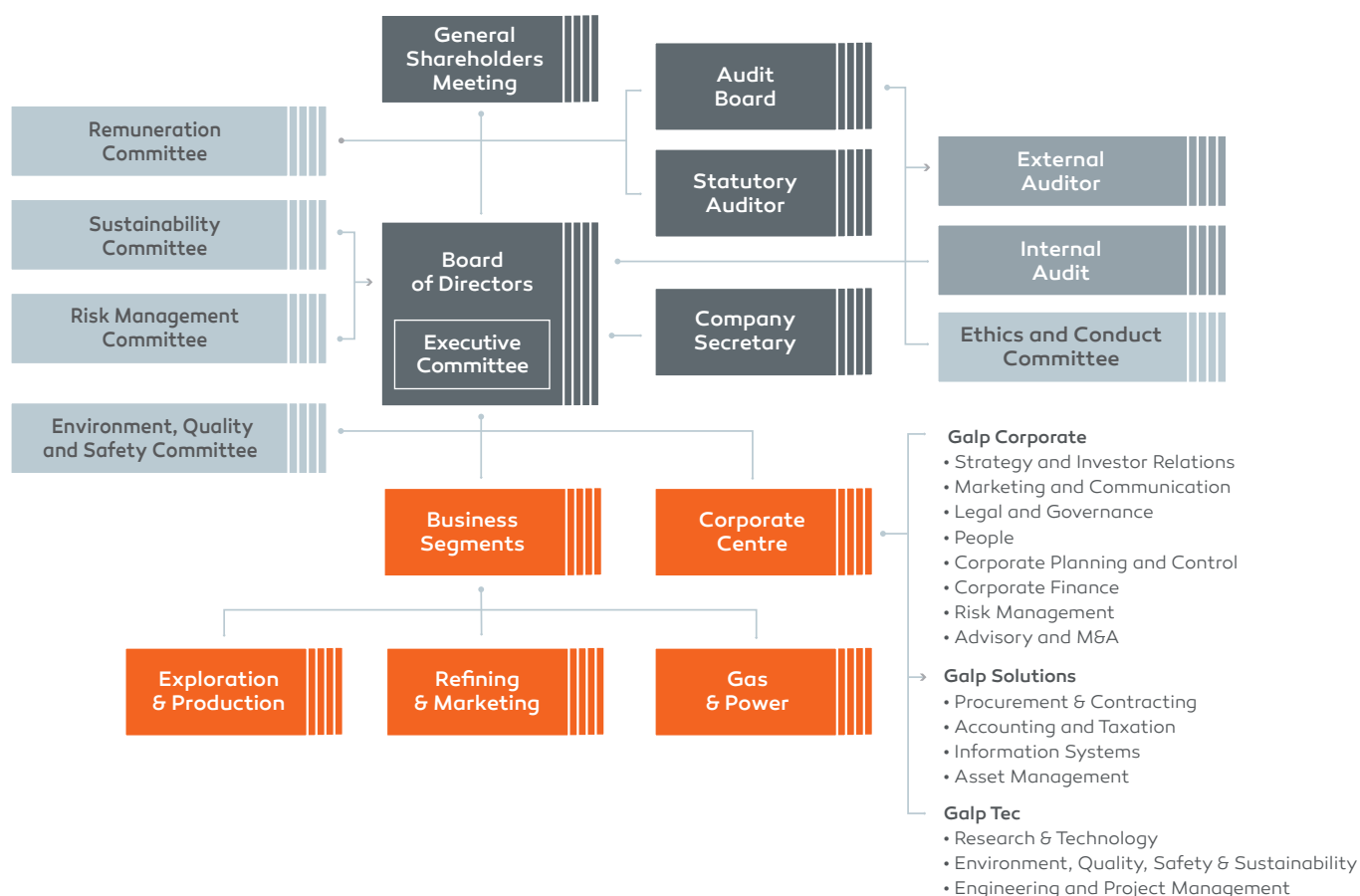
In the Diversity Policy of the management and supervisory bodies, Galp commits, according to the competences of each body, to develop efforts to promote diversity in its Board of Directors and Audit Board, particularly with respect to the following criteria: age, gender, geographical origin, academic background, and professional experience. Galp recognizes the benefits of diversity in the core of its Board of Directors and Audit Board, as a means of ensuring the greater balance of its composition, enhancing the performance of its members, reinforcing the quality of its decision-making and control processes, avoiding the group thinking effect, and contributing to the Company’s sustainable development.

The implementation of the Diversity Policy began with its approval by the Board of Directors on 15 December 2017, and its results will be reported in the governance report for 2019, the year in which the next General elective Meeting of Galp will be held.

20. Customary and meaningful family, professional, and business relationships of the members of the Board of Directors, the General and Supervisory Board, and the Executive Committee, where applicable, with shareholders that are assigned qualifying holdings greater than 2% of the voting rights.

Director	Shareholder with qualifying holding	Relationship
Paula Amorim	Amorim Energia	Director
Marta Amorim	Amorim Energia	Director
Francisco Teixeira Rêgo	Amorim Energia	Director
Jorge Seabra de Freitas	Amorim Energia	Director
Rui Paulo Gonçalves	Amorim Energia	Director

21. Organisational charts or flowcharts concerning the allocation of powers between the Company's various corporate bodies and committees and/or departments, including information regarding the delegating powers, particularly in relation to the delegation of the Company's daily management.



Galp's current organisational structure is based on three business segments and a corporate centre that is coordinated by each of the executive directors, as described in section 29 of the present chapter of this report.

The guiding principles of this structure are horizontality, flexibility, simplicity, efficiency, and the delegation of responsibility, in order to create value for shareholders, particularly by capturing synergies within and between the business units.

The corporate centre provides various services for the business units and the Group companies, including planning and control, accounting, legal advice, and human resources, and it consists of the three following clusters of functions:

Galp Corporate – brings together the main functions of governance, strategy, guidelines, and corporate control, monitoring the implementation of the Company's policies and goals. It integrates the following departments:

Strategy and Investor Relations	Defining Galp's strategic guidelines and promoting a clear, strategic, financial and operational perception of the Company for its stakeholders.
Marketing and Communications	Defining the Galp group's communication strategy, coordinating and managing the Company's corporate responsibility policy.
Legal and Governance	Exercising and managing the legal, governance, and compliance functions as well as the corporate secretariat for the Galp group.
People	Defining and implementing Group's people management strategy, ensuring its alignment with the Company's culture, values and strategy.
Corporate Planning and Control	Setting, monitoring, and consolidating the budgeting, planning, and control processes of the Company, challenging the performance of the business and the corporate centre, and ensuring their alignment with Galp's strategic objectives.
Corporate Finance	Proposing and implementing the Galp group's financing strategy, thereby ensuring the optimisation and the diversification of its financial resources and integrated Treasury management.
Risk Management	Promoting the implementation of the risk management policies in conjunction with the business, proposing insurance policies, negotiating and managing the related contracts at the whole Group level, as well as managing health plans.
Advisory and M&A	Developing mechanisms for identifying and evaluating strategic opportunities and coordinating the merger and acquisition operations.

Galp Solutions – brings together service functions of a more transactional nature, with clear objectives of maximizing efficiency/effectiveness and focusing on the metrics and quality of the services that are provided at competitive levels. It integrates the following departments:

Procurement & Contracting	Maximizing Galp's negotiating power within the procurement function, by obtaining better value for money, while also safeguarding health, safety, and sustainable criteria and practices in the purchasing of goods and services.
Accounting and Taxation	Ensuring the preparation of the Galp group's accounts, drafting the respective management information reports from general and cost accounting perspectives, ensuring compliance with the tax obligations deriving from the tax laws of the countries where Galp operates as well as international taxation regulations.
Information Systems	Promoting the development and sustainability of Galp's business through efficient, effective, reliable, consistent, and innovative information system management, which is oriented towards controlled processes and costs.
Asset Management	Ensuring the management of Galp's assets which are not directly related to the business.

Galp Tec - brings together critical expertise in order to increase and protect the value of Galp. It integrates the following departments:

Research and Technology	Defining and implementing integrated policies and projects in innovation, technology, and energy efficiency research, within the structure of the Galp group's strategy and given its principles of value creation.
Environment, Quality, Safety and Sustainability	Promoting the efficiency of processes, with a view to protecting environments and assets, while creating value for all stakeholders.
Engineering and Project Management	Managing Galp's projects in order to support its business, from the design phase through to commercial commissioning, ensuring the quality of the execution and compliance with project budgets and deadlines.

The Company's three business segments are Exploration & Production, Refining & Marketing, and Gas & Power. For further detail, see Note 4 in Appendix 9.1.a of this report.

The Company's organisational model also foresees the existence of a number of specialized committees, as described in sections 27 and 29 of this chapter.

b) Functioning

22. The availability of and location where the rules of the functioning of the Board of Directors, the General and Supervisory Board, and the Executive Board, where applicable, may be viewed.

The Board of Directors operates in accordance with the regulations governing its organisation and operation approved by the same body at its meeting of 16 April 2015 and reviewed at its meeting of 26 April 2018, and that took effect during the 2015–2018 term, in accordance with Article 16 of the By-laws, which are available online at the Galp website: https://www.galp.com/corp/Portals/O/Recursos/Governo-Societario/SharedResources/Documentos/EN/Regulamento_CA_EN_Web.pdf

23. The number of meetings held and the attendance report for each member of the Board of Directors, the General and Supervisory Board, and the Executive Board, where applicable.

In accordance with the provisions of Article 16(2) of the By-laws, the Board of Directors ordinarily meets once a month, unless otherwise determined by the Board of Directors, and whenever a meeting is convened by the Chairman or by any two directors.

The By-laws allow for meetings of the Board of Directors to be held by electronic means and they also allow postal voting. In 2018, the Board of Directors held nine meetings, two of which were held by means of electronic communications.

The minutes of all the meetings were duly taken.

The levels of attendance, and the representation of the members of the Board of Directors at the body's nine meetings in 2018, were as follows:

Name	Present	Represented	Absent	% Attendance (*)
Paula Amorim	9	0	0	100%
Miguel Athayde Marques	9	0	0	100%
Carlos Gomes da Silva	9	0	0	100%
Filipe Crisóstomo Silva	9	0	0	100%
Thore E. Kristiansen	9	0	0	100%
Sérgio Gabrielli de Azevedo	5	3	1	55.6%
Abdul Magid Osman	7	2	0	77.8%
Marta Amorim	7	2	0	77.8%
Raquel Vunge	8	1	0	88.9%
Carlos Costa Pina	9	0	0	100%
Francisco Teixeira Rêgo	9	0	0	100%
Jorge Seabra de Freitas	9	0	0	100%
José Carlos Silva	9	0	0	100%
Pedro Ricardo	9	0	0	100%
Tiago Câmara Pestana	9	0	0	100%
Rui Paulo Gonçalves	9	0	0	100%
Luís Todo Bom	9	0	0	100%
Diogo Tavares	9	0	0	100%
Joaquim Borges Gouveia	6	3	0	66.7%

(*) excludes representation

24. Details of competent corporate boards undertaking the performance appraisal of executive directors.

The Remuneration Committee, which is elected by the General Shareholders' Meeting according to article 8 of the By-laws, conducts the annual performance review of the executive and non-executive directors.

The committee consults non-executive members in order to assess the qualitative performance of the executive members of the Board of Directors, and considers their compliance with the economic, financial, and operational objectives, as annually defined in the remuneration policy.

Furthermore, the non-executive members, as part of their oversight role, monitor the performance of the executive directors.

Also, pursuant to Article 376 of the CSC, at each General Shareholders' Meeting, the shareholders make a general appraisal of the Company's management. That appraisal is expressed through a vote of confidence or no confidence which may lead to the removal of the director concerned.

In addition, the Board of Directors reviews its performance (including the executive members) and the performance of its committees on an annual basis, taking into account the accomplishment of the Company's strategic plan and budget, its risk management, its internal functioning, and the contribution of each member to these objectives, as well as their relationships with the Company's other bodies and committees. At its meeting of 8 February 2019, the Board of Directors carried out this performance review.

25. Pre-defined criteria for assessing the executive directors' performance.

The performance of the executive directors is evaluated according to the fulfilment of certain economic, financial, and operational objectives, as annually defined by the remuneration policy that is submitted by the Remuneration Committee and, through the approval of the annual statement on the remuneration policy, at the General Shareholders' Meeting.

The predetermined criteria for the performance evaluation of the executive directors for the 2018 financial year are set out in section 69 of this chapter.

26. The availability of each member of the Board of Directors, the General and Supervisory Board, and the Executive Board, where applicable, and the details of any positions held at the same time in other companies both within and outside the Galp group, and any other relevant activities undertaken by the members of these boards throughout the financial year.

The positions held by the members of the Board of Directors in other companies both inside and outside the Galp group, and any other relevant activities carried out by the members of these bodies in the 2018 financial year, are presented in Appendix 9.10 of this report.

In general, the members of the Board of Directors have a high degree of availability for exercising their functions, as confirmed by their attendance at the meetings of the Board of Directors and the Executive Committee, and by their work at Galp, as annually verified by the Remuneration Committee in the qualitative performance assessment of the directors.

Compliance with these requirements is evidenced in Appendix 9.10 of this report, since the members of the Executive Committee only perform other duties in the management bodies of Galp's direct or indirect subsidiaries. Accordingly, they are fully available and dedicated to their positions as executive members of the Board of Directors.

In addition, with respect to the non-executive directors with the highest number of positions held in other companies outside the Galp group, it is noted that they comply with the above-mentioned rule and perform their other functions within the same group - the Amorim or Américo Amorim Group, which does not affect their availability in terms of exercising their positions and functions, including those of monitoring, evaluating, and supervising the executive management of Galp.

In accordance with the regulations of the Board of Directors: (i) the members of the Executive Committee may not perform executive management functions in listed companies outside the Galp group; and (ii) the non-executive directors may not perform management functions in more than four listed companies outside the Galp group.

In accordance with the By-laws and the regulations of the Board of Directors, a director shall be considered definitively absent when, without a justification that has been accepted by the Board of Directors, he/she has not attended any three consecutive or any five meetings in total.

Should any member of the Executive Committee fail to attend more than 20% of the Executive Committee's meetings, the CEO informs the Board of Directors, conveying to the latter the reasons that have been communicated with respect to such absences. Following such absences, the Board of Directors may replace the member of the Executive Committee with another director, causing the former to become a non-executive director.

In addition, Galp complies with the legal, statutory, and regulatory mechanisms for preventing and dealing with any conflicts of interest between the directors and the Company in the exercise of their other positions outside the Galp group.

Pursuant to Article 398 of the CSC, the directors shall not:

- engage in any activity in competition with the Company, or a company in a controlling or group relationship with it, alone or on behalf of a third party, or perform duties in a competing company or be appointed to it, unless authorized by the General Shareholders' Meeting;
- hold any position under an employment contract (the latter will be deemed to have been terminated if entered into less than one year before becoming a director or suspended if entered into more than one year earlier).

In accordance with the regulations of the Board of Directors, the members shall promptly inform the corporate body, specifically the chairman, of any facts that may constitute or give rise to a conflict between their interests and the Company's interests.

In addition, the Company has approved an internal regulation, which is applicable inter alia to members of the Board of Directors, and which establishes that members who have been identified as being in a conflict of interest situation must refrain from discussing, voting, taking decisions, giving opinions about, taking part in, or exerting any influence on any decision-making processes directly related to the conflict of interest situation. This is without prejudice of providing any necessary information or clarifications.

In addition, the regulation of the Board of Directors have also established special mechanisms for access to sensitive information applicable to members of the Board of Directors in a conflict of interest situation, due to exercising an activity in competition with Galp, as authorized by the General Shareholders' Meeting.

Also, in order to protect Galp group's interest in possible situations of conflict of interest between the Company and its directors, that arise from any business between them and the Company, or companies in a controlling or Group relationship with the Company, Galp's regulatory standards, which govern the Group's transactions with related parties, subjects significant transactions with related parties prior approval, as described in Sections 89 and 91 of this chapter.

c) Committees within the Board of Directors or Supervisory Board and Board Delegates

27. Details of the committees that have been created within the Board of Directors, the General and Supervisory Board, and the Executive Board, where applicable, and the place where the rules of their functioning are available.

Executive Committee

On 16 April 2015, the Board of Directors appointed the Executive Committee, which consists of seven directors, and approved the delegation of powers and regulations that define the principles and rules of its organisation and operation, which are available online at the Galp website: https://www.galp.com/corp/Portals/O/Recursos/Governo-Societario/SharedResources/Documentos/EN/Regulamento_CE_EN_Web.pdf

Sustainability Committee

The Sustainability Committee was set up in 2012, with the aim of creating sustainable value, and an accompanying mission to ensure the integration of the principles of sustainability in the management of the Group, by promoting good industry practices in all business and corporate areas.

The committee is chaired by the lead independent director and vice-chairman of the Board of Directors, and its other permanent members are the Chairman of the Executive Committee, the executive director who coordinates the area of sustainability, the chief financial officer, the head of the EQS and Sustainability Department, the heads of the business areas, and the relevant corporate departments. Its regulations are available at: <https://www.galp.com/corp/Portals/O/Recursos/Governo-Societario/SharedResources/Documentos/EN/Sustainability-Committee.pdf>

Ethics and Conduct Committee

The Ethics and Conduct Committee comprises three members of proven expertise in ethics and compliance, auditing and human resources, appointed by the Audit Board at the proposal of the Executive Committee. The Ethics and Conduct Committee's regulations are available at <https://www.galp.com/corp/Portals/O/Recursos/Governo-Societario/SharedResources/Documentos/EN/Regulations-Ethics-Conduct-Committee.pdf>.

Risk Management Committee

The mission of the Risk Management Committee is to support and monitor the development and implementation of Galp's risk management strategy and policy. This is a joint effort with the Risk Management Department and the heads of the Company's business units, which comprise the executive director who is responsible for the Risk Management Department (Chief Risk Officer), the Head of the Internal Audit, the Head of the Risk Management Department, and the Chief Financial Officer. Since 2018, this committee has also included the Heads of the following corporate departments: Strategy and Investor Relations, EQSS, Information Systems, Legal and Governance. The regulations of the Risk Management Committee are available at <https://www.galp.com/corp/Portals/O/Recursos/Governo-Societario/SharedResources/Documentos/EN/NT-O-018%20-%20Risk%20Management%20Committee.pdf>

Environment, Quality and Safety Committee

The mission of the Environment, Quality and Safety (EQS) Committee is to assist the Executive Committee and the Board of Directors in promoting the principles that underpin the EQS culture of Galp, by ensuring the implementation of the EQS strategic policies and objectives throughout the Group, as well as promoting practices leading to the improvement of the Integrated Management System.

The EQS Committee is chaired by the member of the Executive Committee responsible for the EQS and Sustainability Department and secretariat by the head of such department, and the members include the heads of the business units and the relevant corporate departments. Its regulations are available at <https://www.galp.com/corp/Portals/O/Recursos/Governo-Societario/SharedResources/Documentos/EN/NT-O-HSEQ%20Organisation%20and%20Relationship.pdf>.

Other committees

The Company has created specialized committees to address corporate bodies' remunerations and performance assessment, risk, sustainability, EQS, ethics and conduct.

Considering the Company's governance model and Portuguese corporate law, the Audit Board is the internal body responsible for assessing matters of corporate governance.

Under Portuguese law, the appointment of directors is a responsibility attributed to the shareholders. In order to avoid any conflicts of interest or agency issues, the Board of Directors has not appointed any committee to address matters related with the appointment of its members or of members of other governing bodies (such as the members of the Audit Board).

28. The composition of the Executive Committee and/or details of the Board Delegates, where applicable.

Galp's Executive Committee currently consists of the following seven directors:

Chairman: Carlos Gomes da Silva (CEO)

Members: Filipe Crisóstomo Silva (CFO)
Thore E. Kristiansen
Carlos Costa Pina
José Carlos Silva
Pedro Ricardo
Tiago Câmara Pestana

29. A description of the powers of each of the committees established and a summary of activities undertaken in exercising such powers.

Executive Committee

The Executive Committee is the corporate body responsible for Galp's ongoing management, in accordance with the strategic guidelines defined by the Board of Directors, and under the powers delegated to it by the Board, pursuant to Articles 17 and 18 of the By-laws and article 407(3) and (4) of the CSC, and with the following limits:

1. The following powers have not been delegated to the Executive Committee:

- a) Selection of the Chief Executive Officer;
- b) Co-opting directors;
- c) Requests to convene the General Shareholders' Meeting of the Company;
- d) Approval of the annual management reports and accounts;
- e) Provision of performance bonds and personal or real guarantees by the Company;
- f) Change of the registered office and share capital increases, under the terms provided for in the Company's articles of association;
- g) Merger plans, de-merger plans, and plans involving the transformation of the Company.

2. For the purposes of delegation, the following are not considered day-to-day management powers of the Company, and have not therefore been delegated to the Executive Committee:

- a) Approval of the strategic investments of the Company and of the companies directly or indirectly controlled by the Company, and approval of the respective funding;
- b) Approval of the strategic divestments of the Company and of the companies directly or indirectly controlled by the Company;
- c) Participation, particularly through the direct or indirect acquisition of holdings, in companies that are not engaged in the core operational activities that are undertaken by the companies directly or indirectly controlled by the Company (i.e. oil and gas exploration,

production, refining, transportation, marketing, and distribution);

- d) Establishment of strategic partnerships within the context of the core operational activities undertaken by the companies controlled by the Company;
- e) Approval and modification of the strategic plans of the Company and of the companies controlled by the Company that are engaged in the core activities of Galp group;
- f) Approval of Galp group's annual budget and business plans, and any changes exceeding 20% of the value of the relevant item in the budget or 10% of the total amount of the annual budget;
- g) Transactions of the Company or of the companies that are controlled by the Company with related entities, or with any of the Company's shareholders, in excess of a single or aggregate amount of €20 million;
- h) Definition and organisation of the corporate structure of Galp group;
- i) Making proposals and exercising voting rights in the election of the Boards of Directors of the companies controlled by the Company;
- j) Issuing bonds or other debt instruments by the Company or by the companies controlled by the Company;
- k) De-merger plans, merger plans and winding up plans, of the companies controlled by the Company; and
- l) Signing of peer agreements or subordinated group agreements by any company controlled by the Company.

Notwithstanding the limits on the delegation of powers referred to in paragraphs 1 and 2 above, the Executive Committee has special duties of initiative and proposal, to the Board of Directors, in respect of the acts and matters that are referred to in section 2 above.

At the meeting of the Board of Directors held on 16 April 2015, the chairman of the Executive Committee defined a functional allocation among the members of the Executive Committee in respect of the business and the activities of the Company and the Group companies under the terms set out in its regulations, notwithstanding the collective exercise of the powers of this body, as mentioned below.

Specific areas of operation of the executive directors

	Carlos Gomes da Silva CEO	Filipe Crisóstomo Silva CFO	Thore E. Kristiansen COO	Carlos Costa Pina COO	José Carlos Silva COO	Pedro Ricardo COO	Tiago Câmara Pestana COO
Business Units			Exploration & Production	New Energies	Sourcing, Refining, and Planning	Gas & Power	Iberian and International Oil Marketing
Corporate Centre	Marketing and Communication Strategy and Investor Relations People Legal and Governance Research and Technology	Corporate Planning and Control Corporate Finance Advisory and M&A Accounting and Taxation		Risk Management Information Systems EQS and Sustainability	Procurement & Contracting Asset Management Engineering and Project Management		

For the ongoing management issues relating to the requests of the operators of the various oil exploration blocks in which Galp is involved, including the development plans of the blocks and the approved budget and action plans, the Executive Committee has delegated the approval of the respective decisions – namely the authorisation of expenditures, cash calls, and ballots – to the executive directors Thore Kristiansen, Filipe Crisóstomo Silva and José Carlos Silva.

A range of mechanisms have been adopted in order to ensure the efficient and effective monitoring and control of the activities of the Executive Committee by the non-executive members and to facilitate the related duty to inform.

In fact, in accordance with the regulations of the Board of Directors, the Chairman of the Executive Committee regularly informs the Chairman of the Board of Directors about the agenda of the meetings of the Executive Committee, the resolutions taken in its meetings, and any other matters deemed relevant for the proper use of the powers and responsibilities of the Board of Directors. The Chairman of the Board of Directors and any two other non-executive directors may directly ask the Chairman of the Executive Committee for information about the business of the Executive Committee.

The convening notices and the minutes of the meetings of the Executive Committee are sent to the Chairman of the Board of Directors and to the Chairman of the Audit Board.

In addition, in accordance with the Executive Committee regulations, the Company's Secretary must address any notice to convene a meeting and the minutes of the Executive Committee's meetings to the Chairman of the Board of Directors and to the members of the Board of Directors who have been specially designated to attend the Executive Committee's meetings, as well as to the Chairman of the Audit Board.

In accordance with its regulations, the Executive Committee must meet once a week. In 2018, it met 47 times. The minutes of all the meetings were duly taken.

The main activities performed by the Executive Committee in 2018 within the limits of its responsibilities included, among other things:

- a) Approval of the operations to be carried out by the Galp group's business units and companies;
- b) Assessment of monthly results;
- c) Approval of proposals for submission to the Board of Directors on matters pertaining to its exclusive powers, as set out in the By-laws and regulations of the Board of Directors;

- d) Approval of significant transactions;
- e) Assessment of information from specialist committees, particularly in the areas of risk management and sustainability;
- f) Approval of capital increase and reduction operations for the Galp group companies, and the performance and reimbursement of ancillary capital contributions and shareholders' loans;
- g) Changes to the By-laws of the Galp group companies;
- h) Real estate purchases and sales;
- i) Approval of the comfort letters from the Galp group companies; and
- j) Definition of the voting behaviour and the appointment of the representatives in the General Shareholders' Meetings of subsidiaries and other companies.

Sustainability Committee

At Galp, management with a view to sustainability is deemed strategic, and it involves the incorporation of principles, approaches, and practices that favour the long-term value creation component. Therefore, this approach involves managing the creation of sustainable and lasting value that generates confidence in the future for various stakeholders.

The main responsibilities of the Sustainability Committee are:

- a) Analyse and incorporate the expectations of stakeholders in policies and processes that are relevant to the strategic development of the Group's activities;
- b) Promote and ensure the adoption of policies, principles and practices that contribute to generating sustainable value;
- c) Approve and propose to the Board of Directors and to the Executive Committee the sustainability commitments linked to objectives and goals, while identifying the resources necessary for their implementation;
- d) Monitor and report to the Board of Directors and to the Executive Committee, in a systematic manner, the performance on the economic, social and environmental dimensions, in accordance with established policies and commitments;
- e) Guide and ensure the harmonisation of the strategic plans of the business units, contributing to the

achievement of sustainability commitments, ensuring continuous improvement;

- f) Ensure, at a stakeholder level, the implementation of the communication strategy of the sustainability policies and commitments.

This committee reports directly to the Board of Directors and the Executive Committee. The Chairman of the Sustainability Committee reports the activities and the most relevant conclusions of the Sustainability Committee, regarding compliance with the policies, principles, and practices that contribute to generating sustainable value, to the Board of Directors and to the Executive Committee. All of the decisions taken by the Sustainability Committee recorded in the minutes, validated by all participants, and forwarded to the Board of Directors and to the Executive Committee.

In 2018, the Sustainability Committee met four times, which minutes were duly taken, covering the following matters:

- Analysis of the context of Galp's sustainability, especially human rights, safety, and the environment, in order to support the strategy and development of operations in different geographies;
- Analysis of Galp's sustainability and environmental performance, and a definition of its commitments, objectives, and goals, as aligned with best practices and benchmarked against peers and other benchmark performers;
- Analysis of the energy transition context, with a focus on climate-related information disclosure, as aligned with reference standards;
- Definition of the sustainability requirements for business development, the mitigation plans for any deviations, and an analysis of the management of risks and opportunities.

Ethics and Conduct Committee

The Ethics and Conduct Committee is the independent and impartial internal forum responsible for monitoring the implementation and interpretation of the Code of Ethics and Conduct, as defined in the respective regulations. The Ethics and Conduct Committee is also responsible for receiving and processing any information sent to it under the Reporting of Irregularities Procedure ("Open Talk" Ethics Line) that is in force in Galp and its affiliated companies, in relation to any alleged violations of the provisions of the Code of Ethics and Conduct, its implementing regulations, or the rules that deal with the topics listed therein, in the fields of accounting, internal accounting controls, auditing, and the fight against bribery, banking, and financial crime.

The Audit Board is the governing body responsible for overseeing the proper operation and implementation of the Code of Ethics and Conduct, through the frequent and regular reporting of the Ethics and Conduct Committee.

Each semester, the Ethics and Conduct Committee sends a report to the Audit Board with an account of the communications received, the procedures adopted, and the actions or measures proposed, as well as a review of the implementation and performance of the Code of Ethics and Conduct.

During the 2018 financial year, the Ethics and Conduct Committee held seven meetings, which minutes were duly taken, for analysing and deciding on forwarding reports of irregularities received, and participated in four meetings of the Audit Board, during which the reports due were provided to this body. In 2018, seventeen cases were reported to the Ethics and Conduct Committee and investigated under the Reporting of Irregularities Procedure. These cases were analysed and reported to the Audit Board for its decision. Out of the seventeen cases only six situations required measures to be adopted by the company in order to adjust conduct to the standards set out in the Code of Ethics and Conduct.

Risk Management Committee

The following responsibilities are assigned to the Risk Management Committee:

- a) Monitor compliance with Galp's Risk Management Policy by the business units and corporate centre;
- b) Approve every year and review, whenever necessary, Galp's main risks matrix and inform the Executive Committee and the Board of Directors;
- c) Assess the tolerance levels submitted by the business units regarding their main risks;
- d) Recommend the review of Galp's key policies and procedures that have relevant impact on the risk tolerance levels and monitor compliance with those limits;
- e) Monitor Galp's main risks, its level of effective exposure and its potential evolution;

- f) Monitor mitigation plans effectiveness of Galp's main risks and propose actions to surpass identified constrains.
- g) Recommend corrective actions whenever risk appetite is potentially exceeded;
- h) Assess every year and review, whenever necessary, the Disaster Recovery Plan of Galp and resolve on actions deemed necessary to ensure Business Continuity;
- i) Promote the dissemination of a corporate risk culture at Galp;
- j) Regularly inform the Executive Committee, the Board of Directors and the Audit Board of Galp on the activity of the Committee and the most relevant decisions it has adopted, proposing and recommending measures and procedures to improve the efficacy of risk management at Galp.

This Committee met four times during 2018, with minutes duly taken, and it addressed the issues identified as being most relevant to the Galp group from a risk perspective, including the risks associated with project execution, markets, legal and compliance, portfolio management, disruptive events, competition, partner dependency, cybersecurity, geopolitical and counterparty, as well as the results of risk assessment.

Whenever deemed appropriate, these topics were elaborated with presentations from the business unit "risk owners", ensuring their effective communication with the Risk Management Committee.

There are also Risk and Credit Committees at the business unit level, in which the Risk Management Department takes part. This department also participates in working groups dedicated to the Galp's main projects, ensuring the alignment of risk management practices and effective communication with the Risk Management Committee.

The Chairman of the Risk Management Committee is responsible for reporting on the activity of the committee and its most relevant decisions to the Executive Committee, the Board of Directors, and the Audit Board of Galp. The Secretary of the Risk Management Committee is responsible for informing the Executive Committee, the Board of Directors, and the Audit Board of Galp about the minutes of the meetings.

Environment, Quality and Safety Committee

The main duties and responsibilities of the EQS Committee involve:

- a) Propose EQS policies for approval by the Executive Committee;
- b) Propose Galp's EQS strategic objectives;
- c) Assessing the adequacy of the EQS plans of the organisational units, in relation to the defined strategic objectives;
- d) Creating transversal specific intervention groups, when necessary;
- e) Monitoring the EQS performance level, including compliance with external commitments and regulatory obligations;
- f) Assessing the adequacy of the resources allocated to EQS management (human, financial and material), in relation to the defined objectives.

In 2018, the EQS Committee met twice, which minutes were duly taken, addressing the EQS performance (objectives and targets) and monitoring the strategic EQS initiatives in the business. Notably, the Committee:

- addressed the information concerning the Implementation Plan for the Integrated Management System; addressed the review that was conducted by the management of the Integrated Management System; and monitored the implementation of the strategic initiatives for 2018-2019;
- resolved on the presentation of the Portuguese Association of Certification (APCER) Audit results regarding the certification audit of the Integrated Management System, including the Environmental, Quality, Security, Energy, and Social Responsibility dimensions; became aware of the information that was provided in the Corrective Action Plan for the internal audit of the Integrated Management System; approved the Corrective Action Plan for the APCER Audit of the Integrated Management System; and discussed the EQS proposals on strategic initiatives for 2019-2020 to be presented to the representatives of Galp's business units.

III - Supervision

(Audit Board, Audit Committee or General and Supervisory Board)

a) Composition

30. Details of the Supervisory Body (Audit Board, Audit Committee, or General and Supervisory Board) representing the model that has been adopted.

According to the adopted government model, the Audit Board is the corporate body in charge of supervising the management of the Company.

Pursuant to Article 413 (1) (b) of the CSC, since Galp is a public company, its financial statements have to be examined by a Statutory Auditor who is not a member of the Audit Board, with their responsibilities being stated in Article 446 of the CSC.

31. The composition of the Audit Board, the Audit Committee, the General and Supervisory Board, or the Commission for Financial Affairs, where applicable, with details of the By-laws' minimum and maximum number of members, term of office duration, number of effective members, date of first appointment, end date of the term of office for each member, and reference to the section of the report where such information is already included, pursuant to section 17.

Under the By-laws, the Audit Board consists of three permanent members and one alternate member, as elected by the General Shareholders' Meeting, which also elects its chairman.

The members of the Audit Board are elected for a four-year term, together with the members of the remaining corporate bodies.

The following table lists the members of the Audit Board who were elected at the General Shareholders' Meeting on 16 April 2015 for the term 2015-2018 (although they will stay in office until the new Audit Board is appointed), their appointment dates, and the end date of their term are included below and available at Galp's website.

Name	Position	Date of first appointment	Term end date
Daniel Bessa	Chairman	2006.10.05	2018.12.31
Gracinda Raposo	Member	2011.05.30	2018.12.31
Pedro Antunes de Almeida	Member	2012.11.23	2018.12.31
Amável Calhau	Alternate member	2006.10.05	2018.12.31

Given the Company's governance model, and the support of several corporate departments to the Audit Board, in particular the Risk Management and Internal Audit departments, Galp considers that the number of members of its Audit Board, which is the standard number adopted by most comparable Portuguese companies, is adequate in relation to the size of the Company and complexity of the risks, as well as being sufficient for efficiently carry out their duties.

32. Details of the members of the Audit Board, the Audit Committee, the General and Supervisory Board, or the Commission for Financial Affairs, where applicable, which are considered to be independent, pursuant to Article 414 (5) of the CSC, and the reference to the section of the report where such information already appears to be pursuant to section 18.

Under Article 414 (5) of the CSC, a member of the Audit Board is considered independent if s/he is not associated with any specific interest group in the Company, and is not in a situation that might affect his/her exemption from analysis or decision-making, including because:

- s/he is a holder or is acting on behalf of a holder of qualifying shareholdings greater than or equal to 2% of the Company's share capital;
- s/he has been re-elected for more than two terms, whether or not they are consecutive.

The Audit Board currently has two independent members: Gracinda Raposo and Pedro Antunes de Almeida. As for the Chairman of the Audit Board, Daniel Bessa, his appointment to complete the 2005-2007 term occurred following changes in the shareholder structure of Galp and the rules that were agreed upon by the shareholders regarding the election of the members of the corporate bodies (Shareholders' Agreement, entered into in 2006 and terminated in 2015). In this sense, the 2008-2010 term should be considered as the first appointment. Taking the above into account, and considering the prestigious reputation and the acknowledged scientific and business quality of the Chairman of the Audit Board, his independence must also be recognized.

33. The professional qualifications of each of the members of the Audit Board, the Audit Committee, the General and Supervisory Board, or the Commission for Financial Affairs, where applicable, and any other important curricular information, and reference to the section of the report where such information already appears, pursuant to section 20.

The members of the Audit Board have professional skills and qualifications which are suitable for their roles. Each member's professional profile is presented in Appendix 8.9 of this report.

b) Functioning

34. The availability of and location where the rules of the functioning of the Audit Board, the Audit Committee, the General and Supervisory Board, or the Commission for Financial Affairs, where applicable, may be viewed, and reference to the section of the report where such information already appears, pursuant to section 22.

The operating rules and powers of the Audit Board are defined in its regulations, which were approved on 16 April 2015 and reviewed on 4 October 2018, and which are available online at the Galp website: <http://www.galp.com/Portals/0/Recursos/Governo-Societario/SharedResources/Documentos/EN/Supervisory-board-regulations-2015.pdf>.

35. The number of meetings that have been held and the attendance report for each member of the Audit Board, the Audit Committee, the General and Supervisory Board or the Commission for Financial Affairs, where applicable, and reference to the section of the report where such information appears, pursuant to section 23.

Pursuant to Article 10(2) of its regulations, the Audit Board meets at least once per quarter, and whenever the Chairman convenes it, at his own initiative or at the request of the Chairman of the Board of Directors, the Chief Executive Officer, or the Statutory Auditor.

In 2018, the Audit Board held sixteen meetings. The attendance of the members of the Audit Board at the meetings held in 2018 was 100%, except in the case of Gracinda Raposo, who attended fourteen of the sixteen meetings held.

The minutes of all the meetings were duly taken.

36. The availability of each member of the Audit Board, the Audit Committee, the General and Supervisory Board, or the Commission for Financial Affairs, where applicable, indicating any positions held simultaneously at other companies inside and outside the Galp group, and any other relevant activities undertaken by members of these boards throughout the financial year, and reference to the section of the report where such information already appears, pursuant to section 26.

In general, the members of the Audit Board have a high level of availability for the performance of their roles.

Appendix 9.10 of this report presents the positions held by the members of the Audit Board at other companies during 2018.

c) Powers and roles

37. Description of the procedures and criteria applicable to the supervisory body for the purpose of hiring additional services from the External Auditor.

In accordance with the legal framework for audit supervision, as approved by Law no. 148/2015 of 9 September, which transposed Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 into national law, procurement of additional services by Galp or by any of its subsidiaries or Group companies from the External Auditor, or from any entity with which there is an investment relationship or which is part of the same network, depends upon previous and grounded authorisation from the Audit Board, in accordance with procedures approved by the Audit Board, and set in the internal standards. These internal standards also establish the non-audit services that cannot be provided by the External Auditor, and how this is controlled.

The Audit Board analyses compliance with the independence requirements of the External Auditor and Statutory Auditor, the possibility of any services being provided by the External Auditor and Statutory Auditor, and the compliance with legal limit on fees charged, particularly by defining the criteria, the selection process, the methodology of communication and the inspection

procedures in place to ensure the independence of the External Auditor and Statutory Auditor.

The additional services that were provided by the External Auditor and Statutory Auditor in 2018 are described in sections 46 and 47 of this chapter.

38. Other duties of the supervisory body and, where applicable, of the Commission for Financial Affairs.

Pursuant to the relevant legal regime, By-laws, and Audit Board regulations, this corporate body is responsible for the general monitoring of the Company's activities and the supervision of the Company's management, namely, the processes of preparing and disclosing financial information; having the competence to present recommendations or proposals to ensure the Company's integrity; and ensuring the Company's compliance with the law and its By-laws.

With regard to risk management, in accordance with its regulations, the Audit Board is in charge of checking the effectiveness of the risk management, internal control, and internal audit systems, including all aspects relating to the process of preparing and disclosing financial information; and proposing any necessary amendments including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial I years, in a duly documented and communicated form. In addition, it is also responsible for the supervision of the Company's adoption of principles and policies to identify and manage the principal financial and operational risks linked to the Company's activities, as well as any other relevant risks accompanying the actions aimed at monitoring, controlling, and disclosing those risks an adequate and timely fashion.

In terms of specific monitoring competences and powers, the Audit Board: (i) monitors the operation of the corporate governance system adopted by Galp and its compliance with legal and By-laws requirements, as well as any legislative and regulatory changes in the area of corporate governance, particularly recommendations and regulations; (ii) receives through Ethics and Conduct Committee notices of irregularities presented by shareholders, employees, or others; (iii) monitors the statutory audit of the individual and consolidated annual accounts, and taking into account any findings and conclusions of the CMVM, in its capacity as the competent authority for audit supervision; (iv) monitors, evaluates and weighs in, within the powers legally conferred to the Audit Board, on the strategic lines and the risk policy defined by the Board of Directors; (v) supervises the management of the Company and, in particular, the compliance with the Company's strategic plan and budget,

risk management, the internal functioning of the Board of Directors and its committees, as well as the relationship between the Company's corporate bodies and committees, (vi) issues an opinion on the work plans and resources that have been allocated to internal control services, including compliance services and the internal audit, (vii) obtains information or clarifications from the Company's management about the business performance of the Company, any changes in equity holdings, or the terms and conditions of completed transactions, and the content of any resolutions that have been taken.

In relation to the Audit Board's competences regarding the overseeing of the audit of the Company's accounts, it is responsible for checking the accuracy of the accounts, as well as checking whether the accounting principles and valuation criteria adopted by the Company have led to the correct evaluation of its assets and results. Furthermore, the Audit Board issues an opinion on the integrated report, the accounts, and proposals presented by the management.

In its relations with other corporate bodies, the Audit Board, inter alia: (i) selects and proposes the Statutory Auditors to the General Shareholders' Meeting and propose, his remuneration; (ii) verifies and monitors the independence of the Statutory Auditor and verifies the adequacy and approval of the provision of any non-audit services; (iii) holds regular meetings with the Statutory Auditor, namely when assessing the accounts; (iv) evaluates the work performed by the Statutory Auditor on an annual basis, and its suitability for exercising the necessary functions, as well as proposing the dismissal or termination of the service agreement to the General Shareholders' Meeting whenever just cause is present; (v) monitors the internal procedures for control and audit with the Company's Executive Committee, as well as any issues that may have been raised in relation to the Company's accounting practices, and presents recommendations.

The Audit Board represents the Company, for all purposes, to the External Auditor. In accordance with the Audit Board regulations, the Board is also responsible for ensuring that, within the Company, adequate conditions are established for the provision of the Statutory Auditor's services.

The Audit Board on an annual basis prepares a report on its supervisory actions, issues prior opinions on related-party transactions, in accordance with internal regulations. Also it has the capacity to hire experts who are able to help its members in their assigned roles. The hiring terms and the remuneration shall take into account the importance of the matters in question and the Company's financial situation.

The Statutory Auditor openly, constructively, and efficiently shares the information in the scope of the statutory audit with the Audit Board, through adequate communication channels, especially any relevant issues relating to the environment and the company's risk profile, its corporate governance and internal controls, the ability for the Company to continually pursue its activity, financial statements, valuations of assets and liabilities, as well as any relevant situations that have been identified in their respective reports or that have arisen during the process of supervision.

In addition, the Audit Board is also responsible for the appointment or removal of the Company's External Auditor and it, as part of its relation to such a body, assists the External Auditor by creating conditions and providing access to the information that is necessary for the effective performance of its activities. The Audit Board also evaluates the activity of the Company's External Auditor on an annual basis, through a critical appraisal of the reports and documentation produced by them in the performance of their duties.

The members of the Audit Board have access to the necessary information strictly for the performance of their duties, and in compliance with the applicable legal limits, particularly through access to documents or the provision of information or clarifications from employees of the Company, for the purpose of evaluating the performance, situation, and prospects of the Company and its development – including, in particular, the minutes, the documentation supporting the decisions that have been taken, the convening notices, and the archives of the meetings of the Executive Committee, without prejudice of access to any other documents or persons from whom clarification may be requested.

In accordance with the Audit Board regulations, its members shall promptly inform its chairman, of the facts that may constitute or give rise to a conflict between their interests and the Company's interests.

In addition, the Company has approved an internal regulation, which is applicable inter alia to the members of the Audit Board, and which establishes that any members in a conflict of interest situation must refrain from discussing, voting, making decisions, giving opinions, taking part in, or exerting any influence on any decision-making processes directly related to this conflict of interest situation. This is without prejudice of providing any necessary information or clarifications.

In 7 February 2019, and in accordance with its duties, the Audit Board performed its annual assessment of the Board of Directors, considering in particular the accomplishment of the Company's strategic plan and its budget, its risk management, and the internal functioning of the Board of Directors and its committees, as well as the relationship with the Company's other bodies and committees.

IV - Statutory Auditor

39. Details of the Statutory Auditor and the partner that represents the Statutory Auditor.

Under Article 420(2)(b) of the CSC, the Audit Board is responsible for proposing the appointment of the Statutory Auditor or a Company of Statutory Auditors to the General Shareholders' Meeting.

The following Statutory Auditors were proposed by the Audit Board and approved by the General Shareholders' Meeting on 16 April 2015, for the 2015-2018 four-year term:

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., registered in the Institute of Statutory Auditors under No. 183 and registered with CMVM under No. 20161485, represented by António Joaquim Brochado Correia, Statutory Auditor No. 1076, or by Ana Maria Ávila de Oliveira Lopes Bertão, Statutory Auditor No. 902, for the role of Statutory Auditor; and by José Manuel Henriques Bernardo, Statutory Auditor No. 903, as the alternative Statutory Auditor.

40. State the number of years that the Statutory Auditor has consecutively carried out duties with the Company and/or with Galp group.

Galp's Statutory Auditor has been consecutively in the role since 16 April 2015.

41. A description of other services that the Statutory Auditor provides to the Company.

The description of the other services that the Statutory Auditor provides to the Company has been included in sections 46 and 47 of this chapter.

V - External Auditor

42. Details of the External Auditor appointed in accordance with Article 8 of the Securities Code, and the partner that represents such an External Auditor in carrying out these duties, and the respective registration number at the CMVM.

The Galp group's External Auditor as at 31 December 2018 was PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., registered with CMVM under No. 20161485, represented by its partner Ana Maria Ávila de Oliveira Lopes Bertão, Statutory Auditor No. 902.

Following a competitive procedure promoted by the Audit Board, as described in section 44 of this chapter, the External Auditor of the Galp group since 1 January 2019 is Ernst & Young Audit & Associados, SROC, SA, registered with CMVM under No. 20161480, represented by its partner Rui Abel Serra Martins, Statutory Auditor No. 20160731.

43. State the number of years that the External Auditor and that respective partner that represents such an External Auditor carrying out these duties consecutively with the Company and/or Group.

The previous External Auditor, PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., and the respective partner had been operating consecutively with Galp and its Group since 2011 and 2018 respectively.

The current External Auditor and the respective partner have started their activities in Galp as at 1 January 2019.

44. The rotation policy and the schedule of the External Auditor and the partner that represents such an External Auditor in carrying out such duties.

The External Auditor's rotation policy, which has been applied, ensures the Audit Board's selection of the External Auditor and the related Statutory Auditor partner at the end of three terms, through a process of prior consultation with the main internationally renowned Auditors for a period of four years, corresponding to the corporate body's term.

The selection of the Statutory Auditor should be based on a commercial evaluation and on the technical evaluation, which is determined according to the following criteria:

- a) Knowledge of the Galp group business;
- b) Experience as a Statutory Auditor in companies listed in both national and international markets;
- c) Methodologic approach to the accounting process applicable to Galp;
- d) Job planning/allocation of people/articulation with Galp (Audit Board, Accounting);
- e) Curriculum Vitae of those responsible for the statutory audit and respective team.

Taking into account the aforementioned rotation policy, and the recently published legislation on this matter, the Audit Board has selected a new Statutory Auditor/External Auditor, following a tender process in accordance with the legal rules and internal procedures, which will be proposed to be elected at the Annual General Meeting.

45. Details of the Board responsible for assessing the External Auditor and the frequency of such assessments.

The Audit Board, which is the primary contact point in the Company, and the first recipient of the information prepared by the External Auditor, evaluates the activity, suitability, and independence of the External Auditor on an annual basis, producing a critical appraisal of its reports and any other relevant documentation and information.

Each year, the Audit Board, in its annual business report, presents an assessment of the External Auditor.

In turn, the External Auditor collaborates with the Audit Board by immediately providing it with information relating to any irregularities when performing its duties, as well as any difficulties in carrying out its duties, as legally provided and contractually established with the External Auditor.

The Statutory Auditor specific role in the legal audit and the examination of accounts includes checking that the remunerations that have been paid to the members of the corporate bodies are in line with the remuneration policy and the Remuneration Committee's resolutions on such matters.

With reference to the internal control mechanisms, the Statutory Auditor/External Auditor verifies its operations and efficiency on an annual basis, and it reports any

deficiencies and any suggested improvements to the internal procedures both to the Audit Board and to the Executive Committee.

46. Details of any services, other than auditing, carried out by the External Auditor for the Company and/or companies in a control relationship, and an indication of the internal procedures for approving the recruitment of such services, and a statement on the reasons for such recruitment.

In 2018, the External Auditor and the entities belonging to the same network provided the Company and its subsidiaries with the following non-audit services:

- Limited review on the accounts of a Group company required by a concession contract;
- Translation of Galp's financial statements into English;
- Verification of the physical quantities, underground occupancy rates annual statement relating to extraordinary social support to the energy consumer, and accounts of the Group's natural gas companies for regulatory purposes;
- Verification of replacement cost calculation;
- Verification of financial ratio;
- Certification of the annual declaration of assets for the insurance company's Oil Insurance policy;
- Reports of Galp Energia España, S.A.U. for regulatory purposes;
- Verification of the consistency of the financial information included in the report «Country by Country report» with the audited financial statements;
- Verification of Galp Gás Natural's trading activity for the period 2014-2017;
- Verification of sustainability report information;
- Consultancy on sustainability information;
- Certification of the manpower rate applicable to the provision of services;
- Support to the winding-up of Galp Sinopec Brazil Services (Cyprus) B.V.
- Professional training.

In addition to the non-audit services that are mentioned above, the External Auditor / Statutory Auditor provided the following services in 2018, as required by law, which were excluded from the calculation of the fee limits applicable to the non-audit services:

- Validation of the natural gas acquisition costs by Galp Gás Natural, S.A., and other costs, as required by the Energy Services Regulatory Authority;
- Validation of the clearing criteria and natural gas sales prices of Galp Gás Natural, S.A. to the wholesale suppliers of last resort;
- Validation of the “annual statement package” of Galp Energia España, S.A.U., as required by Ecoembalafes España, S.A.;
- Validation of the annual statement of stocks, purchases, and sales of petroleum products and LPG for Galp Energia España, S.A.U., as required by the Corporación de Reservas Estratégicas de Productos Petrolíferos;
- Validation of the “annual statement of acquisitions, sales and production of biofuels, and other renewable fuels with the purpose of transportation” for Galp Energia España, S.A.U., as required by the Corporación de Reservas Estratégicas de Productos Petrolíferos.

When procuring services from the External Auditor and Statutory Auditor, sufficient internal procedures are in place in order to safeguard the independence, through a careful definition of the work that is to be performed. In order to safeguard the independence of the External Auditor and Statutory Auditor, it is expressly forbidden to purchase any type of service that might compromise such independence.

Service provision proposals submitted by the External Auditor and Statutory Auditor are analysed and evaluated and, where possible, undergo market consultation. Subsequently, they are sent to the Audit Board for approval, as described in section 37 of this chapter.

47. Details of the annual remuneration paid by the Company and/or legal entities in a control or group relationship to the Auditor, or to other natural or legal persons pertaining to the same network, and the percentage breakdown of the following services: (For the purposes of this information, the network concept results from the European Commission Recommendation No. C (2002) 1873, dated 16 May 2002).

In 2018, the remuneration that was paid to the External Auditor, and to other natural or legal persons belonging to the same network, was as presented in the following table.

By the Company		
Value of audit services	€62,158	6%
Value of assurance services	€12,500	1.2%
Value of tax advice services	€0	0.0%
Value of other non-audit services	€19,200	1.9%
By Other Group Companies		
Value of audit services	€615,856	59.4%
Value of assurance services	€180,450	17.4%
Value of tax advice services	€0	0.0%
Value of other non-audit services	€145,516	14.1%

The non-audit services represented 47.7% of the average of the fees that were paid to the External Auditor over the last three years (2015, 2016 and 2017) for audit services to Galp and for entities under Galp's control. Therefore, this figure is below the limit of 70% established in article 4 paragraph 2 of EC Regulation number 537/2014 (European Audit Regulation).

C - Internal Organisation

I - By-laws

48. Rules governing the amendment of the By-laws (Article 245-A(1)(h) of the Securities Code).

Any resolutions of the General Shareholders' Meeting on any amendments to the By-laws must be approved by a qualified majority of two-thirds of the votes cast (Article 12(4) of the By-laws).

II - Reporting of irregularities

49. Reporting means and policy on the reporting of irregularities in the Company.

The submission of complaints at Galp is regulated by the Reporting of Irregularities Procedure – Ethics Line, which was adopted by the Audit Board on 3 December 2015, and distributed internally to all employees via the normal means of communication, and externally through the official Galp website: https://www.galp.com/corp/Portals/O/Recursos/Governo-Societario/SharedResources/Documentos/EN/Procedure_on_Reporting_Irregularities_EthicsLine.pdf.

The Reporting of Irregularities Procedure enables any party related to Galp – including employees, members of corporate bodies, shareholders, investors, customers, suppliers, and business partners – to report to CEC any knowledge or suspicion of irregularities, or any instances of non-compliance with the Code of Ethics and Conduct, of any standards that refer to them, or that deal with the topics that they refer to, in the areas of accounting, internal accounting controls, auditing, anticorruption measures, banking, and financial crimes.

Such procedures apply to Galp and all of the companies in which Galp directly or indirectly exercises management control, in all countries where the Galp group operates.

Galp's CEC receives, processes, and reports all of the complaints submitted via the ethical line to the Audit Board, which is responsible for oversight of the Company.

The security of the Reporting of Irregularities information and related records is ensured by Galp's internal rules, in accordance with the relevant legislation on data protection and information security.

Personal data under the Reporting of Irregularities Procedure will be strictly processed in accordance with the General Data Protection Regulation provisions and the Portuguese National Data Protection Commission's (CNPD) Decision No. 765/2009.

Notwithstanding the provisions of the Code of Ethics and Conduct, the Reporting of Irregularities Procedure is of a voluntary nature, so failure to apply does not entail any penalties.

The person identified by the complaint is entitled to receive information regarding the entity responsible, the content of the complaint, and the purpose of the processing, as well as to access the data about him/her and the right to demand its correction or deletion, if it is inaccurate, incomplete, or ambiguous.

Galp and its subsidiaries ensure that entities reporting an irregularity or a suspected irregularity, or providing information as part of a Reporting of Irregularities investigation, shall not be subject to any retaliation, intimidation, or discrimination, including disciplinary action or the withholding or suspension of payments.

For confidentiality purposes, access to Reporting of Irregularities cases is only granted to the Audit Board and the CEC members, and, on a strictly need to know basis, to the Executive Committee members and the employees or external consultants specifically appointed to support the work of the CEC.

Employees who report irregularities are required to provide the CEC with all of the information in their possession and to cooperate during the investigation process.

All instances of reporting of irregularities must be submitted to the CEC in writing, by email, or by letter, at the following addresses:

Email:
opentalk@galp.com

Postal address:
Comissão de Ética e Conduta da Galp Energia, SGPS, S.A.
Edifício Galp, Torre A
Rua Tomás da Fonseca, Torre A, 1600-209 Lisboa, Portugal

It is also possible to access Galp's website and to fill in the available form.

III - Internal control and risk management

50. Individuals, boards or committees responsible for the internal audit and/or implementation of internal control systems.

Galp's internal control system is based on the guidelines set out by the Committee of Sponsoring Organisations of the Treadway Commission (CoSo) in relation to control environment, evaluation, control activities, information and communication and monitoring of risk exposure.

The **Internal Control Manual**, approved by the Board of Directors, establishes the general principles of, and requirements for, the internal control components, as well as the organisational model associated to the integrated and uniform management of internal control within the Galp group. This is defined as the series of processes implemented by the governing bodies, specialized committees, internal auditor and by Galp's personnel, with a view to conferring reasonable assurance of the achievement by Galp of its objectives related to the operations, reporting and compliance.

The **Internal Audit Department** is responsible for evaluating, in an independent and systematic way, the proper functioning of Galp's internal control and risk management systems, as well as the efficiency and effectiveness of the implementation of the controls and mitigation actions. The Internal Audit Department reports hierarchically to

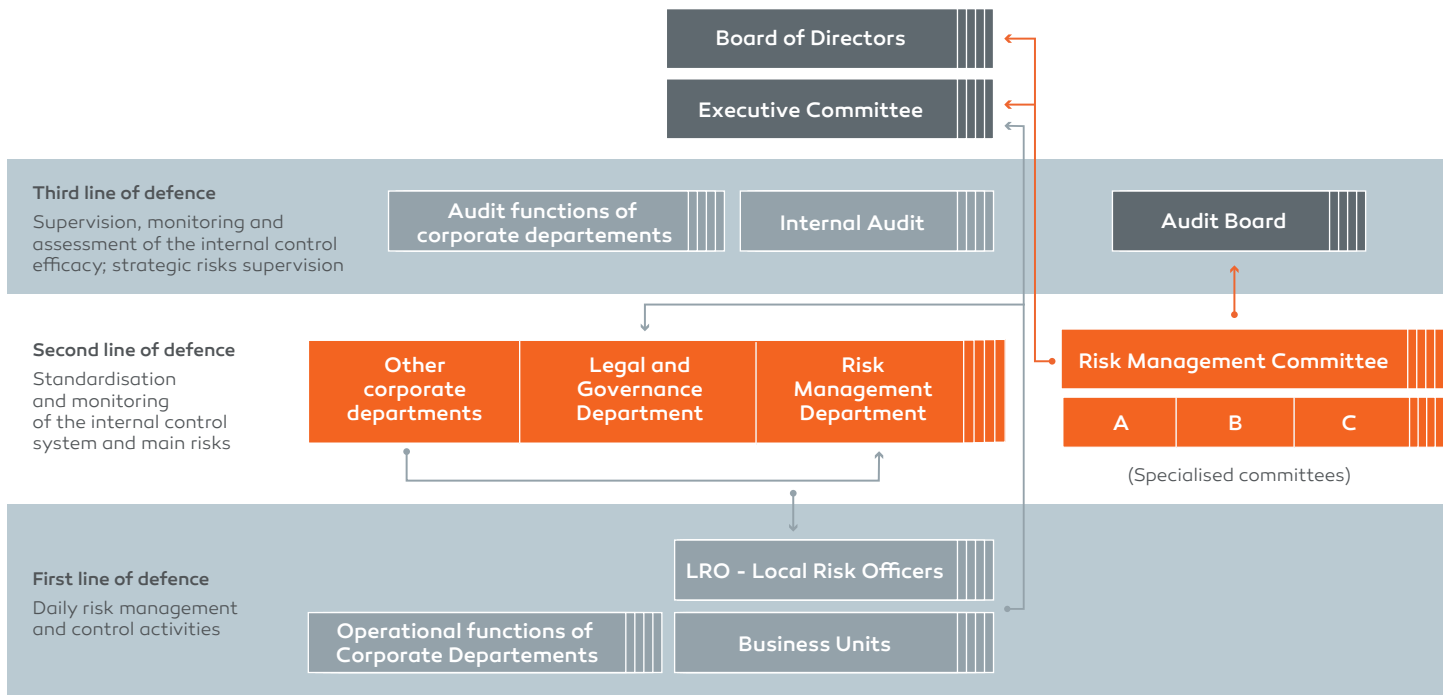
the Chairman of the Board of Directors, functionally to the Audit Board and administratively to the Executive Committee, respecting the reporting lines that have been recommended by the Institute of Internal Auditors (IIA). The Internal Audit Department defines an Audit Plan on an annual basis, which includes the assessment of the risk management system, based on the strategic priorities of Galp and on the results of the risk assessment of the processes in the various business units. The Audit Board approves the annual Audit Plan and monitors its execution. It informs and regularly alerts the Chairman of the Board of Directors and the Audit Board about any relevant facts, identifying opportunities for improvement and promoting their implementation.

In 2017, the Internal Audit Department carried out a quality check, conducted by the IIA, which concluded that Galp's audit practices comply with international standards. Besides the Internal Audit Department, also the External Auditor, the Statutory Auditor, the corporate functional areas responsible for the conduct of audits on the environment, quality, safety and sustainability and audits on ethical and regulatory compliance and the Audit Board, are responsible for monitoring the effectiveness of the internal control system and assessing its functioning and internal procedures.

The implementation of the internal control activities is the responsibility of the operational areas of the Group's business units, corporate functions and Galp group companies.

51. Details, including the organisational structure, of the hierarchical and/or functional dependencies in relation to other boards or committees of the Company.

The organisation and governance structure of internal control and risk management is based on the three lines of defence model, in accordance with generally accepted best practices, as outlined in the chart below.



The three lines of defence approach ensures that:

- The first line of defence identifies and understands the risk environment, assesses and communicates the potential risk exposure, and determines and implements the best way of capturing opportunities or mitigating risk;
- The second line of defence monitors risk at the corporate level, defines the risk standards and regularly reports the risk and status of mitigation action to the Risk Management Committee, the Executive Committee, the Audit Board, and the Board of Directors.
- The third line of defence supervises and assesses the effectiveness of risk management and the internal control process.

The **Board of Directors** is responsible for defining the strategy, approving the risk policy, including the risk appetite, and supervision of the risk management, monitoring the performance of the duties delegated to the Executive Committee.

The **Executive Committee** is responsible for designing and implement high level controls, promote organisational culture and commitment to internal control, define reporting lines, competencies and responsibilities of internal control and attribute responsibilities over internal control.

The **Chief Risk Officer (CRO)**, as a member of the Board of Directors and of the Executive Committee, ensures that discussions about risk are consistent and effective at all levels. The CRO is also the chairman of the Risk Management Committee and is responsible for overseeing and coordinating the risk assessment processes and the respective mitigation actions throughout the organisation, as well as for their proper management, ensuring that the guidelines that have been defined by the Board of Directors and the Executive Committee are fulfilled by and reflected in the internal rules.

The role of the **Audit Board** is to monitor the effectiveness of the internal control and internal audit systems, as well as assessing the functioning of the systems and their respective internal procedures on an annual basis, thereby strengthening the internal rules.

Within the scope of its supervisory function, the Audit Board monitors the work plans and the resources that have been assigned to Internal Audit and to Legal and Governance Departments and receives their periodic reports, as well as information regarding accountability, the identification or resolution of conflicts of interest and detection of potential illegalities. It also receives documentation and outputs of Risk Management Committee meetings and meets with the Head of Risk Management Department to discuss the Group's most important risk management issues on a quarterly basis, at least.

The Audit Board also provides its assessment regarding the annual strategic guidelines and the risk policy defined by the Board of Directors.

The relationship model between governing bodies, departments and committees responsible for the implementation of the internal control system privileges the centralized management of risks by the **Risk Management Department**. This department is responsible for: defining, monitoring and evaluating the risks and mitigation measures, maintaining alignment with the approved policies and strategies; defining and monitoring, through its information security team, policies and procedures regarding cybersecurity; promoting consistency of principles, concepts, methodologies and risk management tools across all business units and companies.

Additionally, the Risk Management Department is responsible for: assessing whether the risks that have been identified by the business units (risk 'owners') are within Galp's defined tolerance levels; ranking risks according to their priority, probability and impact; reporting the risks to the CRO and Risk Management Committee; promoting effective implementation of the risk management system promoting a risk culture by demonstrating the relevance of matters to the Executive Committee, Risk Management Committee and the Group's business units and companies.

The **Risk Management Committee**, based on documentation prepared by the Risk Management Department, monitors and evaluates the identified risks, tolerance levels and mitigation measures on a quarterly basis and reports all documentation and outputs of the meetings to the Audit Board.

The **Legal and Governance Department** establishes ethical and compliance controls. It monitors the internal control system by conducting internal inquiries, audits or risk assessments on ethics and compliance matters (such as bribery and corruption, money laundering and terrorism financing, fraud, conflict of interest, political, economic and financial sanctions and other restrictive measures, compliance with markets and financial regulations), or by conducting due diligences on the same issues for relevant partners and transactions. Additionally, it delivers training to Galp's employees on the aforementioned compliance matters and evaluates the performance of the ethics and compliance function in the various business units; and develops special projects with a view to consistently improving Galp's compliance with ethics and regulatory compliance matters.

Local Risk Officers (LRO) support the business units risk "owners" in identifying, assessing and managing risks in their respective business units, as foreseen in the risk management standards. They are also responsible for incorporating risk information into their decision-making processes and ensuring compliance with the approved risk management policies and procedures. Moreover, they prepare and report information on risk exposure in their business units.

52. Existence of other functional areas that are responsible for risk control.

In addition to those described above, the Environment, Quality, Safety and Sustainability (EQSS), Information Systems and Planning and Control departments are also involved in controlling risk.

The EQSS Department is responsible for the corporate management of environmental risk (including those arising from climate change, safety, security and product quality) and has competencies for defining and proposing assessment and monitoring methodologies. These shall be carried out in conjunction with the business units, thereby ensuring the definition and scheduling of actions to minimise and eliminate those risks.

The cybersecurity area within the Information Systems Department is responsible for implementing the cybersecurity policy and the procedures that have been defined by the Risk Management Department.

LROs report hierarchically to the business units's Planning and Control departments and functionally to the Risk Management Department.

53. Details and description of exposure to major economic, financial and legal risks in pursuing its business activity.

The nature of Galp's long-term commercial operations implies that many of the risks to which it is exposed to may be considered as permanent. However, the triggering factors for internal or external risks and the opportunities may develop and evolve over time and may vary in probability, impact and detectability.

Galp understands that the main challenges facing the energy sector at this moment come from securing access to different energy sources that could be used in the context of the decarbonisation of the economy.

The Company recognises that there are potential impacts on its business model resulting from regulatory changes and shifts in consumption patterns and technology. In parallel, it also considers there are risks associated with the physical impacts due to climate change. However, Galp highlights

opportunities such as development of new products and services, energy efficiency gains, access to new markets and creation of a more resilient supply chain.

In its decision-making process, the Company sets a price on carbon emissions (which is currently set at \$40/tCO₂), with a view to valuing the potential CO₂ emissions cost for different alternatives that are being evaluated and, differentiating the ones that ensure portfolio resilience in a lower-carbon world.

To ensure a holistic approach to risk, Galp uses a risk taxonomy, which is based on the new COSO framework-Enterprise Risk Management (ERM), which incorporates the key uncertainties that may influence its business model, whether these be risks or opportunities, regardless of their nature. Identified uncertainties are managed at the level of the counterparty, the project, the sector or the geography, as appropriate.

This approach to uncertainties ensures that the impacts that are associated with a transition to a lower-carbon economy are incorporated into the analysis. We identify below the risks that may influence Galp's operational and financial performance or reputation, and the way in which they are managed and mitigated. Please note that the identified risks and their materiality may change over time due to exogenous or endogenous factors. Therefore, Galp's "Value at Risk" assessment is performed on an annual or "ad-hoc" basis, if there is a substantial change to its risk profile.

Risk	Risk factors	Mitigation measures
<p>Project Execution</p>	<p>Galp's organic growth depends on its ability to build and maintain a resilient portfolio in a variety of market contexts, which entails the creation of a portfolio of high-quality assets resulting not only from an efficient selection process, but also from guaranteeing its execution, development and operation in the best conditions.</p> <p>However, the execution of the project is exposed to a diversity of technical, economic, legal, regulatory, commercial and EQSS risks that may compromise: deliverability, observance of budgets and deadlines; fulfilment of defined specifications and operational reliability.</p> <p>In addition, any sanctioned projects that are based on incorrect assumptions or inadequate information may result in material deviations from initial estimates. On the other hand, most projects execution also depends on the performance of third parties, including partners, service providers and other contracted parties - that Galp does not control, becoming exposed to execution risk through these entities.</p> <p>Any event that prevents the execution of the best investment projects under the best technical and financial conditions may negatively influence the value of assets and the Group's results.</p>	<p>At Galp, the Final Investment Decision on a project is only taken after considering: its adequacy to the Company's strategy; a detailed review of the feasibility studies; evaluation of the key variables in implementation phase; definition of the development concept; and the mitigation measures that are necessary to assure project 's execution.</p> <p>In execution phase, the Company constantly monitors critical factors in order to identify any potential risks as soon as possible, ensuring the timely implementation of any corrective measures. In projects in which Galp is not the operator, the Company monitors the activities and participates in the various phases of the project, through internal multidisciplinary teams and benefiting from the knowledge acquired.</p> <p>Also, due to its partnerships with leading companies in the energy sector, which are recognized for their knowledge and experience and with a low credit risk, Galp mitigates the risks resulting from its partners' performance.</p> <p>As for risks associated with suppliers, service providers and other third parties, Galp analyses and implements a selection and contracting process that combines several operational, compliance and EQSS criteria.</p>

Risk	Risk factors	Mitigation measures
<p>Markets</p>	<p>Galp is exposed to commodity risk, with the prices of its oil, natural gas, LNG and electricity being affected by market supply and demand dynamics. Factors such as economic/operational circumstances, natural disasters, weather conditions, political instability, conflicts or supply constraints influence these variables.</p> <p>Although the prices that are charged by the Company reflect the prices of the raw materials and products, the adjustments to Galp's sales prices following such increases and decreases in the prices of those raw materials and products may not fully reflect those changes immediately. Thus, lower prices may undermine Galp's investment plans, and, on the other hand, the rising prices of oil or natural gas may affect the value and profitability of Galp's assets.</p> <p>Changes in consumption patterns, especially those resulting from greater demand for solutions with lower carbon intensity, which may have a negative impact on the demand for oil and gas, may enhance Galp's risk exposure.</p> <p>Exchange rates and interest rates further expose Galp to risk. Exchange rate fluctuations, namely in currencies from countries where Galp develops commercial activities, directly or indirectly, affect the revenues and, consequently the results and the cash flow that is generated by the Company's sales. The book value of its financial assets and investments, mainly those denominated in U.S. Dollars and in Brazilian Real, are influenced by foreign exchange risk when Galp's consolidated financial statements are expressed in Euros.</p> <p>On the other hand, the volatility of the interest rates can affect Galp's financing costs and influence its results.</p> <p>Despite the ability to access market instruments to cover exchange rate and interest rate risks, adverse changes in the market may have a negative impact on the value of the Group's assets and results.</p>	<p>Galp's simultaneous presence in the upstream and downstream businesses has allowed a natural hedge of the Company's activities.</p> <p>In order to evaluate new projects and potential investments, Galp develops resilience tests to different scenarios for commodity prices and capital requirements and for demand and impacts in terms of carbon emissions.</p> <p>The business unit that is responsible for balancing the purchase and supply obligations also manages risks associated with Brent and refining margin volatilities. Galp manages these risks through instruments that are available at Intercontinental Exchange (ICE) and OTC markets.</p> <p>Galp manages the interest rate risk, exchange rate risk and other financial risks, including financial investments and debt risks, centrally at the corporate level. The management of the interest rate risk aims to reduce volatility of the interest charges, using a mix of fixed and variable rate funding instruments. In order to mitigate the exchange rate risk, Galp may hedge its position using derivatives for which there is a net market, where it considers necessary.</p>

Risk	Risk factors	Mitigation measures
<p>Legal and Compliance</p>	<p>Galp's main E&P projects and its natural gas supply have their origins in non-European countries with an unstable legal and regulatory framework. Any changes at this level may lead to shifts in the context in which the Company carries out its activities, potentially affecting in an adverse manner its profitability.</p> <p>The Company's downstream activities in Iberia are subject to political, legal and regulatory risks, with an emphasis on regulation and competition laws. Any changes at this level may also adversely impact the business context in which Galp operates.</p> <p>In addition, recent treaties, international agreements and regulations favouring lower-carbon sources of energy, which require companies to implement measures to reduce greenhouse gas and other associated emissions, give rise to additional compliance obligations with respect to emissions, the capture and use of carbon dioxide, which may result in higher investments and project execution costs (e.g. Sulphur IMO).</p> <p>Galp acts in accordance with international standards and with specific laws and regulations of the various countries in which it operates. However, any irregularities (actual or alleged) or lack of compliance performed by the company, its employees, suppliers/service providers and counterparties could have a materially adverse effect on the Company's ability to carry out its activity.</p>	<p>As part of the process for assessing any potential investments in different geographies, Galp evaluates the risk of the country's legal and regulatory framework. This risk is continuously monitored, following the investment decision, in order to assess any changes that have been introduced by the country's legislators or regulators. Galp analyses potential impacts and decides accordingly, in order to protect the interests of its stakeholders.</p> <p>To ensure its compliance with international best practices and legislation, and to prevent irregular conduct or misbehaviour, Galp has a Code of Ethics and Conduct, as well as a Policy and Standard Regulation on Corruption and Bribery Prevention, which defines the principles, rules and procedures relating to expected conduct in accordance with the principles of fairness, honesty, transparency and integrity. These are applicable to all of the companies in which Galp exercises management control and in all of the geographies where it operates.</p> <p>Galp also conducts compliance due diligence on its most relevant business partners, service providers and suppliers prior to engaging in transaction therewith, in order to ensure that such entities also possess appropriate and effective policies and procedures in relation to the prevention of corruption and bribery.</p>
<p>Portfolio Management</p>	<p>Galp operates along the Oil, Gas and Power value chains and these activities remain the focus of the Company's strategy.</p> <p>However, the achievement of a value driven upstream Oil & Gas portfolio depends upon Galp's success in acquiring, discovering and developing, in a consistent and profitable way, new reserves to replace those that are in a declining phase. However, the Company's ability to acquire, find and develop new resources and reserves is subject to a number of uncertainties. In addition, the new energy paradigm, towards a shift in the way energy is produced, distributed and used, with a more or less accelerated transition to a low-carbon economy, involves changes in consumption and technological patterns that are very important challenges for Galp. The Company must be able to incorporate this trend into its strategy; otherwise, it will have a competitive disadvantage.</p> <p>Any event that prevents the implementation of Galp's strategy may affect the profitability and, ultimately, the sustainability of the company.</p>	<p>Galp conducts a scenario-based strategic planning process, with the ultimate objective of ensuring the Company's sustainability and the creation of sustainable long-term value to its stakeholders.</p> <p>Depending on investment amounts, the projects undertaken by the Company are rigorously analysed, including resilience tests to different scenarios, and then submitted for approval to the Board of Directors or the Executive Committee. Projects' approval process implies the expectation of not exceeding the estimated cost of capital and allowing an appropriate estimated return.</p> <p>Being aware of the risks and opportunities accompanying the transition to a lower-carbon economy, Galp has committed to gradually diversifying its portfolio and to increasing its low-carbon power generation. For additional information, please see chapter 2 of this report, on the Strategic Framework.</p>

Risk	Risk factors	Mitigation measures
<p>Disruptive events</p>	<p>The nature, technical complexity and diversity of Galp's operations - particularly exploration and production in ultra-deep waters and in the refining process - expose the Company to a broad spectrum of disruptive EQSS risks.</p> <p>Included in this category are <i>chronic physical risks</i> (long-term changes in climatic patterns such as sustained high temperatures, the occurrence of successive droughts, change in precipitation patterns); <i>acute physical hazards</i> (civil unrest, war and terrorism, and natural disasters such as cyclones, hurricanes and floods); and <i>operational contingencies</i> relating to the characteristics of Galp's activities.</p> <p>In particular, E&P develops its undertakings in extremely challenging environments, there being a risk of technical failures and exposure to potential natural disasters. Factors such as unexpected drilling conditions, pressure or irregularities in geological formations, equipment failure or accidents, and extreme weather events can lead to loss of life, environmental damage, and compromise operating reliability or installations.</p> <p>This type of event may negatively influence the Company's reputation as well as the value of the Group's assets and its profits.</p>	<p>Galp understands that the preservation of the environment, and the health and safety of its employees, clients and community, as well as the protection of its assets, is a key element for the Company's sustainability.</p> <p>Galp is committed to integrating the fundamental aspects of EQSS into its strategy and decision-making processes throughout each project life cycle, having implemented a system that allows the business units to identify and manage operational risks in the various stages of development of their projects, equipment and assets.</p> <p>Galp also regularly promotes specific internal and external HSE audits and performs assessments on all of the assets it operates, with the objective of preventing accidents, protecting people and preserving operational performance, reputation and assets, through greater risk control in terms of operations and processes. In addition, the Company regularly monitors the operations of assets that are operated by third parties, within the powers that have been agreed under the Joint Operating Agreements.</p> <p>Furthermore, Galp has an insurance program that includes, among other things, property damage and civil liability, to minimize the impact of any potential risks that materialize.</p>
<p>Competition</p>	<p>The energy sector is extremely competitive. Additionally, due to technology developments, Galp may face competition from entities intervening in other industries or sectors that may integrate into the energy space.</p> <p>Competition puts pressure on access to raw materials, technology and product prices and it also affects the distribution activities for energy products, demanding a constant focus on cost control and efficiency enhancement, while ensuring operational safety.</p> <p>The Company's performance may be affected if its competitors develop or acquire intellectual property rights or technology that it requires, or if the Company is unable to follow the industry in terms of innovation, namely in the context of a changing energy paradigm and new oil market trends.</p> <p>Some of Galp's competitors are larger and well-established operators in the reference markets, with access to relevant resources, which is an important competitive advantage.</p> <p>The intense competition may adversely affect Galp's activity, as well as its operational and financial performance.</p>	<p>In view of the existing competition in the Energy sector, the Company has defined an innovation agenda, being committed to the development of competences, both internally and through partnerships, that enable it to study, create and implement new and better technical and technological solutions.</p> <p>In spite of the fact that some of Galp's competitors are larger, with a potentially stronger financial capacity that may facilitate access to more resources, Galp has a diversified and competitive portfolio. This includes stakes in two of the largest development projects worldwide - the pre-salt play in the Santos basin in Brazil and the Rovuma LNG project in Mozambique. In addition, Galp has a number of competitive advantages including a long-standing presence and strong operational experience in the industry and markets where it operates. Furthermore, Galp maintains a strong capital structure that supports its E&P activities.</p> <p>In the downstream, Galp develops a wide range of activities along the value chain, being the sole refiner in Portugal and a reference operator in Iberia - its core market - and having developed relevant skills that contribute to consolidate and expand its activity in international markets.</p>

Risk	Risk factors	Mitigation measures
<p>Partner Dependency</p>	<p>Galp develops several projects in its various business segments in partnership with other entities, in particular its major E&P projects, which are mostly operated by partners and managed through Joint Operation Agreements.</p> <p>In the execution of any project that is conducted in partnership with others, Galp may depend on partners and/or be vulnerable to events that influence those partners, even if they are not directly related to the Company. In particular, the partners may reveal financial, technical or operational fragilities in meeting their obligations relating to the project or towards third parties, thereby affecting the reliability or the feasibility of the execution of the project that they have jointly developed with Galp.</p> <p>In particular, in E&P business, and under Joint Operating Agreements, partners may be able to approve certain matters without Galp's consent, albeit within limits.</p> <p>All of these factors could jeopardize the execution of projects and, ultimately, constrain and interfere with the implementation of Galp's strategy. In this way, these types of events can negatively influence the value of Galp's assets and its financials.</p>	<p>In E&P business, although Galp is not the operator of most projects, it is actively involved in their execution. In fact, Galp monitors the activity of each project on a regular basis, through multidisciplinary teams, and it maintains direct contact with the operators, which are generally highly reputed international companies.</p> <p>The Company also carries out long negotiation processes with its partners, which includes signing Joint Operating Agreements in order to ensure Galp's rights and powers in joint venture governance structures, including the possibility of exercising any veto rights over certain decision-making processes. Joint Operating Agreements govern acquisitions of goods and services within joint ventures, for example. This ensures alignment between all partners in terms of the quality, social responsibility and EQSS criteria for the pre-qualification of suppliers in purchasing processes.</p> <p>In other business segments, partner selection also involves a rigorous process for ensuring the selection of companies with high financial, technical and operational capacity.</p>
<p>Cybersecurity</p>	<p>The information systems are a crucial component for the development of Galp's activities and any system failure, whether accidental (including those that are caused by network, hardware or software failures) or resulting from intentional actions (such as cyber-attacks), or even negligence, can have extremely negative impacts.</p> <p>These failures may, in particular, seriously compromise Galp's operations, affect the quality of its activities or cause interruptions/disruptions. These may lead to: loss, misuse or abuse of sensitive information; loss of lives; damage to the environment or to the Company's assets; non-compliance with legal or regulatory framework, with possible fines or any other type of penalties; and further undermining of the Company's reputation.</p> <p>These events may negatively affect the value of the Group's assets and its profitability.</p>	<p>Galp mitigates these risks through a set of preventive measures including, but not limited to, control procedures, backup systems and protection systems, such as firewalls, the use of antivirus software and building security.</p> <p>The company has recently created the function of Chief Information Security Officer, within the Risk Management Department, with the responsibility for defining and monitoring cybersecurity risks.</p> <p>In addition, Galp has implemented information security policies, regular cybersecurity surveys and audits, which are performed by Galp or by independent experts representing Galp, in order to better understand the level of the potential threats. These include monitoring the potential fragilities of (critical) suppliers.</p>

Risk	Risk factors	Mitigation measures
Geopolitical	<p>An increasingly significant share of Galp's revenues are from countries with high economic and political risks.</p> <p>Galp's main E&P projects (the Lula/Iracema project in Brazil and the Mamba project in Mozambique), its business in natural gas Supply & Trading and its marketing of petroleum products are all located or developed in countries with high political risk. This risk could result in issues of a diverse nature adversely affecting Galp's ability to develop those projects in a safe, reliable and cost-effective manner.</p> <p>These matters include civil disruption, the expropriation and nationalisation of goods, changes to environmental regulations (e.g. increases in the price of greenhouse gas emissions), specific changes to Oil & Gas regulation, the allocation of exploration and production licenses, specific obligations relating to drilling and exploration activities, or significant increases in taxes and royalties on oil and natural gas production, among others.</p> <p>Materially adverse changes in the project selection assumptions may jeopardize the continuity of operations and adversely affect the value of Galp's assets and results.</p>	<p>Galp is permanently vigilant to all of the events that occur in the countries in which it operates and that may have implications for the Company's activity, especially in Brazil, Angola and Mozambique.</p> <p>In countries where exposure is higher, the Company is committed to developing a sustainable relationship with local stakeholders.</p> <p>On the other hand, Galp is building a balanced project portfolio, and is continually assessing the possibility of entry into new geographies, which contributes to the reduction of the Company's geopolitical risk exposure.</p>
Counterparty	<p>Counterparty risk arises from the possibility that a counterparty may not fulfil its contractual obligations, meaning that the level of risk depends upon its credibility.</p> <p>This risk includes both the possibility that one party may not fulfil its agreed payment obligations in respect of financial investments and hedging instruments (relating to exchange rates, interest rates or others), as well as the risks that arise from the relationships between the Company and its customers, suppliers, service providers and other third parties.</p> <p>The increased exposure to this risk may affect, in an adverse material manner, Galp's operational results and its financial condition.</p>	<p>Galp has a Credit Management Manual that ensures the transversal management of credit risk of each client and that defines procedures for evaluating exposure to credit risk, assigning a rating to each client, setting credit limits and calculating the risk-return ratio.</p> <p>Following the guidelines from the Executive Committee, the business units have the duty to manage risk by following the Credit Management Manual. This includes the management of collateral through banking guarantees and credit insurance; the monitoring of overdue credit; the adequate debt collection efforts and efficient litigation management; the attentive drafting of contracts, with inclusion of appropriate commercial conditions; the monitoring of customer profitability; and the optimisation of sales/distribution channels.</p> <p>With regard to risks associated with suppliers, service providers and other third parties, Galp analyses and implements a selection and contracting process that combines several operational, compliance and EQSS criteria.</p>

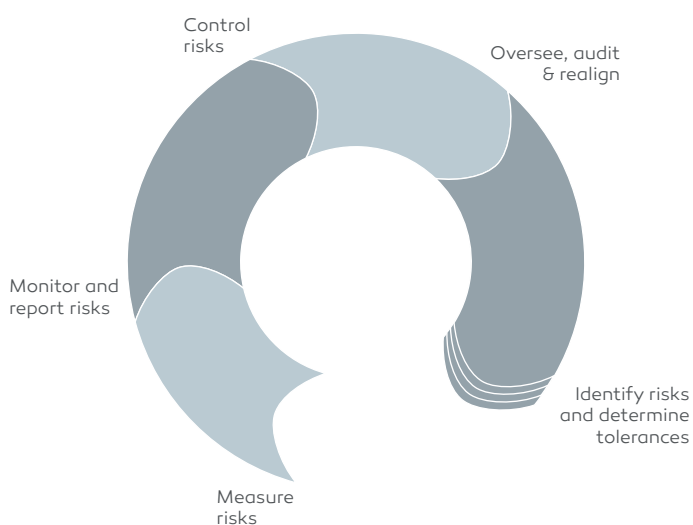
54. Description of the procedure for identification, assessment, monitoring, control and risk management.

Galp is an integrated energy operator, present in several geographies, and is exposed to internal/external factors, which bring uncertainty to its performance and achievement of strategic objectives.

The **Risk Management Policy**, which has been approved by the Board of Directors, defines objectives, processes and responsibilities that enable Galp to establish a solid risk management structure to ensure its compliance with strategic objectives.

Based on the guidelines defined in the Risk Management Policy, Galp identifies, evaluates and manages both the risks and opportunities inherent to its strategy, including emerging risks and opportunities.

Galp's **Enterprise Risk Management** approach is based on five general activities as defined by Culp in "The Risk Management Process" (see below).



Identify Risks and Determine Tolerances: In its strategic planning process, Galp identifies the key critical uncertainties - from political, economic, social, technological and environmental to regulatory factors - and incorporates them in its business models to build a set of future alternative scenarios that ensure the construction of a more resilient portfolio.

The Risk Management Policy establishes Galp's commitment to manage the inherent exposure in accordance with the Company's Risk Appetite, ensuring compliance with regulatory, legal and ethical conduct requirements.

The Executive Committee and the Board of Directors approved the Risk Appetite underlying the Budget and Plan for 2019-2023 proposed by the Risk Management Department, on 14 December 2018. Risk appetite and tolerances are annually reassessed, taking into account potential context changes.

Additionally, every quarter the Risk Management Department together with LROs review main risks, reassess the risk matrix and the mitigation measures and report them to the Risk Management Committee. This activity allows awareness to the main endogenous and exogenous risks and opportunities through a top-down and a bottom-up assessment.

Measure Risks: Based on the business units impact/probability matrices, the Risk Management Department quantifies the risks identified and determines Galp's risk matrix.

Additionally, the Risk Management Department analyses and integrates the various business models of Galp, taking into account the volatility of identified KRIs, to obtain both a holistic view of Galp's portfolio returns (Sharpe Ratio) and of its value at risk (V@R), in an 'as is' and 'to be' approach.

This activity allows an optimisation of the portfolio from a risk/return perspective.

Monitor and Report Risks: The Risk Management Department in conjunction with the LROs continuously monitors the KRIs of the risks previously identified and quarterly reports on their progress to the Risk Management Committee, providing justification for the changes registered. Whenever necessary, the Committee defines mitigation actions to be implemented by business units.

Also quarterly, the Risk Management Department reports risks and mitigation actions to the Audit Board.

Control Risks: On a monthly basis, the Risk Management Department controls the implementation of mitigation actions defined by the Risk Management Committee and quarterly reports its status to this Committee.

Galp classifies risks by response categories, depending on the decision to avoid, transfer, reduce or accept risk. This response strategy ensures that risks are within the guidelines issued by the Board of Directors and/or the Executive Committee.

The incorporation of the insurance activity in the Risk Management Department allows the optimisation of risk transfer, whenever this proves to be the best option.

Oversee, Audit & Realign: Galp's Risk Management Committee and Audit Board oversee the risk management process.

The information reported quarterly by the Risk Management Department to the Risk Management Committee (reassessment of risk matrix and mitigation measures and status of mitigation actions) allows this Committee to supervise, audit and realign the risk management process.

55. The core details of the internal control and risk management systems implemented in the Company, in relation to the procedure for reporting financial information (Article 245(A)(1)(m) of the Securities Code).

Galp has drafted and implemented rules and procedures that are applicable to the control activities relating to the preparation and reporting of financial information. Galp prepares its accounts in compliance with the IFRS international accounting rules, which have been approved by the European Union. In order to fulfil any situations of inexistence or insufficiency in the IAS/IFRS rules, or the SIC/IFRIC interpretations, Galp has an accounting manual that follows the market's best practices and that is applied internally as a complement to the IFRS rules.

With the objective of assessing operational performance, Galp also discloses its results on a replacement cost adjusted base (RCA), which exclude the non-recurring events and the inventory effect – the latter, because the cost of the merchandise that has been sold and the raw materials that have been consumed has been determined by the replacement cost method.

The "About the Report" section describes the directives and the globally recognized regulations that have been used in the preparation of this report. Recognizing the technological dependencies in the process areas, Galp has characterized the control activities for its financial information report in relation to the use of support technologies (in terms of implementation/information system) and it has also identified the control activities over those technologies.

The documents that present financial information to the capital markets are prepared by the Strategy and Investor Relations Department (DERI), based on the information that has been provided the Accounting and Taxation department, and by the Corporate Planning and Control department. In relation to the half-yearly and annual provision of accounts, the documents are sent to the Board of Directors and the Audit Board, which approve them before disclosure.

In 2018, Galp developed and implemented an information system for monitoring the registration of insiders and the people with access to this information (permanent and occasional insiders), including financial information, which meets the requirements arising from the recent European legislative reform in this area.

IV - Investor assistance

56. The department responsible for investor assistance, composition, functions, the information made available by such a department, and its contact details.

The service responsible for supporting investors is the Investor Relations division (IR), which is integrated as part of the Strategy and Investor Relations Department.

Composition

Head: Pedro Dias
Investor Relations Officer: Otelo Ruivo
Team: Cátia Lopes, João G. Pereira, João P. Pereira, Teresa Rodrigues

Main duties

The Strategy and Investor Relations Department performs all of the duties of the investor support office. This department reports directly to the Chief Executive Officer, and its duties include proposing Galp's strategic guidelines and promoting a clear perception of the Company at the strategic, operational, and financial levels to its stakeholders. In particular, with respect to the investor support duty, the IR team devises, manages, and coordinates all of the activities that are required in order to achieve Galp's objectives in respect of its relations with the capital markets, including shareholders, institutional investors, and financial analysts.

The IR team is responsible for ensuring that the Company's communications with the capital markets result in an integrated and consistent perception of Galp's strategy and operations, so that investors are capable of making informed decisions. For this purpose, the IR team produces and provides the market with relevant, clear, complete, updated and accurate information about Galp, and it does this regularly, transparently, and promptly, with a view to providing information symmetry in the market.

The IR team is also responsible for meeting the legal obligations in terms of reporting to the regulatory authorities and to the market, which include drawing up reports disclosing Galp's results and the Group's activities, drafting and disclosing communications on inside information, providing the information requested by investors, financial analysts, and other capital markets participants, as well as supporting the Executive Committee in aspects relating to Galp's status as a publicly traded company.

The IR team monitors the changes in Galp's share price, and those of comparable companies, and it supports the management team by means of direct and regular contact with national and foreign financial analysts and institutional investors, either in conferences and collective presentations addressed to investors, or in bilateral meetings.

Information disclosed

Galp's capital markets communication policy aims to provide all of the relevant information in order to allow reasoned judgments to be made about the evolution of the Company's activity, its expected and achieved results, and the various risks and opportunities that may affect its activity.

With this in mind, Galp promotes transparent and consistent communication, which is based on explanations of the criteria used in the provision of the information and the clarification of the reasons for any amendments to it, in order to facilitate the comparison of the information provided in different reporting periods.

Strategy execution

The website provides information on the Company's strategy and its implementation. The website includes a description of the Company's activities and strategy, including presentations directed to the capital markets.

Corporate governance

The website provides information on the Company's corporate governance, in compliance with the regulations and recommendations in force in the Portuguese market, and in accordance with best international practices.

Results

The information disclosed to the market includes a summary of the operating information for each quarter, which is called the Trading Update, and which is usually published two weeks before the announcement of the quarterly results. Reports and quarterly earnings presentations, and their supporting files, are usually released before the market opens, on a date that has previously been announced, and the audio and an accompanying transcript of the conference calls are published afterwards.

Consensus

Galp publishes its quarterly, medium, and long-term results as estimated by the analysts who cover the Company's share, and discloses a summary of the analysts' recommendations on the share price.

Galp share

With a greater focus on the capital markets, the website includes a section including Galp's share price history, comparisons with the evolution of PSI-20, and comparable company share prices. Additional information about the Company's shareholding structure, including a description of the qualifying holdings, as well as detailed and historical information about the payment of dividends, is also available in this section of the website.

Corporate Events Calendar

In accordance with best international practices, Galp announces in December the dates of the events that will be of interest to shareholders that will take place in the following year.

In 2018, the calendar was as follows:

Event	Date
4 th Quarter 2017 Trading Update	5 February
Capital Markets Day 2018 and 4 th Quarter 2017 Results	20 February
1 st Quarter 2018 Trading Update	13 April
Annual Report and Accounts 2017 (Audited)	16 April
1 st Quarter 2018 Results	27 April
Annual General Shareholders' Meeting	15 May
2 nd Quarter 2018 Trading Update	16 July
2 nd Quarter 2018 Results	30 July
3 rd Quarter 2018 Trading Update	15 October
3 rd Quarter 2018 Results	29 October

The calendar foreseen for 2019 is as follows: (*)

Event	Date
4 th Quarter 2018 Trading Update	28 January
4 th Quarter 2018 Results and Short-Term Outlook	11 February
Galp Integrated Report 2018 (Audited)	12 March
Annual General Shareholders Meeting	12 April
1 st Quarter 2019 Trading Update	15 April
1 st Quarter 2019 Results	29 April
2 nd Quarter 2019 Trading Update	15 July
2 nd Quarter 2019 Results	29 July
3 rd Quarter 2019 Trading Update	8 October
Capital Markets Day and 3 rd Quarter 2019 Results	22 October

(*) dates subject to adjustment.

The Company holds conference calls to present its quarterly results and to provide strategy execution updates on the dates when the results are released.

Communication to the market

All of the relevant information is disclosed, preferably before the opening or after the closing of the daily session of the Euronext Lisbon, and it is made available in Portuguese and in English through the CMVM's information disclosure system.

In order to facilitate access, the information is also provided, quickly and without specific costs, to a non-discriminatory database, as it is sent by email to all investors and to any other stakeholders who have previously requested so.

The database currently includes over 2,300 contacts. The relevant information is disclosed simultaneously on the "Investors" section of the Galp website: <https://www.galp.com/corp/en/investors>

Contacts

We promote a close relationship with the financial community, and we are actively involved in meetings with institutional investors and analysts, in order to inform them, on a regular and consistent basis, of the Company's strategy and its implementation of that strategy.

In February 2018, Galp organized an event for the capital markets, in order to provide information relating to the strategic update and the financial perspectives. The Company also held three conference calls, which were open to the capital markets, to discuss the quarterly results and to provide updates on its strategic executions.

In addition, throughout the year, Galp participated in seventeen conferences and eighteen roadshows. All in all, including ad-hoc meetings and conference calls, the IR team held more than 190 meetings with institutional investors, covering 236 investment funds in Europe, North America, Latin America, and Asia. Approximately 36% of these meetings were attended by at least one member of the Executive Committee, underlining the high level of the management team's commitment to communicating the Company's strategy and its implementation to the capital markets.

During the working hours of the Euronext Lisbon, contact with the IR team can be made through the e-mail address investor.relations@galp.com or by calling +351217240866.

57. Market liaison officer.

Galp's representative for market relations is Pedro Dias, Head of DERI.

58. Data on the extent of and the deadlines for replying to requests for information received throughout the year or pending from preceding years.

In order to promote a close relationship with the capital markets community, the Head of DERI ensures the response to all information requests received by telephone and email.

Responses and clarifications are provided as quickly as possible, adjusting the response time to the nature and complexity of the issues at hand, and always ensuring the transparency, symmetry, and consistency of the available market information.

During 2018, the IR team responded to over 370 information requests, and the average response time was one business day, which is in line with the defined target.

V - Website

59. Address(es).

Galp publishes information on its website: www.galp.com.

60. The place where information about the firm, its public company status, headquarters, and the other details that are referred to in Article 171 of the Commercial Companies Code, is available.

The information set out in Article 171 of the CSC can be found on the Galp website at: <https://www.galp.com/corp/en/footer/contacts>.

61. The places where the By-laws and regulations of the functioning of the boards and/or committees are available.

The corporate bodies and the internal commissions of Galp have regulations that define, inter alia, their duties, powers, and responsibilities, Chairmanship, the periodicity of their meetings, their functioning, and the duties of their members.

These regulations, as well as the Company's By-laws and its other relevant policies and procedures, are available at the Company's website, as follows:

- Board of Directors:
https://www.galp.com/corp/Portals/O/Recursos/Governo-Societario/SharedResources/Documentos/EN/Regulamento_CA_EN_Web.pdf
- Audit Board:
<https://www.galp.com/corp/Portals/O/Recursos/Governo-Societario/SharedResources/Documentos/EN/EN%20Regulamento%20Conselho%20Fiscal%20out2018.pdf>
- Executive Committee:
https://www.galp.com/corp/Portals/O/Recursos/Governo-Societario/SharedResources/Documentos/EN/Regulamento_CE_EN_Web.pdf
- Ethics and Conduct Committee:
<https://www.galp.com/corp/Portals/O/Recursos/Governo-Societario/SharedResources/Documentos/EN/Regulations-Ethics-Conduct-Committee.pdf>
- Sustainability Committee:
<https://www.galp.com/corp/Portals/O/Recursos/Governo-Societario/SharedResources/Documentos/EN/Sustainability-Committee.pdf>
- Risk Management Committee:
<https://www.galp.com/corp/Portals/O/Recursos/Governo-Societario/SharedResources/Documentos/EN/NT-O-018%20-%20Risk%20Management%20Committee.pdf>
- Remuneration Committee:
https://www.galp.com/corp/Portals/O/Recursos/Governo-Societario/SharedResources/Documentos/EN/Regulamento%20Comissao%20de%20Remuneracoes_EN_2019.pdf
- Bylaws:
https://www.galp.com/corp/Portals/O/Recursos/Governo-Societario/SharedResources/Documentos/EN/Estatutos_EN_rev%2010122018_1.pdf
- Other policies and regulations:
<https://www.galp.com/corp/en/corporate-governance/docume>

62. The place where information is available regarding the names of the corporate board members, the market liaison officer, the investor assistance officer, or, for a comparable structure, the respective functions and contact details.

The information about the members of the corporate bodies is available online at the Galp website: <https://www.galp.com/corp/en/corporate-governance/governing-model-bodies>

The information about the market liaison officer and the IR division is available online at the Galp website: <https://www.galp.com/corp/en/investors/investor-support/investor-relations-team>

In addition, the number of meetings held in 2018 by the corporate bodies and committees is available at Galp website under the tab of each corporate body and committee.

63. The place where the documents relating to the financial accounts reporting are available, which should be accessible for at least five years, and the half-yearly calendar on company events that is published at the beginning of every six months, including, *inter alia*, general meetings, disclosure of annual, half-yearly, and, where applicable, quarterly financial statements.

The accounting documents for at least ten years, are available online, at the Galp website: <https://www.galp.com/corp/en/investors/reports-and-presentations/reports-and-results>

The calendar of corporate events is available online at the Galp website: <https://www.galp.com/corp/en/investors>

64. The place where the notice convening the General Shareholders' Meeting and all of the preparatory and subsequent information relating to it is disclosed.

The notice convening the General Shareholders' Meeting, as well as all of the preparatory and subsequent information relating to it, are available online at the Galp website: <https://www.galp.com/corp/en/investors/information-to-shareholders/general-shareholders-meetings>

65. The place where the historical archive of the resolutions passed at the General Shareholders' Meetings, the share capital, and the voting results relating to the preceding three years are available.

The historical record for recent years of the resolutions passed at the General Shareholders' Meetings, the represented share capital, and the results of the votes can all be found online at the Galp website: <https://www.galp.com/corp/en/investors/information-to-shareholders/general-shareholders-meetings>

D - Remuneration

I - Power to establish

66. Details of the power to set the remuneration of the corporate boards, the members of the Executive Board or the Chief Executive, and the directors of the Company.

The Remuneration Committee is the corporate body responsible for setting the remuneration amounts payable to the members of Galp's corporate bodies and its Executive Committee, it consists of three shareholders who have been elected at the General Shareholders' Meeting and who are not members of the Board of Directors or the Audit Board, pursuant to Article 8 of the By-laws.

In accordance with Article 248(B)(3) of the Portuguese Securities Code, the only persons who are classified as Galp's senior executives are the members of the Board of Directors and the Audit Board.

II - Remuneration Committee

67. The composition of the Remuneration Committee, including details of any individual or legal persons that have been recruited to provide services to such a committee, and a statement on the independence of each member and advisor.

The Company's current Remuneration Committee was elected at the General Shareholders' Meeting of 16 April 2015, for the term 2015-2018, and it has the following members:

- Amorim Energia
- Jorge Armindo Carvalho Teixeira
- Joaquim Alberto Hierro Lopes

The members of the Remuneration Committee are independent from the members of the Board of Directors and of the Audit Board, in compliance with Article 8 of the By-laws, which stipulates that those positions are incompatible.

The fact that the non-executive directors – Paula Amorim, Marta Amorim, Francisco Teixeira Rêgo, Rui Paulo Gonçalves, and Jorge Seabra de Freitas – are members of Amorim Energia's Board of Directors does not affect its independence as a member of the Remuneration Committee, given that these members do not take, alone or together, the decisions of the Board of Directors of Amorim Energia.

The regulations of the Remuneration Committee include an obligation for its members to promptly inform the respective corporate body of any facts that may constitute or give rise to a conflict of interest between the members in question and the Company's interests.

In addition, the Company has approved an internal regulation, applicable inter alia to members of the Remuneration Committee, which establishes that members who have been identified as being in a conflict of interest situation must refrain from discussing, voting, making decisions, giving opinions, taking part in, or exerting any influence on any decision-making processes directly related to this conflict of interest situation. This is without prejudice of providing any necessary information or clarifications.

In 2018, the Remuneration Committee held three meetings and the respective minutes were duly taken.

The Chairman of the Remuneration Committee was present in the annual General Shareholders Meeting on 15 May 2018. The regulations of the Remuneration Committee include an obligation for the Chairman, or, in the event of his/her impediment, another member of the Remuneration Committee, to be present at the annual shareholders' meeting, as well as at any other meeting, whenever the respective agenda includes a matter that is linked with the remuneration of the members of the company's corporate bodies and committees or, if such a presence has been requested, by the shareholders.

The regulations of the Remuneration Committee set out the right to decide on the engagement of consultancy services in order to support the activities of the Remuneration Committee, which can be freely chosen by the latter, and which shall not provide any other services to the Company in order to ensure their independence. During 2018, the Remuneration Committee did not engage any consultancy services.

68. Knowledge and experience of Remuneration Policy issues by members of the Remuneration Committee.

The members of the Remuneration Committee have knowledge on remuneration policy matters, based on their academic background and their extensive corporate experience, and they are considered suitable for reflecting on making decisions on all of the matters that fall under the remit of the Remuneration Committee, as evidenced by their biographical information in Appendix 9.9 of this chapter.

Specifically, Remuneration Committee member Jorge Armindo Carvalho Teixeira has vast professional experience, involving work in listed companies, management positions, including as Chairman, which has provided him the appropriate knowledge relating to remuneration matters in governing bodies of this type of company.

III - Remuneration structure

69. Description of the remuneration policy of the Board of Directors and Supervisory Boards, as set out in Article 2 of Law No. 28/2009 of 19 June.

The Remuneration Committee submitted a statement on the 2018 Remuneration Policy for Galp's corporate bodies for approval of the General Shareholders' Meeting, which was held on 15 May 2018. This describes the processes for setting and implementing Galp's remuneration policy for 2018, as well as its general objectives and

principles, in accordance with Law 28/2009 of 19 June, and in accordance with CMVM Regulation No 4/2013 and the CMVM Corporate Governance Code (2013 Recommendations) – which also comply with the IPCG Corporate Governance Code, which the Company has adopted in the meantime – in order to ensure greater clarity and effectiveness in communicating the Remuneration Policy, both to the market and to shareholders. This policy is available at the Company’s website on: http://www.galp.com/Portals/O/Recursos/GovernoCorporativo/Shared%20folder/Documentos/Item_8.pdf.

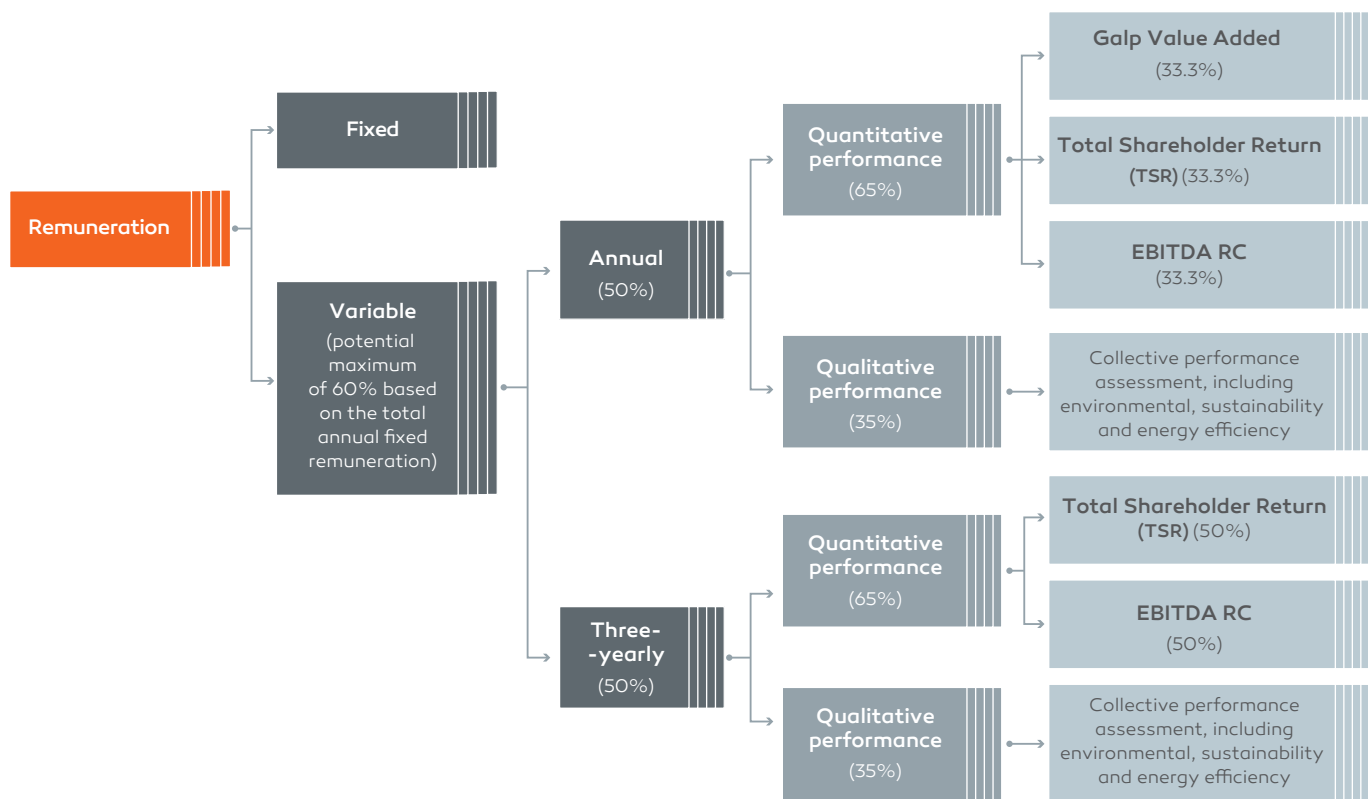
A brief description of the remuneration policy is given below.

Board of Directors

Non-executive members - fixed monthly sum, paid twelve times per year, in an amount set by the Remuneration Committee, taking into account standard market practice. This may be differentiated, in the case of the Chairman of the Board of Directors, in recognition of the special functions of the Company’s representation that have been assigned to her/him; and, in the case of the non-executive members of the Board of Directors, who perform the special functions of supervising and monitoring of the Company.

The remuneration of the non-executive members of the Board of Directors does not include any amounts based on the Company’s performance or its value.

Executive Members



The remuneration of the executive members in 2018 involves three main components:

Fixed remuneration - the fixed part of the remuneration is a monthly payment, paid fourteen times a year, the amount of which is set by the Remuneration Committee, and takes into account the nature of the assigned roles and responsibilities, and the market practice for equivalent positions in large national and international companies.

Annual variable remuneration - which maximum potential cap represents 50% of the maximum potential cap of the total variable remuneration, with the amount being set according to the following indicators:

- Galp Value Added (GVA), i.e. Galp's Economic Added Value, with a weight of 33.3%;
- Total Shareholder Return (TSR) Galp vs. Peer Group, with a weight of 33.3%; the Peer Group integrates Total, Repsol, OMV and ENI, together with the PSI 20 Index and the SXEP Index, which are respectively considered as references in the national and European energy market;
- Galp's EBITDA, at replacement cost, with a weight of 33.3%.

Three-year period variable remuneration - which maximum potential cap represents 50% of the maximum potential cap of the total variable remuneration, with the amount being based on the following indicators:

- TSR Galp vs. Peer Group (as detailed above), with a weight of 50%;
- Galp's EBITDA, at replacement cost, with a weight of 50%.

Other benefits

The executive members of the Board of Directors are also entitled to an amount equal to 25% of their fixed remuneration, which is paid twelve times a year, for the purpose of establishing a retirement savings plan or similar financial product, as better described in section 76 of this chapter.

Each executive member of the Board of Directors also receives the fringe benefits in force at Galp for the exercise of his/her role, in accordance with the Company's terms and conditions.

For executive directors whose permanent residence is outside the area where the Company is based, the Remuneration Committee shall set a housing allowance.

Executive directors also benefit from using a light-duty vehicle and from health and life insurances.

In case of a judicial decision for unlawful action against one or more members of the Executive Committee that results or has resulted in a restatement or an impairment of the financial statements in terms detrimental to the Company, the Remuneration Committee may request the Board of

Directors to adopt the adequate measures for the clawback of an amount of the variable remuneration paid to said member(s) that is deemed appropriate in relation to the relevant period of said unlawful action.

Audit Board

The remuneration of the members of the Audit Board consists of a fixed monthly payment, which is paid twelve times a year, with the chairman of the Audit Board receiving higher remuneration given the special functions that are assigned to the chairman.

The remuneration of the Audit Board members does not include a variable component.

Statutory Auditor

The Statutory Auditor is remunerated for the review of and the legal certification of the accounts of the Company at an amount that is contractually set under normal market conditions.

Board of the General Shareholders' Meeting

The remuneration of the members of the Board of the General Shareholders' Meeting is a fixed annual amount defined by the Remuneration Committee and is different for the Chairman, Vice-chairman and the Board Secretary, follows market practice for similar duties and is a fixed annual amount paid in a single instalment each year.

70. Information on how remuneration is structured so as to enable the alignment of the interests of the members of the Board of Directors with the Company's long-term objectives, and how it is based on the performance assessment, and how it discourages excessive risk-taking.

In order to achieve greater alignment between the activities of the directors and the Company's long-term objectives, a policy setting multi-year goals was introduced in 2012.

As provided by the remuneration policy described in section 69 of this report, the variable remuneration of the directors holding executive office roles includes both annual and three-yearly variable components, of the same weighting (maximum potential cap of 50% each). That weighting is based on the performance assessment that is carried out by the Remuneration Committee by using specific, measurable, and pre-defined criteria that, together, look at the Company's growth indicators and the wealth that has

been created for shareholders in a sustained manner over the short-, medium-, and long-term, there being a three-year time lag for the year in question, in the case of the multi-annual component, under the terms of the above-mentioned remuneration policy for 2018.

Accordingly, the use of qualitative criteria oriented towards a strategic medium-term perspective in the development of the Company, the three-year period that is used for setting the multi-annual variable remuneration amount, and the existence of a ceiling on variable remuneration are all key elements in promoting management alignment with the medium- and long-term interests of the Company and its shareholders.

The executive members of the Board of Directors shall not enter into contracts, either with the Company or with third parties, whose effect is to mitigate the inherent risk of their variable remuneration as set by the Company.

Taking into consideration the remuneration structure described above, particularly the balance between fixed and variable remuneration, the existence of both annual and three-year variable remuneration, and the criteria set out for determining the variable remuneration, Galp considers that its remuneration mechanism permits alignment between the interests of the Company and those of its executive directors, by incentivizing long-term and sustainable growth and avoiding short-termism as well as excessive risk taking.

71. Reference, where applicable, to any variable remuneration component, and information on any impact of performance appraisal on this component.

The total variable remuneration amount for each year is set by the Remuneration Committee, in accordance with the fulfilment of previously defined targets, with a maximum potential of 60%, by reference to the total of the fixed annual remuneration.

The remuneration of the executive directors includes a variable component that is based on the degree of compliance with certain economic, financial, and operational objectives with respect to the previous financial year (annual variable remuneration), as set out in the remuneration policy for 2018. This represents a maximum potential cap of 50% of the total variable remuneration, which is in line with the generally recognized practice in the national market.

The above mentioned indicators contribute in 65% to the definition of the annual and three-year variable remuneration applicable. The remaining 35% of each of the components of the variable remuneration alluded to the result of qualitative assessment by the Remuneration Committee of the activity performed by the executive directors yearly or during the relevant three-year period, as appropriate, namely in relation to the execution of objectives and targets related with environmental sustainability and energy efficiency of activities material for the Company, within the context of the appropriate management of the respective carbon intensity. In order to ensure consistency between the results obtained and the total variable remuneration paid, this depends on the results achieved by Galp. Thus, if the Company has net earnings lower than 80% of the budget, there will be no scope for paying the variable remuneration.

The three-year variable remuneration represents a maximum potential cap of 50% of the total variable remuneration, which is in line with the generally recognized practice in the national market as well as the regime applicable to banking institutions, as defined in Appendix II (1) (n) of Directive 2011/61/EU of 8 June 2011, which sets a minimum amount of 40% for deferred variable remuneration.

72. The deferred payment of the remuneration's variable component and the specification of the relevant deferral period.

In order to best stimulate the alignment of the executive directors' practices with the Company's long-term sustainable interests, a multi-annual objectives policy was introduced in 2012, before coming into force in 2013. This policy postpones a significant part of the variable remuneration payment for a period of three years, which stays associated with and dependent upon the performance of the Company during this period.

The objectives are defined for the subsequent three-year period on an annual basis, with the three-year assessment being made at the end of each three-year period. The first three-year period for which multi-annual objectives were determined was 2013–2015. In 2019, the 2016–2018 tri-annual period will be assessed and the corresponding remuneration (if any is due) will be paid.

The three-yearly variable remuneration is set annually by the Remuneration Committee, which establishes a provisional amount based on an evaluation of each year of the three-year period. However, the actual deferred amount of the three-year variable remuneration depends on: (i) the fulfilment of the overall objectives for the three-year period; and (ii) a qualitative assessment by the Remuneration Committee, which means that the provisional amounts defined in year one of the three-year period may be reduced or increased at the end of the three-year period in question, as a result of the assessment.

73. The criteria on which the allocation of variable remuneration is based, and also the criteria for maintaining the Company's shares that the executive directors have access to, as well as the possible share contracts, including hedging or risk transfer contracts, the corresponding limit, and its relation to the total annual remuneration value.

Galp currently has no system for the allocation of variable remuneration in shares.

74. The criteria on which the allocation of variable remuneration on options is based and the details of the deferral period and the exercise price.

Galp currently has no system for the allocation of variable remuneration in options.

75. The key factors and the grounds for any annual bonus scheme and any other non-financial benefits.

Galp does not have an established annual bonus scheme, besides the variable remuneration described above. The executive directors are entitled to a car allowance and to health and life insurance.

76. The key characteristics of the supplementary pensions or early retirement schemes for directors, and the date when such schemes were approved at the General Shareholders' Meeting, on an individual basis.

The Remuneration Committee, pursuant to Article 8 of the By-laws, has the power to approve the pension or the pension compensation that is attributed to the executive directors, at the expense of the Company.

The remuneration policy for 2018, as approved by the General Shareholders' Meeting and described in section 69 of this report, provides the attribution of an amount of 25% of the annual fixed remuneration to the members of the Executive Committee for investment in a retirement savings plan or another financial product of their own choosing.

This savings plan involves no future costs for Galp, insofar as it represents the allocation of an amount for financial investment, while the members of the Executive Committee perform their duties, and it does not fall under the terms of Article 402(1) of the CSC.

IV - Remuneration disclosure

77. Details of the amounts relating to the annual remuneration paid as a whole and individually to the members of the Board of Directors, including the fixed and variable remuneration, and, as regards the latter, the reference to the different components that gave rise to the same.

The gross annual amount of remuneration received by the members of the Company's Board of Directors during the 2018 financial year, as set by the Remuneration Committee, and in aggregate form, was €6,947,406, of which €4,158,000 was fixed, €1,506,166 was variable remuneration, €982,275 was for the retirement savings plan, and €300,964 was for other benefits.

The table below presents the itemized gross remuneration that was received by each of the members of the Board of Directors in 2018 (€):

Executive Directors

Name	Position	Gross Fixed Remuneration (€)	Gross Variable Remuneration ⁽¹⁾ (€)	Gross Retirement Savings Plan (€)	Others (€)	Gross Total Remuneration (€)
Carlos Gomes da Silva	Vice-Chairman and CEO	980,000	420,000	245,000	110,769	1,755,769
Filipe Crisóstomo Silva	Executive director	420,000	180,000	105,000	0	705,000
Thore E. Kristiansen	Executive director	490,000	210,000	122,500	97,887	920,387
Carlos Costa Pina	Executive director	420,000	180,000	105,000	0	705,000
José Carlos Silva	Executive director	420,000	180,000	194,775	92,307	887,082
Pedro Ricardo	Executive director	420,000	168,083	105,000	0	693,083
Tiago Câmara Pestana	Executive director	420,000	168,083	105,000	0	693,083
Gross total amounts		3,570,000	1,506,166	982,275	300,963	6,359,404

⁽¹⁾ Corresponds to the variable annual remuneration for 2017 and the variable multiannual remuneration for the three-year period 2015-2017.

Non-executive Directors

Name	Position	Gross Fixed Remuneration (€)	Gross Variable Remuneration (€)	Gross Retirement Savings Plan (€)	Others (€)	Gross Total Remuneration (€)
Paula Amorim	Non-executive Chairman	0 ⁽²⁾	0	0	0	0
Miguel Athayde Marques	Non-executive Vice-Chairman and Lead Independent Director	84,000	0	0	0	84,000
Sérgio Gabrielli de Azevedo	Non-executive Director	84,000	0	0	0	84,000
Abdul Magid Osman	Non-executive Director	84,000	0	0	0	84,000
Marta Amorim	Non-executive Director	42,000	0	0	0	42,000
Raquel Vunge	Non-executive Director	42,000	0	0	0	42,000
Francisco Teixeira Rêgo	Non-executive Director	42,000	0	0	0	42,000
Jorge Seabra de Freitas	Non-executive Director	42,000	0	0	0	42,000
Rui Paulo Gonçalves	Non-executive Director	42,000	0	0	0	42,000
Luís Todo Bom	Non-executive Director	42,000	0	0	0	42,000
Diogo Tavares	Non-executive Director	42,000	0	0	0	42,000
Joaquim Borges Gouveia	Non-executive Director	42,000	0	0	0	42,000
Gross total amounts		588,000	0	0	0	588,000

⁽²⁾ The chairman of the Board of Directors donated in full the amount of her remuneration to the Galp Foundation.

The variable remuneration is set in accordance with the criteria set out in section 72 of this chapter.

78. Any amounts paid, for any reason whatsoever, by other companies in a control or group relationship, or are subject to a common control.

The remuneration of Galp's directors includes all of the remunerations due for any positions held on the management bodies of Galp group companies, therefore no other payments were made by companies in a controlling or group relationship or under common control.

79. Remuneration paid in the form of profit-sharing and/or bonus payments, and the reasons why such bonuses and/or profit-sharing packages were awarded.

Galp does not have any other remuneration system for its directors in the form of profit-sharing packages and/or payments of bonuses.

80. The compensation paid or owed to former executive directors concerning contract terminations during the financial year.

No compensation was paid or owed to former executive directors, because of the termination of their duties during the 2018 financial year.

81. Details of the annual remuneration paid, as a whole and individually, to the members of the Company's supervisory body, for the purposes of Law 28/2009 of 19 June.

The aggregate remuneration paid to the members of the Audit Board in 2018, as per the terms set by the Remuneration Committee, was €92,400. The respective individual remuneration amounts paid in 2018 were as follows:

Name / Position	Gross fixed remuneration (€)
Daniel Bessa (Chairman)	42,000
Gracinda Raposo (Member)	25,200
Pedro Antunes de Almeida (Member)	25,200
Total gross amount	92,400

82. The details of the remuneration in such a year of the Chairman of the General Shareholders' Meeting.

In 2018, the Chairman of the Board of the General Shareholders' Meeting received remuneration for the amount of €3,500.

V - Agreements with remuneration implications

83. Any envisaged contractual restraints on the compensation payable for the unfair dismissal of directors, and the relevance to the remunerations' variable component.

In accordance with the remuneration policy for 2018, Galp does not have any agreements in place that provide payments in the event of the unfair dismissal of a director. The amounts due are determined by legal provisions, but there is no payment of remuneration sums in respect of the variable component if the net profit of the Galp group is below 80% of the budget.

The remuneration policy for 2018 does not encompass any indemnity or compensation to Board members as a result of their dismissal or the termination of a director's time in office before its term, this being the legal instrument and mechanism to avoid, directly or indirectly, the payments to such a director of any amounts beyond those set out by law.

84. Reference to the existence and the description, with details of the sums involved, of any agreements between the Company and the members of the Board of Directors and managers, pursuant to Article 248(B)(3) of the Securities Code, that envisages compensation in the event of resignation or unfair dismissal or termination of employment following a takeover bid (Article 245(A)(1) (I) of the Securities Code).

Galp is not a party to any agreements with the members of the Board of Directors and with other senior executives (dirigentes), within the meaning of Article 248(B)(3) of the Portuguese Securities Code, which provides for compensation in the event of resignation, dismissal without a valid reason, or the termination of the employment relationship following a change in the Company's control.

VI - Share and/or stock options plans

85. Details of the plan and the number of persons included therein.

Galp has no share plans or stock option plans.

86. A characterisation of the plan (allocation conditions, any non-transfer of share clauses, the criteria for share pricing and exercising the option price, the period during which the options may be exercised, the characteristics of the shares or options to be allocated, and the existence of any incentives to purchase and/or exercise options).

Galp has no share plans or stock option plans.

87. Stock option plans for the Company's employees and staff.

Galp has no share plans or share purchase options.

88. Any control mechanisms for a possible employee-shareholder system, insofar as voting rights are not directly exercised by such employees (Article 245(A)(1)(e) of the Securities Code).

Galp has no share plans or share purchase options.

E - Transactions with related parties

I - Control mechanisms and procedures

89. The mechanisms implemented by the Company for the purpose of controlling transactions with related parties (for such purposes, reference is made to the concept resulting from IAS 24).

In order to safeguard the Galp group's interests in situations involving potential conflicts of interest, Galp has adopted internal standards for the control of transactions between Galp (or its subsidiaries or other companies that are under Galp's management control, i.e. "Galp group entities") and related parties for compliance with the relevant accounting standards, in particular IAS 24.

These internal procedures impose the following main principles:

- (i) Any commitment of a contractual nature between any Galp group entities and any related party shall be carried out under normal market conditions;
- (ii) The execution by any Galp group entities and a related party of any relevant transactions (as described below) requires the prior opinion of the Audit Board (please refer to section 91 below for further detail);
- (iii) The execution by any Galp group entities and a related party of any relevant transactions (as described below) that have a single economic value higher than €20 million is also subject to the prior approval of the Board of Directors.

For these purposes, relevant transactions include, in particular: (i) financial investments, funding, shareholder loans, the granting of guarantees, the acquisition or sale of products and services, as well as the supply of energy products and other similar transactions with an economic value exceeding €10 million (with certain exceptions); (ii) the acquisition or divestment of shareholdings or other assets; and (iii) any other transactions that have a high risk of conflict of interests.

90. Details of any transactions that were subject to control during the year.

In 2018, there were no transactions with related parties subject to the control of the Audit Board.

91. A description of the procedures and criteria applicable to the Audit Board when it provides a preliminary assessment of the business deals to be carried out between the Company and the holders of qualifying holdings or entities in any relationship with them, in accordance with Article 20 of the Securities Code.

Galp's engagement in business with related entities, as defined by IAS 24, is subject to the prior opinion of the Audit Board, in accordance with the internal standard "Galp group Transactions with Related Parties", in order to safeguard the Galp group's interest in situations of potential conflicts of interest, notwithstanding compliance with the legal provisions in force. The standard is available online at: <http://www.galp.com/Portals/O/Recursos/Governo-Societario/SharedResources/Documentos/EN/NT-R-Transacoes-Grupo-Galp-Partes-Relacionadas-EN.pdf>.

This regulation applies to any relevant transactions between Galp (or any Galp group entity) and related parties.

The Company Secretary is required to submit any relevant transactions with a related party to the Audit Board, in order to receive their prior opinion, along with the supporting information, including, in particular, its economic value, the specification of the contractual formation procedures that are to be adopted, and a demonstration of the compliance of the transaction conditions with normal market conditions.

The Audit Board must issue an opinion within five business days, otherwise the opinion will be deemed favourable.

In cases of urgency and exceptional nature, previously approved and duly justified in accordance with the applicable authorisation standard, when it is not feasible or possible to obtain the favourable prior opinion of the Audit Board without significant loss of value to the relevant transaction for the Galp group, the opinion shall be requested immediately afterwards.

If the Audit Board issues a negative prior opinion, then the Board of Directors of the Group Company may decide to go forward with the transaction, on the grounds that it will aim to pursue the relevant social interests of Galp or of the Galp group entity.

The transactions with related parties are communicated to the Audit Board by the Board of Directors and/or the Executive Committee on a semi-annual basis.

II - Data on business deals

92. Details of the place where the financial statements, including information relating to business dealings with related parties, are available, in accordance with IAS 24 – or, alternatively, a copy of such data.

Information on any transactions with related parties, in accordance with IAS 24, is available in Note 28 of Appendix 9.1. a of this report.

PART II

Corporate governance assessment

1. Identification of the Corporate Governance Code that has been adopted

Under, and for the purposes of Article 2 of CMVM Regulation No. 4/2013, Galp voluntarily decided to be governed by the Corporate Governance Code of the Portuguese Institute of Corporate Governance, as approved in 2018 (the “IPCG Corporate Governance Code”), and as available online at the Portuguese Institute of Corporate Governance website: <http://www.cgov.pt>.

2. Compliance analysis of the Corporate Governance Code that has been adopted

The Company has adopted the vast majority of the applicable recommendations of the IPCG Corporate Governance Code.

Out of a total of 60 recommendations, Galp has adopted forty-nine, seven are not applicable, while four have not been adopted for reasons explained in the table below. The evidence for the adoption of each recommendation, and the reference to the section of the chapter in this report where the respective matter is addressed (Section, Part, Chapter), are indicated in the following table. This includes an explanation for any non-adoption of a certain recommendation, as well as an indication of any alternative mechanisms that have been selected by the Company for the purpose of pursuing the same objective of the recommendation relevant.

IPCG Recommendation	Comply or explain	Reference to this report
Chapter I - General provisions		
I.1. Company's relationship with investors and disclosure		
I.1.1. The Company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the markets in general.	Adopted.	Sections 56 to 65, Part I, Chapter 7.
I.2. Diversity in the composition and functioning of the company's governing bodies		
I.2.1. Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.	Not applicable. This recommendation is not applicable for 2018, as there were no elections of governing bodies at Galp.	
I.2.2. The company's managing and supervisory boards, as well as their committees, should have internal regulations — namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members —, and detailed minutes of the meetings of each of these bodies should be carried out.	Adopted.	Sections 22, 27 and 34, Part I, Chapter 7.
I.2.3. The internal regulations of the governing bodies — the managing body, the supervisory body and their respective committees — should be disclosed, in full, on the company's website.	Adopted.	Section 61, Part I, Chapter 7.

IPCG Recommendation	Comply or explain	Reference to this report
I.2.4. The composition, the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.	Adopted.	Section 62, Part I, Chapter 7.
I.2.5. The company's internal regulations should provide for the existence and ensure the functioning of mechanisms to detect and prevent irregularities, as well as the adoption of a policy for the communication of irregularities (whistleblowing) that guarantees the suitable means of communication and treatment of those irregularities, but safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality requested.	Adopted.	Section 49, Part I, Chapter 7.
I.3. Relationships between the company bodies		
I.3.1. The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.	Adopted.	Sections 15 and 38, Part I, Chapter 7.
I.3.2. Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.	Adopted.	Sections 15, 29 and 38, Part I, Chapter 7.
I.4. Conflicts of interest		
I.4.1. The duty should be imposed, to the members of the company's boards and committees, of promptly informing the respective board or committee of facts that could constitute or give rise to a conflict between their interests and the company's interest.	Adopted.	Sections 26, 38, and 67, Part I, Chapter 7.
I.4.2. Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.	Adopted.	Sections 26, 38, and 67, Part I, Chapter 7.
I.5. Related party transactions		
I.5.1. The managing body should define, in accordance with a previous favourable and binding opinion of the supervisory body, the type, the scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorisation of the managing board, and (ii) due to their increased value require an additional favourable report of the supervisory body.	Adopted.	Section 89 and 91, Part I, Chapter 7.
I.5.2. The managing body should report all the transactions contained in Recommendation 1.5.1. to the supervisory body, at least every six months.	Adopted.	Section 89 and 91, Part I, Chapter 7.

IPCG Recommendation	Comply or explain	Reference to this report
Chapter II - Shareholders and general meetings		
II.1. The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.	Adopted.	Sections 5 and 12, Part 1, Chapter 7.
II.2. The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.	<p>Not adopted.</p> <p>According to the By-laws, any resolutions on the matters referred to in Article 12, paragraph 4, a), b), and c), or any other matters for which the law requires a qualified majority, two-thirds of the votes cast are necessary in both the first and the second call at the General Shareholders' Meeting, even if shareholders holding shares representing at least half of the capital are present or represented (which is higher than required by the CSC, in the case of the second call, and, in some cases included under a), also in the case of a first call).</p> <p>These provisions of the By-laws have the purpose of ensuring an adequate representation of shareholders when passing resolutions on matters that are strategically important for the Company.</p>	Section 14, Part 1, Chapter 7.
II.3. The company should implement adequate means for the exercise of voting rights through postal votes, including by electronic means.	Adopted.	Section 12, Part 1, Chapter 7.
II.4. The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.	Adopted.	Section 12, Part 1, Chapter 7.
II.5. The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution — without increased quorum in comparison to the legally established — and in that resolution, all votes cast will be counted without observation of the imposed limits.	<p>Not applicable.</p> <p>The By-laws do not include any limitations on the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders.</p>	Section 13, Part 1, Chapter 7.
II.6. The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.	Adopted.	Section 4, Part I, Chapter 7.

IPCG Recommendation	Comply or explain	Reference to this report
Chapter III - Non-executive management, monitoring and supervision		
<p>III.1. Without prejudice to the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.11.</p>	Adopted.	Section 18, Part I, Chapter 7
<p>III.2. The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed.</p>	Adopted.	Sections 18 and 31, Part I, Chapter 7.
<p>III.3. In any case, the number of non-executive directors should be higher than the number of executive directors.</p>	Adopted.	Section 18, Part I, Chapter 7.
<p>III.4. Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to:</p> <ul style="list-style-type: none"> i. having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis; ii. having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years; iii. having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person; iv. having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties; v. having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings, or vi. having been a qualified holder or representative of a shareholder of qualifying holding. 	Adopted.	Section 18, Part I, Chapter 7.
<p>III.5. The provisions of (i) of recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of three years has elapsed (cooling-off period).</p>	Not applicable. There are no Directors in this situation.	

IPCG Recommendation	Comply or explain	Reference to this report
III.6. Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	Adopted.	Section 18, Part I, Chapter 7
III.7. The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	Not applicable to Galp's governance model.	
III.8. The supervisory body, in observance of the powers conferred to it by law, should, in particular, monitor, evaluate, and pronounce itself on the strategic lines and the risk policy defined by the managing body.	Adopted.	Sections 38 and 51, Part I, Chapter 7.
III.9. Companies should create specialised internal committees that are adequate to their dimension and complexity, separately or cumulatively covering matters of corporate governance, remuneration, performance assessment, and appointments.	<p>Not adopted.</p> <p>The Company has created specialized committees to address corporate bodies's remuneration, performance assessment, risk, sustainability, EQS, ethics and conduct.</p> <p>Considering the Company's governance model and Portuguese corporate law, the Audit Board is the internal body responsible for assessing matters of corporate governance.</p> <p>The appointment of directors is a responsibility attributed by Portuguese corporate law to the shareholders. In order to avoid any conflicts of interest or agency issues, the Board of Directors has not appointed any committee to address matters related with the appointment of its members or of members of other Company's governing bodies (such as the members of the Audit Board).</p>	Section 27, Part I, Chapter 7.
III.10. Risk management systems, internal control and internal audit systems should be structured in terms adequate to the dimension of the company and the complexity of the inherent risks of the company's activity.	Adopted.	Sections 50 to 55, Part I, Chapter 7
III.11. The supervisory body and the committee for financial affairs should supervise the effectiveness of the systems of risk management, internal control and internal audit, and propose adjustments where they are deemed to be necessary.	Adopted.	Sections 38, 50 and 51, Part I, Chapter 7.
III.12. The supervisory body should provide its view on the work plans and resources of the internal auditing service, including the control of compliance with the rules applied to the company (compliance services) and of internal audit, and should be the recipient of the reports prepared by these services, at least regarding matters related with approval of accounts, the identification and resolution of conflicts of interest, and the detection of potential irregularities.	Adopted.	Sections 50 and 51, Part I, Chapter 7.

IPCG Recommendation	Comply or explain	Reference to this report
Chapter IV - Executive management		
IV.1. The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.	Adopted.	Section 26, Part I, Chapter 7.
IV.2. The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: i) the definition of the strategy and main policies of the company; ii) the organisation and coordination of the business structure; iii. matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics. iii) matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.	Adopted.	Section 29, Part I, Chapter 7.
IV.3. In matters of risk assumption, the managing body should set objectives and look after their accomplishment.	Adopted.	Sections 50 and 51, Part I, Chapter 7.
IV.4. The supervisory board should be internally organised, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company's objectives, as set by the managing body.	Adopted.	Sections 50 and 51, Part I, Chapter 7.
Chapter V - Evaluation of performance, remuneration and appointment		
V.1. Annual evaluation of performance		
V.1.1. The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	Adopted. The first evaluation of its performance as well as the performance of Executive Committee and other committees was performed in 8 February 2019 with reference to 2018, and it will be included in the 2019 corporate governance report.	Section 24, Part I, Chapter 7
V.1.2. The supervisory body should supervise the company's management, especially, by annually assessing the accomplishment of the company's strategic plans and of the budget, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	Adopted. The first assessment in accordance with these rules was performed in 7 February 2019, with reference to 2018, and it will be included in the 2019 corporate governance report.	Section 38, Part I, Chapter 7
V.2. - Remuneration		
V.2.1. The remuneration should be set by a committee, the composition of which should ensure its independence from management.	Adopted.	Section 67, Part I, Chapter 7.

IPCG Recommendation	Comply or explain	Reference to this report
V.2.2. The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.	Adopted.	Section 69, Part I, Chapter 7.
V.2.3. The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009, 19th June, should additionally contain the following: i. the total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied; ii. remunerations from companies that belong to the same group as the company; iii. the number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date; iv. information on the possibility to request the reimbursement of variable remuneration; v. information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation; vi. information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.	Adopted.	Sections 69 to 87, Part I, Chapter 7.
V.2.4. For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the bylaws, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.	Adopted.	Sections 76 and 83, Part I, Chapter 7.
V.2.5. In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.	Adopted.	Section 67, Part I, Chapter 7.
V.2.6. Within the company's budgetary limitations, the remuneration committee should be able to decide, freely, on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties. The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorisation of the committee.	Adopted.	Section 67, Part I, Chapter 7.

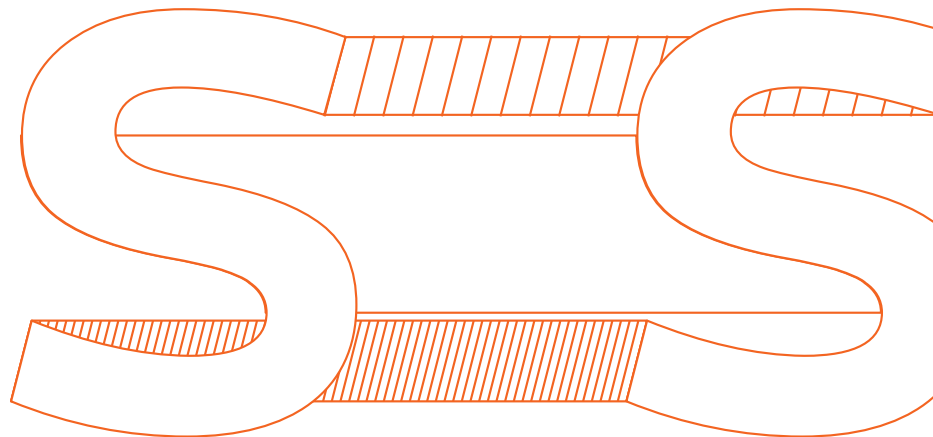
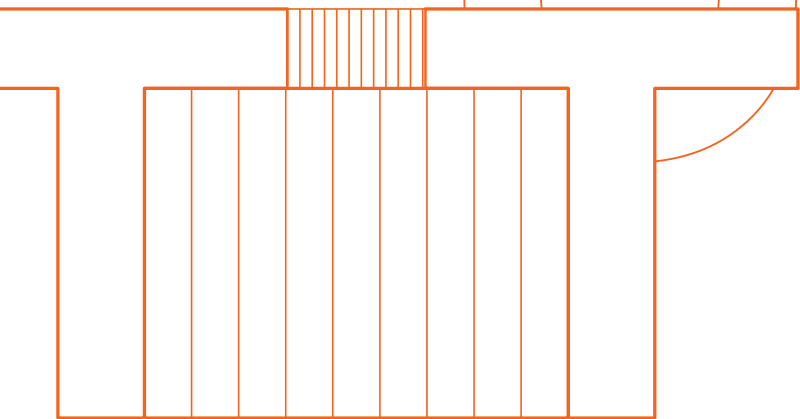
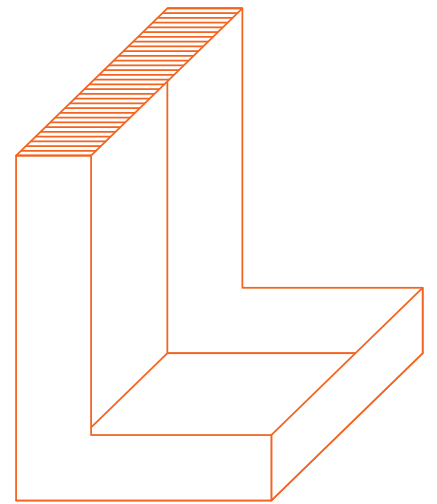
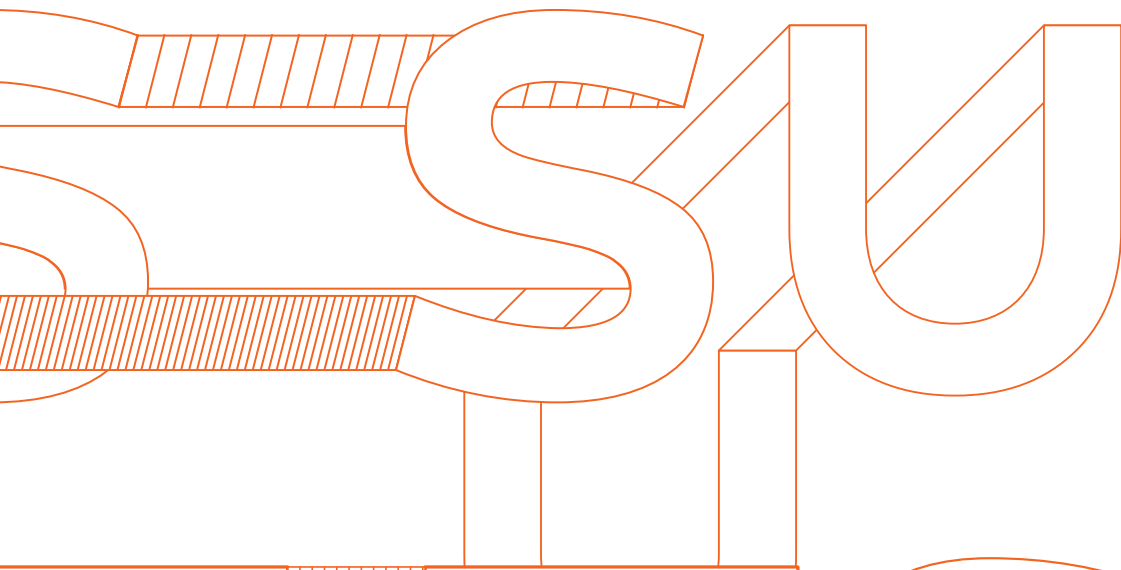
IPCG Recommendation	Comply or explain	Reference to this report
V.3. - Director remuneration		
V.3.1. Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company, and not stimulating the assumption of excessive risks.	Adopted.	Sections 69 to 71, Part I, Chapter 7.
V.3.2. A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.	Adopted.	Section 72, Part I, Chapter 7.
V.3.3. When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.	Not applicable. Presently, variable remuneration does not include the allocation of options or other instruments that are directly or indirectly dependent on the value of shares, although the Remuneration Committee has expressed its intention to set up such a type of compensation mechanism in the Company's Remuneration Policy for 2018.	
V.3.4. The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.	Adopted.	Section 69, Part I, Chapter 7.
V.3.5. The company should be provided with suitable legal instruments so that the termination of a director's time in office before its term does not result, directly or indirectly, in the payment to such director of any amounts beyond those foreseen by law, and the company should explain the legal mechanisms adopted for such purpose in its governance report.	Adopted.	Section 83, Part I, Chapter 7.
V.4. Appointments		
V.4.1. The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.	Not applicable This recommendation is not applicable for 2018, as there were no elections of the governing bodies at Galp.	
V.4.2. The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.	Not applicable. With reference to the appointment of senior executives, in accordance with Article 248(B)(3) of the Portuguese Securities Code, the only persons who are classified as Galp's senior are the members of the Board of Directors and of the Audit Board (and who are therefore evaluated by the Remuneration Committee).	

IPCG Recommendation	Comply or explain	Reference to this report
V.4.3. This nomination committee includes a majority of nonexecutive, independent members.	Not adopted. The appointment of directors is a responsibility attributed by Portuguese corporate law to the shareholders. In order to avoid any conflicts of interest or agency issues, the Board of Directors has not appointed any committee to address matters related with the appointment of its members or of members of other Company's governing bodies (such as the members of the Audit Board).	
V.4.4. The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity.	Not adopted. The appointment of directors is a responsibility attributed by Portuguese corporate law to the shareholders. In order to avoid any conflicts of interest or agency issues, the Board of Directors has not appointed any committee to address matters related with the appointment of its members or of members of other Company's governing bodies (such as the members of the Audit Board).	
Chapter VI - Risk management		
VI.1. The managing body should debate and approve the company's strategic plan and risk policy, which should include a definition of the levels of risk considered acceptable.	Adopted.	Sections 50, 51 and 54, Part I, Chapter 7.
VI.2. Based on its risk policy, the company should establish a system of risk management, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices and measures to adopt towards their mitigation; (iv) the monitoring procedures, aiming at their accompaniment; and (v) the procedure for control, periodic evaluation and adjustment of the system.	Adopted.	Sections 50, 51, 52, 54 and 55, Part I, Chapter 7.
VI.3. The company should annually evaluate the level of internal compliance and the performance of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.	Adopted.	Sections 50, 51 and 54, Part I, Chapter 7.

IPCG Recommendation	Comply or explain	Reference to this report
Chapter VII - Financial statements and accounting		
VII.1. Financial information		
VII.1.1. The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.	Adopted.	Sections 38 and 55, Part I, Chapter 7.
VII.2. Statutory audit of accounts and supervision		
VII.2.1. Through the use of internal regulations, the supervisory body should define: <ul style="list-style-type: none"> i. the criteria and the process of selection of the statutory auditor; ii. the methodology of communication between the company and the statutory auditor; iii. the monitoring procedures destined to ensure the independence of the statutory auditor; iv. the services, besides those of accounting, which may not be provided by the statutory auditor. 	Adopted.	Sections 37, Part I, Chapter 7.
VII.2.2. The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.	Adopted.	Section 45, Part I, Chapter 7.
VII.2.3. The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions, and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.	Adopted.	Section 45, Part I, Chapter 7.
VII.2.4. The statutory auditor should, within their powers, verify the application of policies and systems of remuneration of governing bodies, the effectiveness and the functioning of the mechanisms of internal control, and report any irregularities to the supervisory body.	Adopted.	Section 45, Part I, Chapter 7
VII.2.5. The statutory auditor should collaborate with the supervisory body, immediately providing information on the detection of any relevant irregularities as to the accomplishment of the duties of the supervisory body, as well as any difficulties encountered whilst carrying out their duties.	Adopted.	Section 45, Part I, Chapter 7

8.

Proposal for allocation of results



Galp Energia, SGPS, S.A., on an individual basis, closed the year of 2018 with a net profit of €484,310,309.97, calculated in accordance with the International Financial Reporting Standards (IFRS).

The Board of Directors proposes, under legal terms, that the net income for 2018 of €484,310,309.97 should be distributed to shareholders. The Board of Directors also proposes, under article 31 of Commercial Companies Code, the distribution of the amount of €40,190,716.67 derived from retained earnings.

The amount to be paid to shareholders related to the financial year of 2018, will be €296,457,102.01, corresponding to €0.3575/share, that added to the €228,043,924.63, corresponding to €0.275/share, paid as an advance dividend on the profits on September 2018, it totals an amount to distribute to shareholders of €524,501,026.64, corresponding to €0.6325/share.

It is further proposed that a maximum amount of €25,647,419.32 be distributed to Galp group's employees and executive directors of Galp Energia, SGPS, S.A. as profit sharing, an amount already recognised and expressed in the consolidated financial statements of Galp Energia, SGPS, S.A. and in the individual of each of its subsidiaries, and the respective net results for 2018 have been calculated already considering that amount. Of this amount, €3,349,059.40 were already paid in 2018 as an advance on profit sharing for 2018.

The breakdown of this amount among the Galp group's employees shall be determined by the Executive Committee of Galp Energia, SGPS, S.A., in accordance with the applicable internal rules, and among the executive directors of Galp Energia, SGPS, S.A. shall be determined by the Remuneration Committee, in accordance with applicable legal terms.

Lisbon, 12 March 2019

The Board of Directors

Chairman

Paula Amorim

Vice-Chairmen

Miguel Athayde Marques

Carlos Gomes da Silva

Members

Filipe Crisóstomo Silva

Thore E. Kristiansen

Sérgio Gabrielli de Azevedo

Abdul Magid Osman

Marta Amorim

Raquel Vunge

Carlos Costa Pina

Francisco Teixeira Rêgo

Jorge Seabra de Freitas

José Carlos Silva

Pedro Ricardo

Tiago Câmara Pestana

Rui Paulo Gonçalves

Luís Todo Bom

Diogo Tavares

Joaquim Borges Gouveia

9.

Appendices



9.1.

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9.1.a

Consolidated financial statements and notes to the consolidated financial statements as of 31 December 2018

Consolidated statement of financial position Galp Energia, SGPS, S.A.

Consolidated statement of financial position as at 31 December 2018 and 31 December 2017

(Amounts stated in million Euros - €m)

Assets	Notes	December 2018	December 2017 (restated)
Non-current assets:			
Tangible assets	5	5,333	5,193
Goodwill	7	85	84
Intangible assets	6	547	407
Investments in associates and joint ventures	8	1,295	1,483
Deferred tax assets	15	369	350
Other receivables	10	298	254
Other financial assets	11	33	35
Total non-current assets:		7,960	7,806
Current assets:			
Inventory	9	1,171	970
Other financial investments	11	200	66
Trade receivables	10	1,032	1,018
Other receivables	10	640	535
Loans to Sinopec	10	176	459
Cash and cash equivalents	12	1,508	1,197
Total current assets:		4,726	4,245
Total assets:		12,687	12,051
Equity and Liabilities			
Equity:	21		
Share capital and share premium		911	911
Reserves		1,843	2,541
Retained earnings		1,832	892
Total equity attributable to shareholders:		4,587	4,344
Non-controlling interests	22	1,460	1,435
Total equity:		6,047	5,779
Liabilities:			
Non-current liabilities:			
Debt	13	2,686	2,532
Other payables	14	126	286
Post-employment and other employee benefit liabilities	16	304	326
Deferred tax liabilities	15	196	76
Other financial instruments	18	37	3
Provisions	17	658	619
Total non-current liabilities:		4,006	3,842
Current liabilities:			
Debt	13	559	551
Trade payables	14	933	889
Other payables	14	958	854
Other financial instruments	18	102	21
Current income tax payable	15	82	115
Total current liabilities:		2,634	2,430
Total liabilities:		6,640	6,272
Total equity and liabilities:		12,687	12,051

The accompanying notes form an integral part of the consolidated statement of financial position and the two should 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 2018 and 31 December 2017

(Amounts stated in million Euros - €m)

	Notes	December 2018	December 2017 (restated)
Operating income:			
Sales	23	16,535	14,574
Services rendered	23	647	628
Other operating income	23	141	105
Total operating income:		17,322	15,307
Operating costs:			
Cost of sales	24	12,763	11,379
Supplies and external services	24	1,780	1,617
Employee costs	24, 25	321	320
Amortisation, depreciation and impairment losses on fixed assets	5, 6 and 24	691	762
Provisions	24	(9)	22
Impairment losses on receivables	24	14	15
Other operating costs	24	134	78
Total operating costs:		15,693	14,193
Operating result:		1,629	1,114
Net financial expenses	26	(12)	(14)
Exchange gains/(losses)		(31)	(18)
Results from financial investments	8	129	163
Results from derivative financial instruments	18	(28)	-
Profit before taxes:		1,689	1,245
Income taxes	15	(736)	(496)
Energy sector extraordinary contribution	15	(60)	(64)
Consolidated net income for the year		892	685
Income attributable to:			
Galp Energia, SGPS, S.A. shareholders		741	597
Non-controlling interests	22	151	88
Basic and Diluted Earnings per share (in Euros)		0.89	0.72
Consolidated net income for the year		892	685
Items which will not be recycled in the future through net income:			
Remeasurements	16	22	31
Income tax related to remeasurements	15	(3)	(3)
Items which may be recycled in the future through net income:			
Currency translation adjustments		(104)	(775)
Hedging reserves	18	3	1
Income taxes related to currency translation adjustments and hedging reserves		45	20
Total comprehensive income for the year, attributable to:		854	(41)
Galp Energia, SGPS, S.A. shareholders		726	72
Non-controlling interests		128	(113)

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

Consolidated statement of changes in equity Galp Energia, SGPS, S.A.

Consolidated statement of changes in equity for the year ended as at 31 December 2018 and 31 December 2017
(Amounts stated in million Euros- €m)

		Share Capital and Share Premium	
	Notes	Share Capital	Share Premium
As at 31 December 2016		829	82
Change in accounting policy (SEM adoption)	3	-	-
As at 1 January 2017		829	82
Consolidated net income for the year		-	-
Change in accounting policy (SEM adoption) - Impact in net income	3	-	-
Other gains and losses recognised in equity		-	-
Changes in accounting policy (SEM adoption) - Impact on CTAs		-	-
Comprehensive income for the year		-	-
Dividends distributed		-	-
Increase in the share capital of joint ventures		-	-
As at 31 December 2017- restated		829	82
Changes in accounting policy (IFRS 9 and 15 adoption)	3	-	-
As at 1 January 2018		829	82
Consolidated net income for the year		-	-
Other gains and losses recognised in equity		-	-
Comprehensive income for the year		-	-
Dividends distributed	21 and 22	-	-
Increase in share capital of joint ventures		-	-
As at 31 December 2018		829	82

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

Reserves									
Currency translation reserves	Hedging reserves	Other reserves	Retained earnings	Sub- total	Non- controlling interests	Total			
404	3	2,688	974	4,980	1,563	6,543			
-	-	-	(294)	(294)	(26)	(320)			
404	3	2,688	680	4,686	1,537	6,223			
-	-	-	614	614	93	707			
-	-	-	(17)	(17)	(5)	(22)			
(590)	1	-	28	(561)	(206)	(767)			
35	-	-	1	36	5	41			
(555)	1	-	626	72	(113)	(41)			
-	-	-	(413)	(413)	(86)	(499)			
-	-	-	(1)	(1)	97	96			
(151)	4	2,688	892	4,344	1,435	5,779			
-	-	-	(3)	(3)	-	(3)			
(151)	4	2,688	889	4,341	1,435	5,776			
-	-	-	741	741	151	892			
(35)	2	-	18	(15)	(23)	(38)			
(35)	2	-	759	726	128	854			
-	-	-	(480)	(480)	(41)	(521)			
-	-	(664)	664	-	(61)	(61)			
(186)	6	2,024	1,832	4,587	1,460	6,047			

Consolidated statement of cash flow

Galp Energia, SGPS, S.A.

Consolidated statement of cash flow for the years ended 31 December 2018 and 31 December 2017

(Amounts stated in million Euros- €m)

	Notes	December 2018	December 2017 (restated)
Operating activities:			
Cash received from customers		19,450	17,646
Cash (payments) to suppliers		(12,301)	(11,046)
(Payments) relating to tax on oil products ("ISP")		(2,706)	(2,825)
(Payments) relating to VAT		(1,720)	(1,499)
(Payments) relating to Royalties, levies, PIS, COFINS and Others		(181)	(111)
Operating gross margin		2,542	2,166
Salaries, contributions to the pension fund and other benefits		(184)	(198)
Withholding income tax (payments)		(76)	(77)
Social security contributions		(68)	(69)
Payments relating to employees		(327)	(344)
Other (payments), net related to operational activities		(125)	(109)
(Payments) of income taxes (income tax "IRC", oil income tax "IRP" and special participation)	15	(613)	(373)
Cash flow from operations (1)		1,476	1,340
Investing activities:			
Cash (payments) for the acquisition of tangible and intangible assets	12	(1,110)	(732)
Cash receipts related to financial investments	12	332	69
Cash (payments) related to financial investments		(90)	(254)
Cash receipts from loans granted		71	116
Cash (payments) related to loans granted		(74)	(36)
Cash receipts from interests and other income		30	15
Cash receipts related to dividends	8	118	134
Cash flow from investing activities (2)		(724)	(688)
Financing activities:			
Cash receipts from loans obtained	13	1,500	1,728
Cash (payments) related to loans obtained	13	(1,244)	(1,535)
Cash (payments) from interests and other costs		(93)	(117)
Capital and other equity instruments		21	68
Dividends paid	12	(512)	(491)
Other financing activities		-	1
Cash flow from financing activities (3)		(328)	(345)
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		425	308
Effect of foreign exchange rate changes in cash and cash equivalents		(19)	(135)
Cash changes due to changes in the entities included in consolidation		2	-
Cash and cash equivalents at the beginning of the year	12	1,096	923
Cash and cash equivalents at the end of the year	12	1,504	1,096

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

Notes to the consolidated financial statements as at 31 December 2018

Galp Energia, SGPS, S.A. (the Company) has its Head Office in Lisbon, Portugal and is a listed entity on the Portuguese stock exchange (Euronext Lisbon).

1. Basis of presentation

The consolidated financial statements of Galp Energia, SGPS, S.A. and its subsidiaries (collectively referred to herein as Galp or 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 costs 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. Certain amounts in comparable years have been restated to comply with the business rationale and the preparation of the current year's accounts, in accordance with the IFRS standards effective for periods beginning on or after 1 January 2018 (for more details see Note 3).

The consolidated financial statements are presented in Euros, and all the values are rounded to the nearest million Euros, except where otherwise indicated. Therefore, the subtotals and totals of 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 and estimates

Accounting policies

Galp's accounting policies are, in accordance with their content, described in the respective notes to the consolidated financial statements. The common or generic accounting policies are stated in the current note.

Applying materiality

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

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the parent company Galp Energia, SGPS, S.A. and entities under its control. Control exists when 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 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 and up to the effective date of disposal. Non-controlling interests represent the equity in subsidiaries that is not attributable, directly or indirectly, to Galp shareholders.

Translation of foreign currencies

Functional currency

Items included in the financial statements of Galp's entities are measured using the currency of the primary economic environment in which the subsidiary operates (functional currency). The functional currency of the parent company is the Euro.

Translation of transactions and balances

Foreign-currency transactions are translated into the functional currency using the exchange rates prevailing at 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 differences on non-monetary items are recognised in other comprehensive income.

Translation of Group companies

Upon consolidation, assets and liabilities of non-Euro entities are translated to Euros at 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:

- The translation of foreign subsidiaries' statements of comprehensive income takes place at the historical average of year-end exchange rates;
- Loans granted by shareholders to subsidiaries in currencies other than the parent's functional currency that have no stipulated repayment term 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 item "Currency translation reserves".

Key accounting estimates and judgments

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

Accounting judgments and estimates that 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. The 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 8 and 29); (ii) accounting for oil and natural gas, including the estimation of reserves (Note 5); (iii) the recoverability of the carrying value of assets (Note 5,6,7); (iv) provisions and contingencies (Note 17); (v) pensions and other post-retirement benefits (Note 16); and (vi) income taxes (Note 15). 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.

3. Impact of new international financial reporting standards

3.1. Voluntary changes to accounting policies in 2018

Change in accounting policy for E&P following the adoption of the "Success Efforts Method" (SEM) effective from 1 January 2018

As mentioned in the consolidated financial statements for the year ended 31 December 2017, Galp changed its accounting policy on 1 January 2018 to reflect the recognition of research expenses for the exploration and production segment.

According to the accounting policy followed by Galp from 1999 until the previous year, research expenses were capitalised as tangible assets, as permitted by IFRS 6, and were subsequently depreciated during the production period if commercially viable reserves were discovered.

Galp believes that the new accounting policy adopted on 1 January 2018 is more reliable, involves a more prudent approach and enhances comparability with other companies, since the same policy has been adopted by almost all major international oil companies (IOCs).

Thus, Galp recognises as operating costs all expenditure incurred in the exploration phase (i.e. exploration and evaluation costs) related to research, that is expenditure related to geological and geophysical studies (G&G) and general and administrative expenses (G&A). The remaining exploration expenses for exploratory wells are capitalised within assets in progress, and are subject to periodic impairment testing. Dry wells are recognised as part of the cost for the year. At the start of production, capitalised costs are depreciated based on the current depreciation policy.

In addition to the costs related to the exploration phase mentioned above, the expenses related to G&A that were transferred, in accordance with the previous accounting policy, from the exploration phase to the development phase, were adjusted in equity based on the application of this accounting policy.

As a voluntary change in the accounting policy, the application of the change in accounting policy was retrospectively applied, and the comparative information was restated (see Note 3.3).

3.2. Adoption of new and amended IFRS in 2018

Changes in accounting policy following the application of IFRS 9 - “Financial Instruments”

On 1 January 2018 Galp adopted the new IFRS 9 standard, which replaces the previous IAS 39. The application of IFRS 9 did not change the measurement method of the financial instruments held by Galp, or the classification of the fair value hedge and cash flow hedge.

A new methodology for the measurement and reporting of impairment losses for trade and other receivables was introduced, introducing an expected losses model, where the credit risk assessment is considered upon initial recognition.

In accordance with IFRS 9, Galp applied the modified retrospective transition model permitted under this standard, with the cumulative effect of the initial measurement recognised as an adjustment to the opening statement of financial position in retained earnings as at 1 January 2018.

Former IAS 39 financial categories such as “Financial Assets Available for Sale” are reclassified to the IFRS 9 category “Financial Assets Through Comprehensive Income” and the former IAS 39 category “Financial Assets Through Profit or Loss” is reclassified to the IFRS 9 category “Financial Assets Through Profit or Loss”.

Changes in accounting policy following the application of IFRS 15 - “Revenue from Contracts with Customers”

On 1 January 2018 Galp applied the new IFRS 15, which replaced IAS 18. The application of IFRS 15 did not have any relevant impact on Galp group companies. However, the amounts related to under and overlifting in exploration and production segment that were previously recognised as an integral part of cost of sales, are now included in other operating income and other operating costs, respectively. Additionally, some agreements recognised within Tangible Assets were reclassified to Other Debtors, since the performance obligation is not yet considered to have been satisfied in accordance with IFRS 15.

In accordance with IFRS 15, Galp applied the modified retrospective transition model permitted under this standard, with the cumulative effect of the initial application recognised as an adjustment to the opening statement of financial position in retained earnings at 1 January 2018.

3.3. Impact of changes in accounting policies

Restated information on the comparative figures as at 31 December 2017 regarding SEM and adjustments to the initial financial position under IFRS 9 and 15:

Consolidated Statement of Financial Position						Unit: €m
	December 2017	SEM	December 2017 (restated)	IFRS 9	IFRS 15	1 January 2018
Non-current assets:						
Tangible assets	5,554	(361)	5,193	-	(2)	5,191
Intangible assets	410	(3)	407	-	-	407
Deferred tax assets	293	57	350	1	-	351
Other receivables	254	-	254	(1)	-	253
Other non-current assets	1,602	-	1,602	-	-	1,602
Total non-current assets:	8,113	(307)	7,806	-	(2)	7,804
Current assets:						
Trade receivables and other receivables	2,012	-	2,012	(3)	2	2,011
Other current assets	2,233	-	2,233	-	-	2,233
Total current assets:	4,245	-	4,245	(3)	2	4,244
Total assets:	12,358	(307)	12,051	(3)	-	12,048
Equity:						
Share capital and share premium	911	-	911	-	-	911
Reserves	2,506	35	2,541	-	-	2,541
Retained earnings	1,202	(310)	892	(3)	-	889
Total equity attributable to shareholders:	4,619	(275)	4,344	(3)	-	4,341
Non-controlling interests	1,461	(26)	1,435	-	-	1,435
Total equity:	6,080	(301)	5,779	(3)	-	5,776
Liabilities:						
Non-current liabilities:						
Deferred tax liabilities	82	(6)	76	-	-	76
Others non-current liabilities	3,766	-	3,766	-	-	3,766
Total non-current liabilities:	3,848	(6)	3,842	-	-	3,842
Current liabilities:						
Total current liabilities:	2,430	-	2,430	-	-	2,430
Total liabilities:	6,278	(6)	6,272	-	-	6,272
Total equity and liabilities:	12,358	(307)	12,051	(3)	-	12,048

For the restatement of the comparative figures as at 1 January 2017 please refer to Notes 5, 6 and 15 and the consolidated statement of changes in equity.

Consolidated Income Statement

Unit: €m

	December 2017	SEM	Others reclassifications*	December 2017 (restated)
Total operating income:	15,310	(1)	(2)	15,307
Operating costs:				
Supplies and external services	1,550	64	3	1,617
Amortisation, depreciation and impairment losses on fixed assets	808	(46)	-	762
Other operating costs	11,816	(2)	-	11,814
Total operating costs:	14,174	16	3	14,193
Operating result:	1,136	(17)	(5)	1,114
Financial expenses, net	(7)	(12)	5	(14)
Other financial income	145	-	-	145
Profit before taxes:	1,274	(29)	-	1,245
Income taxes	(503)	7	-	(496)
Energy sector extraordinary contribution	(64)	-	-	(64)
Consolidated net income for the year	707	(22)	-	685
Income attributable to:				
Galp Energia, SGPS, S.A. shareholders	614	(17)	-	597
Non-controlling interests	93	(5)	-	88
Basic and Diluted Earnings per share (in Euros)	0,74	(0,02)	-	0,72

* To provide a better understanding of the business, the Group decided in 2018 to present the discounts given to clients under "Sales" and bank charges related to operational activities, within "Supplies and external services". Both were classified as financial expenses in 2017. The figures for 2017 were restated in accordance with this change.

Consolidated Statement of Cash Flow			Unit: €m
	December 2017	SEM	December 2017 (restated)
Operating activities:			
Cash (payments) to suppliers	(10,986)	(60)	(11,046)
Other operating activities	13,212	-	13,212
Operating gross margin	2,226	(60)	2,166
Payments relating to employees	(344)	-	(344)
Other (payments) related to the operational activity	(109)	-	(109)
Cash flow from operations	1,773	(60)	1,713
(Payments) of income taxes (income tax "IRC", oil income tax "IRP", special participation)	(373)	-	(373)
Cash flow from operating activities (1)	1,400	(60)	1,340
Investing activities:			
Net cash (payments) for the acquisition of tangible and intangible assets	(790)	60	(730)
Cash receipts related to financial investments	69	-	69
Cash (payments) related to financial investments	(255)	-	(255)
Cash receipts from loans granted	116	-	116
Cash (payments) related to loans granted	(36)	-	(36)
Cash receipts from interest and similar income	15	-	15
Cash receipts related to dividends	134	-	134
Cash flow from investing activities (2)	(747)	60	(687)
Cash flow from financing activities (3)	(345)	-	(345)
Net change in cash and cash equivalents (4) = (1) + (2) + (3)	308	-	308
Effect of foreign exchange rate changes on cash and cash equivalents	(135)	-	(135)
Cash and cash equivalents at the beginning of the year	923	-	923
Cash and cash equivalents at the end of the year	1,096	-	1,096

3.4. New or amended IFRS to be adopted in 2019

IFRS 16 - 'Leases'

IFRS 16 - 'Leases' provides a single lessee accounting model under which all leases with a term of more than 12 months, unless the underlying asset is of low value, are accounted for through the recognition in the balance sheet of a right-of-use asset and a lease liability.

Right of use asset will be amortised across its economic useful life and the financial liability, recognised at present value discounted at the legal entity's incremental borrowing rate or the lease agreement's effective interest rate, will bear interest which will be charged through profit and loss. For each lease, the subsequent amortisation of the right-of-use assets and the interest expenses related to the lease liability are recognised in profit or loss over the lease term. IFRS 16 replaces IAS 17 - 'Leases', IFRIC 4 - 'Determining whether an arrangement contains a lease', SIC 15 - 'Operating Lease - Incentives' and SIC 27 - 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease' and is effective for annual periods beginning on or after 1 January 2019. Galp is adopting IFRS 16 effective from 1 January 2019.

Galp has decided to use a modified version of the retrospective approach, as permitted by the standard. Upon initial recognition, Galp will recognise right-of-use assets at amounts equal to the lease liabilities, with no restatement of prior-period financial information.

As allowed by the standard, Galp decided as a practical expedient to "grandfather" the previous assessment made under IAS 17. The practical expedient determines that existing agreements outside of the scope of IAS 17 could be excluded from the initial adoption of IFRS 16.

The Group estimated that the impact of IFRS 16 adoption is €1.2 bn in assets and liabilities as at 1 January 2019 (€0.8 bn in the exploration and production segment and €0.4 bn in the refining and marketing segment). This will increase the Group's recognised tangible assets and financial liabilities.

In the consolidated statement of cash flow, operating lease payments are currently presented within the cash flow from operating activities. Under IFRS 16, lease payments will be presented within the cash flow from financing activities, representing repayments of financial liabilities and the interest due thereon. Lease payments related to assets of low value, lease agreements with terms under 12 months and variable lease payments that are not linked to an index, are not included in the financial lease liability, and will continue to be presented as cash flow from operating activities.

The discount rates used for lease agreements as at the transition date will be the incremental borrowing rates appropriate for each lease agreement based on factors such as the lessee's legal entity, leased assets, lease term and currency. Currently, the range of this incremental borrowing rate applicable to the majority of the Group's leases is between 2% p.a. and 9% p.a..

4. Segment information

Operating segments

The Group operates across three different business segments based on the types of products sold and services rendered: Exploration & Production, Refining & Marketing and Gas & Power.

The Exploration & Production segment is Galp's presence in the upstream sector of the oil and gas industry, which involves the management of all activities relating to the exploration, development and production of hydrocarbons mainly focused in Brazil, Mozambique and Angola.

The Refining & Marketing segment owns two refineries in Portugal, and also includes all of the activities relating to the retail and wholesale marketing of oil products (including LPG). This segment also comprises all of the storage and transportation infrastructure for oil products in Portugal and Spain, both for export and import and for the marketing of its products to the main consumer centres. This retail marketing activity using the Galp brand also includes some specific countries in Africa.

The Gas & Power segment encompasses the areas of procurement, supply, distribution and storage of natural gas, electric and thermal power generation.

Besides the three business segments, as "Others", the Group considered the holding company Galp Energia, SGPS, S.A. and companies with various activities including Tagus Re, S.A. and Galp Energia, S.A., a reinsurance company and a provider of shared services at the corporate level, respectively.

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

The financial information for the previously identified segments, as at 31 December 2018 and 2017 is presented as follows:

	Consolidated		Exploration & Production	
	2018	2017 ^{a) b)}	2018	2017 ^{a)}
Income				
Sales and services rendered	17,182	15,202	1,687	1,044
Cost of sales	(12,828)	(11,494)	528	430
EBITDA replacement cost	2,245	1,782	1,440	850
Amortisations and adjustments	(691)	(762)	(329)	(383)
Provisions (net)	9	(22)	17	-
EBIT replacement cost	1,564	998	1,128	467
Income from financial investments	129	163	50	34
Other financial income	(70)	(32)		
Taxes RC	(735)	(476)		
Energy Sector Extraordinary Contribution	(60)	(64)	-	-
Consolidated net income at replacement cost, of which:	828	589		
Attributable to non-controlling interests	(151)	(88)		
Attributable to the shareholders of Galp Energia, SGPS, S.A.	676	501		
Other information				
Segment assets⁽¹⁾				
Financial investments ⁽²⁾	1,297	1,486	918	1,081
Other assets	11,389	10,565	5,871	5,162
	12,687	12,051	6,789	6,244
Investments in tangible and intangible assets	1,159	824	905	701

¹⁾ Net amount

²⁾ Accounted for based on the equity method of accounting

^{a)} Restated – SEM (see Note 3.3.)

^{b)} Restated – other reclassifications

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

	Unit: €m					
	Sales and services rendered		Tangible and intangible assets (including Goodwill)		Financial investments	
	2018	2017 ^(a)	2018	2017 ^(a)	2018	2017 ^(a)
	17,182	15,202	5,965	5,685	1,297	1,486
Africa	657	524	1,207	1,050	58	44
Latin America	1,439	886	2,561	2,317	699	1,114
Europe	15,086	13,792	2,197	2,318	541	328

^(a) Restated

During 2018, the amounts of some companies headquartered in Europe were allocated to the geographical region in which its activities were being carried out, and the figures for 2017 were adjusted to reflect this.

Unit: €m

Refining & Marketing		Gas & Power		Others		Eliminations	
2018	2017 ^{b)}	2018	2017 ^{b)}	2018	2017	2018	2017
12,780	11,722	2,885	2,593	142	134	(312)	(292)
(11,308)	(10,150)	(2,161)	(1,876)	-	-	114	101
637	771	137	132	26	30	5	-
(337)	(357)	(21)	(18)	(4)	(4)	-	-
(7)	(22)	-	-	-	-	-	-
293	391	116	114	22	25	5	-
(6)	21	85	108	-	-	-	-
(24)	(27)	(37)	(37)	-	-	-	-
97	100	282	304	-	-	-	-
4,566	4,707	1,086	1,098	2,441	2,383	(2,575)	(2,784)
4,663	4,807	1,367	1,402	2,441	2,383	(2,575)	(2,784)
236	111	8	9	10	4	-	-

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 Statements for the year ended 31 December 2018 and 2017 is as follows:

	Unit: €m	
	December 2018	December 2017 ^(a)
Income		
Sales and services rendered	17,182	15,202
Cost of sales	(12,763)	(11,378)
Replacement cost adjustments	(65)	(116)
Cost of sales at RC	(12,828)	(11,494)
EBITDA AT REPLACEMENT COST	2,245	1,782
Replacement cost adjustments	65	116
EBITDA IN IFRS *	2,311	1,898
Non-cash expenses		
Amortisation, depreciation and impairment losses	(691)	(762)
Provisions, net	9	(22)
EBIT AT REPLACEMENT COST	1,564	998
EBIT IN IFRS **	1,629	1,114
Result from financial investments	129	163
Financial expenses, net	(70)	(32)
Income taxes	(736)	(496)
Income taxes (Replacement Cost Adjustment)	1	20
Energy Sector Extraordinary Contribution	(60)	(64)
Net income for the year (replacement cost)	828	589
Net income for the year	892	685

* Operating result + provisions + amortisation, depreciation and impairment losses

** The same as the operating result in the consolidated income statement

^(a) Restated

5. Tangible assets

Accounting policies

Recognition

Tangible assets are stated at cost less accumulated depreciation and cumulative impairment losses. The acquisition cost includes the invoice price, transport and assembly costs, decommissioning obligations and financial interest incurred during the construction phase. Tangible work-in-progress assets refers to assets in 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 incurred.

E&P tangible assets

During the exploration phase, where there are only contingent and prospective resources, Galp will recognise as operating costs all expenditure related to exploration (i.e. expenditure related to G&G and G&A). Other exploration phase expenditures, for exploratory wells, are capitalised as work-in-progress assets, which are subject to periodic impairment testing. Dry wells are recorded as expenses for the year. At the start of production, if commercial reserves are available, capitalised costs are depreciated based on the current depreciation policy.

Depreciation

E&P tangible assets

Oil properties, including related pipelines, mineral rights and future decommissioning costs are depreciated using a units-of-production (UoP) method. The cost of producing wells is amortised over the proven and developed reserves. The UoP rate for the depreciation of common facilities takes into account 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 in which the platform is deployed.

The average annual depreciation rates used are as follow:

Depreciation rates	2018	2017
Buildings and other construction	4.3%	4.8%
Machinery and equipment	12.2%	12.4%
Transport equipment	16.1%	16.3%
Tools and utensils	16.1%	21.8%
Administrative equipment	20.3%	19.1%
Containers	12.8%	13.0%
Other tangible assets	7.2%	8.0%

Impairment

Impairment tests are performed as at the date of the financial statements, and whenever a decline in the asset value is identified. When performing impairment testing, tangible assets are allocated to the respective cash generating unit (CGU). The recoverable amount is estimated for the CGU to which it may belong, 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.

Refining & Marketing impairment tests

Tangible and intangible assets related with the refining & marketing of oil products are assessed by the Group for impairment at the end of each reporting period, considering internal and external sources of information. In its annual impairment testing of the oil marketing 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 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.

Impairment testing is also performed on other assets of the refining and marketing segment, including refineries and tangible assets associated with logistics and storage activities. The period of the cash flow projections varies as a function of the cash generating unit's average economic useful life.

Exploration & Production impairment testing

Impairment losses on exploration and production assets are recorded when:

- Economically feasible reserves are not found;
- The licensing period ends and the exploration license is not expected to be renewed;
- When an acquired area is relinquished or abandoned;
- When the expected economic future benefits are lower than the investment amount.

Tangible and intangible assets related to the Exploration & Production segment are assessed for impairment by the Group periodically (annually and quarterly where indications of impairment are identified). The selected cash generating unit will be the project or the individual block, depending on the stage of maturity of the investments.

The assessment for impairment is carried out in accordance with the expected monetary value (EMV model), comparing the carrying amount of the investments with the present value of the expected future cash flow using a post-tax discount rate adjusted for the asset's specific risks, calculated considering the estimates of:

- i) Probable reserves;
- ii) Investment and future operating costs needed to recover the probable reserves;
- iii) Contingent resources, adjusted to reflect the probability of success;
- iv) Investment and future operating costs required to recover the contingent resources;
- v) Reference price of a barrel of Brent crude;
- vi) Applicable exchange rates;
- vii) CGU taxation mechanisms;
- viii) Estimated production level and concession period; and
- ix) Asset retirement obligations.

The EMV model considers in its calculation the POS (probability of geological success or probability of success), which is a conditional statistical probability (Bayesian probability). This probability is used in geological science based on a probability matrix based on seismic information and other G&G information. This information is measured taking 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 period, limited to the period of the concession agreements, when applicable.

Galp can carry out impairment testing at any stage of exploration and production, meaning in the exploration, development and production stages.

In the exploration phase, the CGU depends on the investment characteristics in each project where the investment is made. At an early investment stage the CGU is the country-level entity, given that the investment includes investments in signature bonuses and any generic research performed in the area. When the total areas are divided into blocks by the relevant country's authorities, Galp determines the block as the CGU, down-levelling the assessment for the purposes of impairment testing. At this stage, as there are no reserves, Galp carries out impairment testing of prospective and contingent resources (1C, 2C and 3C) with a very low PoS.

Thus, if reserves are discovered, the investment passes to the next stage, development, having already been subject to impairment testing. During the development phase, the impairment analysis also takes into account the PoS (which is higher than in earlier stages, since there is now an estimate of commercially viable reserves) and 2P reserves (proven and developed reserves) in order to estimate the prospective resources that will be generated by the block analysed.

Accounting estimates and judgments

Crude oil and gas reserves

The estimate of crude oil reserves is an integral part of the decision-making process relating to exploration and development of crude oil assets, as well as the development or implementation of secondary recovery techniques. The volume of proven crude oil reserves is used to calculate the depreciation of the petroleum exploration and production assets in accordance with the units of production method. The volume of proven reserves and contingent and prospective resources is used to assess the project's recoverable amount. Estimated proven crude oil reserves are also used to recognise annual abandonment costs.

Estimated proven 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, contract termination dates and development plans. The impact of changes to estimates of crude oil reserves are accounted for on a prospective basis.

The estimate of oil and natural gas reserves and the movements occurring during the year are described in Supplementary Information to this 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 depreciation 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 the practices adopted by peers in the industry. Changes in assets' economically useful lives are accounted for on a prospective basis.

	Unit: €m				
	Land, natural resources and buildings	Plant and machinery	Other equipment	Assets under construction	Total
As at 31 December 2018	458	2,614	39	2,221	5,333
Acquisition cost	1,226	8,775	476	2,318	12,794
Accumulated impairment	(31)	(101)	(4)	(96)	(232)
Accumulated depreciation and depletion	(736)	(6,060)	(433)	-	(7,230)
As at 31 December 2017 (restated)	471	2,585	37	2,100	5,193
Acquisition cost	1,223	8,221	470	2,234	12,148
Accumulated impairment	(29)	(148)	(3)	(134)	(314)
Accumulated depreciation and depletion	(723)	(5,488)	(430)	-	(6,641)

Movements in tangible assets in 2018 and 2017 are as follow:

	Unit: €m				
	Land, natural resources and buildings	Plant and machinery	Other equipment	Assets under construction	Total
As at 31 December 2016	501	2,762	37	2,611	5,910
SEM Adoption	-	(44)	-	(361)	(405)
As at 31 December 2016 (restated)	501	2,718	37	2,250	5,505
Additions	-	147	4	683	835
Depreciation, depletion and impairment	(35)	(635)	(14)	(45)	(729)
Write-offs/Disposals	(1)	(1)	-	-	(2)
Transfers	5	467	10	(484)	(2)
Currency exchange differences and other adjustments	1	(110)	-	(305)	(414)
As at 31 December 2017 (restated)	471	2,587	37	2,100	5,193
IFRS 15 Adoption (see Note 3)	-	(2)	-	-	(2)
Additions	2	43	3	934	981
Depreciation, depletion and impairment	(24)	(619)	(14)	1	(655)
Write-offs/Disposals	(2)	(10)	-	(1)	(13)
Transfers	10	721	14	(745)	-
Currency exchange differences and other adjustments	-	(104)	-	(68)	(172)
As at 31 December 2018	458	2,614	39	2,221	5,333

During the year ended 31 December 2018, the Group made investments in the exploration and production segment related to projects in Brazil (€594 m), Angola (€116 m) and Mozambique (€52 m). In the refining and marketing segment, investments in the amount of €213 m were made, mainly in relation to industrial investments in refineries, terminals and parks, as well as in the retail business. The amounts mentioned above include the capitalisation of financial charges in the amount of €49 m (Note 26).

Capital expenditures that relates to projects or assets under construction firstly are recorded as “Assets Under Construction” caption. As soon the project or asset starts production, it’s carrying amount is transferred from “Asset Under Construction” caption to the proper classification within tangible assets. During the year ended as of 31 December 2018, €745 m had been transferred from “Assets Under Construction” to other captions within Tangible Assets mainly due to the start of production of Block 32 in Angola and FPSOs P-69 in Brazil.

Exploration & Production assets

Details of assets under construction and net fixed assets for the exploration and production segment for the year ended 31 December 2018 and 2017, are presented in the table below:

Exploration segment assets	Africa		Latin America		Total	
	2018	2017*	2018	2017*	2018	2017*
Assets under construction						
Bonuses – presented in intangible assets	8	3	4	160	12	164
In exploration	323	293	320	292	643	585
In development	354	541	751	551	1,105	1,092
Financial interests	72	67	161	152	233	219
Total	757	904	1,236	1,156	1,993	2,060
Net fixed assets						
Bonuses – presented in intangible assets	18	23	301	3	320	26
In exploration	13	14	22	38	35	52
In development	340	61	983	1,096	1,323	1,156
Financial interests	19	0	17	23	36	23
Total	391	97	1,323	1,160	1,714	1,258
Total	1,147	1,002	2,559	2,316	3,706	3,318

*Restated

Impairment Analysis

Refineries and storage facilities

Impairment testing was carried out for several CGUs, including Refineries and Storage facilities, with no impairment identified.

Service Stations Network

As a result of the identification of potential losses, 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%;
- An increase in the discount rate by 1 p.p.

The service station network in Spain showed a positive safety margin, so no impairment losses were recorded for the period. The sensitivity analysis of the service station network in Spain, using the variation mentioned in the fundamental assumptions above results in an impairment loss of €43 m. The future cash flow projections at the CGU level have been discounted using an appropriate discount rate that reflects the business unit’s specific risks. The service station network in Portugal has been tested for impairment, with no impairment recorded. For details of the discount rate used in the impairment testing, see Note 7.

Exploration & Production assets

Tangible and intangible assets of the Exploration & Production segment were subject to 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 was as follows: 2019: \$60/bbl; 2020: \$65/bbl and 2021- 2023: \$70/bbl.

Based on the impairment testing carried out, the safety margin to the carrying value per CGU for the regions in which Galp operates (Angola, Mozambique and Brazil) is positive. The discount rate used reflects the specific risk of the assets related to the E&P Business Unit, calculated on a USD basis. For details of the discount rate used in the impairment testing see Note 7.

The stress analysis carried out to test the impact of the volatility of the Brent price on the value of the main E&P assets, namely a 10% decline in projected cash flow, or a 1% increase in the discount rate, indicated no future potential economical impairment in the geographical areas in which Galp operates. In addition, due to a better operational scenario for Block 14 in Angola, Galp has recorded an impairment reversal of €18 m, recorded in the consolidated income statement for the year ended 31 December 2018.

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, they are controlled by the Group and they can be reliably measured.

Intangible assets include costs incurred for the development of information systems, exclusivity 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.

Exploration & Production

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

See further recognition policies for E&P 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 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 amortised on a UoP basis from the date on which production starts.

Natural gas infrastructure is amortised over the concession period (45 years) or the period of the exploration licence (20 years). The Group capitalises costs relating to investments made in converting infrastructure to natural gas.

Impairment

Impairment testing of intangible assets is based on Management's projections and on the net present value of estimated future cash flow. The residual values used are based on the expected lives of products, the forecast lifecycle and cash flow over that period, and 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 parameters are set based on Management's judgment, as well as the practices adopted by peers in the industry.

Impairment of intangible assets

Identifying impairment indicators, estimating future cash flow and determining the fair value of assets requires a high level of judgment from Management 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.

	Unit: €m		
	Industrial properties and other rights	Intangible assets in progress	Total
As at 31 December 2018	516	31	547
Acquisition cost	936	59	995
Accumulated impairment	(19)	(27)	(46)
Accumulated amortisation	(401)	-	(401)
As at 31 December 2017 (restated)	229	178	407
Acquisition cost	617	204	821
Accumulated impairment	(17)	(26)	(43)
Accumulated amortisation	(371)	-	(371)

Movements in intangible assets in 2018 and 2017 are as follow:

	Unit: €m		
	Industrial properties and other rights	Intangible assets in progress	Total
As at 31 December 2016	229	39	268
SEM Adoption	-	(4)	(4)
As at 31 December 2016 (restated)	229	35	264
Additions	2	177	179
Amortisation and impairment	(31)	(2)	(33)
Write-offs/Disposals	-	(1)	(1)
Transfers	32	(29)	2
Currency exchange differences and other adjustments	(2)	(2)	(4)
As at 31 December 2017 (restated)	229	178	407
Additions	3	192	196
Amortisation and impairment	(36)	-	(36)
Write-offs/Disposals	(1)	-	(1)
Transfers	322	(322)	-
Currency exchange differences and other adjustments	1	(17)	(16)
As at 31 December 2018	516	31	547

Additions to intangible assets occurred essentially in the exploration and production segment in the amount of €158 m related to the acquisition of licences in BM-S-8 (an additional 3% - €49 m), C-M-791 (€25 m) and Uirapuru (€84 m).

7. 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. The recoverable amount is estimated for the CGU to which it belongs. The value in use methodology is used to determine the recoverable amount. 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.

	Unit: €m	
	2018	2017
	85	84
Galp Comercialização Portugal, S.A. (merged with Petrogal)	51	51
Galp Swaziland (PTY) Limited	20	19
Galpgest - Petrogal Estaciones de Servicio, S.L.U.	7	6
Empresa Nacional de Combustíveis - Enacol, S.A.R.L.	4	4
Galp Moçambique, Lda.	4	4

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

Cash Generating Unit	Valuation Model	Cash flows	Growth factor	Discount Rates	
				December 2018	December 2017
Financial Investments (included in operating segments)	DCF (Discounted Cash Flow)	In accordance with budget for 2019 and four year strategic plan	Gordon Model with perpetual growth rate of 2%	R&M [6.2% -6.4%]	R&M [6%-11.1%]
				E&P [10.5% USD]	E&P [10%-12%]
				G&P [5.6%]	G&P [6.3%-6.9%]

According to the defined assumptions, as at 31 December 2018 there were no goodwill impairment losses. A negative variance of 10% in cash flow or an increase in the discount rate by 1 p.p. would not result on an impairment on goodwill as at 31 December 2018.

8. 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 as 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 assets held jointly and liabilities incurred jointly with other partners.

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

As at 31 December 2018 and of 31 December 2017, the net book values of investments in joint ventures and associates were as follow:

	Unit: €m	
	December 2018	December 2017
Total	1,295	1,483
Joint ventures	1,220	1,378
Associates	75	105

Unit: €m

	As at 31 December 2017	Share capital increase ^(b)	Equity method	Foreign exchange rate differences	Dividends	Others ^(a)	As at 31 December 2018
Joint Ventures	1,378	(241)	65	50	(32)	-	1,220
Tupi B.V.	1,062	(294)	51	47	-	(218)	648
Iara B.V.	-	7	-	3	-	218	229
Galp Gás Natural Distribuição, S.A.	217	-	22	-	(19)	-	220
Belem Bioenergia Brasil, S.A.	53	16	(16)	(2)	-	-	51
Coral FLNG, S.A.	19	21	(1)	1	-	-	41
Other joint ventures	27	8	8	1	(13)	-	31

^(a) During the year, the joint venture Iara BV was created as a spin-off of Tupi, BV, with a capital of €218 m. Its control is shared between BG Gas Netherlands Holdings BV, Petrobras Netherlands BV, Total Brasil Services BV and Galp Sinopec Brazil Services, BV, which hold 25%, 42.5%, 22.5% and 10% of its share capital respectively.

^(b) During the year, Tupi B.V. repaid share premium contributions to its shareholders as a result of the sale of equipment and platforms related to E&P operations in Brazil. The repayment amount was €323 m, the impact of which can also be seen in investment activities, as explained in Note 12 to these consolidated financial statements. Excluding the share premium repayment mentioned above, the increase in the participation in Tupi B.V. in the year ended 31 December 2018 was €29 m.

A summary of the financial indicators of the significant joint ventures as at 31 December 2018 is shown below:

Unit: €m

	Tupi B.V.*	Iara B.V.*	Galp Gás Natural Distribuição, S.A. and subsidiaries *
Total non-current assets	6,030	2,576	1,123
Total current assets	1,018	130	122
Of which cash and cash equivalents	178	32	48
Total assets	7,048	2,706	1,245
Total non-current liabilities	(8)	(419)	(942)
Of which debt	-	-	(609)
Total current liabilities	(556)	-	(66)
Of which debt	-	-	(8)
Total liabilities	(564)	(419)	(1,008)
Total operating income	4,630	6	209
Total operating costs	4,038	4	146
Of which amortisation, depreciation and impairment losses on fixed assets	1,041	3	43
Operating results	592	2	62
Net financial results	2	-	(10)
Profit before taxes	594	2	54
Income taxes	(100)	(1)	(24)
Net income for the year	494	2	30

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

Unit: €m

	As at 31 December 2017	Equity method	Foreign exchange rate differences	Dividends and distributions	Others	As at 31 December 2018
Associates	105	70	(5)	(93)	(2)	75
EMPL - Europe Magreb Pipeline, Ltd	54	53	4	(76)	-	35
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	18	5	(9)	-	-	13
Gasoduto Al-Andaluz, S.A.	13	7	-	(8)	-	11
Other associates	20	5	-	(7)	(2)	16

Further to results from the equity method above, during the year the Group made an increase of €5 m in the line item “Other provisions”, related to share purchase price adjustments of Galp Gás Natural Distribuição, S.A., resulting in a balance of €129 m in “Results of financial investments”.

The balance of dividends and distributions in the amount of €125 m differ from the cash receipts related to dividends in the amount of €118 m in the Consolidated Statement of Cash Flow, due to amounts pledged but not yet paid, and exchange differences between the time of assignment and the time of payment of the dividends.

For comparative information on Joint arrangements and Associates, please refer to the consolidated financial statements for the year ended 31 December 2017.

9. Inventories

Accounting policies

Inventories 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 inventory's 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

	2018	2017
	1,171	970
Raw, subsidiary and consumable materials	439	380
Finished and semi-finished products	561	424
Goods	222	179
Write-downs	(51)	(13)
Movements in inventory write-downs		
Write-downs at the beginning of the year	13	13
Increases (Note 24)	38	-
Write-downs at the end of the year	51	13

The increase in inventories is due to an higher volume of products and an increase in prices compared with 2017.

10. Trade and other receivables

Accounting policies

Accounts receivable are initially recorded at fair 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 of over and underlifting are compensated at a subsequent date in barrels of crude, as defined by the applicable production sharing agreement (PSA).

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

Trade receivables

	Unit: €m	
	2018	2017
Net trade receivables	1,032	1,018
Gross trade receivables	1,206	1,193
Allowance for doubtful trade receivables	(173)	(175)
Ageing analysis of net trade receivables	1,032	1,018
Not yet due	867	881
Overdue up to 180 days	159	116
Overdue between 181 and 365 days	1	9
Overdue over 365 days	5	12
Movements in allowance for doubtful trade receivables		
Allowance at the beginning of the year	175	183
IFRS 9 adoption	3	n.a.
Expected credit losses at the beginning of the year after IFRS 9	178	183
Increase of allowance (Note 24)	20	18
Decrease of allowance (Note 24)	(5)	(2)
Utilisation of allowance	(21)	(22)
Other adjustments	-	(2)
Allowance at the end of the year	173	175

As mentioned in the above Accounting Policies, trade receivables are grouped based on shared credit risk characteristics and days past due. For Galp, the level of credit risk of trade receivables is as follows:

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

Other receivables

	Unit: €m			
	December 2018		December 2017	
	current	non-current	current	non-current
Other receivables	640	298	535	254
State and other public entities	11	43	27	17
Other debtors	259	-	215	-
Related parties	61	60	39	30
Other receivables	43	34	48	35
Accrued income	198	67	147	63
Deferred charges	74	94	67	109
Impairment of other receivables	(6)	-	(7)	-

The balance of other debtors is mainly related to receivables from partners for carrying interest paid on their behalf during the exploration period in the amount of €191 m and for underlifting in the amount of €40 m (€70 m in 2017).

Related Parties (current) includes the amount of €42 m related to the subscribed and unrealised capital increase made by Winland International Petroleum, SARL in Petrogal Brasil, S.A. during the period under review, and considered as a financial asset given the term established for this capital increase.

Deferred charges (non-current) includes the amount of €10 m related to post-employment benefits asset (Note 16).

Loan to Sinopec

The Loan to Sinopec was initially recognised at its fair value and subsequently measured at amortised cost. The amortised cost of this asset does not differ from its nominal value or its fair value. The receivable was not subject to impairment losses in accordance with IFRS 9, considering the history of default for this specific credit.

Unit: €m

As at 31 December 2017	459
Repayment of loans as:	
Proceeds of increase share capital in Petrogal Brasil ^(a)	(52)
Share premium reduction for the shareholders of Galp Sinopec Brasil Services, BV ^(b)	(256)
Interest capitalisation	9
Exchange differences	16
As at 31 December 2018	176

For comparative information please refer to the consolidated financial statements for the year ended 31 December 2017

^(a) Decrease in the loan to Sinopec, which was capitalised as share capital in the subsidiary Petrogal Brasil to strengthen the balance sheet for E&P operations in Brazil;

^(b) In September 2018, Galp Sinopec Brasil Services (GSBV) carried out a share premium reduction in kind to shareholders. The share premium reduction was paid using the loan receivable GSBV had with its shareholders. The €256 m reduction corresponds to Sinopec's share in the share premium decrease.

11. Other financial assets

Accounting policies

For accounting policies regarding Other financial assets please refer to the disclosure in Note 19.

Unit: €m

	December 2018		December 2017	
	current	non-current	current	non-current
Other financial assets	200	33	66	35
Financial Assets at fair value through profit & loss (Note 18)	200	7	51	11
Futures based on physical delivery of natural gas	-	-	15	-
Financial assets at fair value through comprehensive income	-	3	-	3
Others	-	24	-	21

The balances of "Financial Assets at fair value through comprehensive income" and the category of "Financial Assets at fair value through profit and loss" as at December 2018 were entirely reclassified from the former IAS 39 line item "Financial assets available for sale" and "Financial assets at fair value through profit & loss (derivatives)", respectively.

12. 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 statement of cash flow, 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 2018 and 31 December 2017, the details of cash and cash equivalents were as follow:

		Unit: €m	
	Notes	December 2018	December 2017
Cash and cash equivalents		1,504	1,096
Cash in banks		1,508	1,197
Bank overdrafts	13	(4)	(101)

Detail of consolidated cash flow

a) Investment Activities

During the year, purchase and sale transactions for equipment and platforms were carried out between the subsidiary Petrogal Brasil and the joint venture Tupi B.V., with a neutral impact on the cash flow from investment activities. The value of these transactions during the period ended 31 December amounted to €323 m, which increased the amount of "Payments for acquisitions of tangible and intangible assets" in the Consolidated Statement of Cash Flow and consequently represents an increase in the same amount under receipts of financial investments.

b) Dividends paid

In the year ended 31 December 2018, €512 m of dividends were paid by Galp:

- €477 m paid to the shareholders of Galp Energia, SGPS, S.A.;
- €30 m paid to the minority shareholder of Galp Sinopec Brasil Services. Of these dividends, €19 m were invested in the capitalisation of the subsidiary Petrogal Brasil (See Note 22); and
- €5 m paid to other minority shareholders of Galp group subsidiaries.

13. Debt

Accounting policy

Loans are recorded as liabilities at the nominal value received, net of 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 are recorded in the income statement on an accruals basis in accordance with each loan agreement.

	Unit: €m			
	December 2018		December 2017	
	current	non-current	current	non-current
Total	559	2,686	551	2,532
Bank loans	61	1,042	159	937
Bonds and notes	498	1,644	392	1,595

For comparative information please refer to the consolidated financial statements for the year ended 31 December 2017

The average cost of financial debt for the period under review, including charges for credit lines and overdrafts, amounted to 2.53%.

Galp has established, as part of its financing plan, an EMTN Programme (€5,000,000.00 Euro Medium Term Note Programme). As of 31 December 2018, Galp had three notes issues outstanding totalling €1,500 m, which are listed on the London Stock Exchange.

The fair value of these bonds was €1,500 m as at 31 December 2018 and €1,555 m as at 31 December 2017, measured based on observable market variables, and classified at Level 2 of the Fair Value hierarchy (see fair value hierarchy in Note 19).

As at 31 December 2018, the Group had contracted revolving credit facilities and commercial paper programmes with an underwriting commitment, with a total of €1,537 m, and at this date €987 m was available.

Current and non-current loans and bonds, excluding origination fees and bank overdrafts, have the following repayment plan as at 31 December 2018:

Maturity	Unit: €m		
	Total	current	Loans non-current
	3,252	559	2,693
2019	559	559	-
2020	550	-	550
2021	535	-	535
2022	463	-	463
2023	770	-	770
2024	370	-	370
2025 and subsequent years	5	-	5

Changes in debt during the period from 31 December 2017 to 31 December 2018 were as follow:

	Unit: €m					
	As at 31 December 2017	Loans obtained	Principal Repayment	Changes in Overdrafts	Foreign exchange rate differences	As at 31 December 2018
Financial Debt	3,083	1,500	(1,244)	(98)	4	3,245
Bank Loans:	1,096	850	(749)	(98)	4	1,103
Origination fees	(2)	-	(1)	-	-	(2)
Loans	996	850	(748)	-	4	1,102
Bank overdrafts (Note 12)	101	-	-	(98)	-	4
Bonds and Notes:	1,987	650	(495)	-	-	2,142
Origination fees	(8)	-	-	-	-	(8)
Bonds	495	650	(495)	-	-	650
Notes	1,500	-	-	-	-	1,500

The bonds obtained during 2018 were as follow:

Emission	Unit: €m			
	Due amount	Index	Maturity	Reimbursement
	650			
GALP ENERGIA/2018 Euro 100 M	100	EURIBOR 6M	February '23	February '23
GALP ENERGIA/2018 Euro 150 M	150	EURIBOR 6M	March '23	March '23
GALP ENERGIA/2018	100	EURIBOR 6M	May '24	50% @ May '22 50% @ May '24
GALP ENERGIA/2018-2024	100	EURIBOR 6M	May '24	May '24
GALP ENERGIA/2018-2024 Euro 200 M	200	EURIBOR 6M	September '24	50% @ September '22 50% @ September '24

The bond reimbursements during 2018 were as follow:

Unit: €m				
Emission	Due amount	Index	Maturity	Reimbursement
	495			
GALP ENERGIA/2012-2018 FRN	260	EURIBOR 3M	February '18	February '18
GALP ENERGIA/2013-2018	110	EURIBOR 3M	March '18	March '18
GALP ENERGIA/2013-2018 EURO 200 M	25	EURIBOR 6M	April '18	April '18
GALP ENERGIA/2012-2020	100	EURIBOR 6M	June '20	September '18

14. 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.

Trade payables

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

	Unit: €m			
	December 2018		December 2017	
	current	non-current	current	non-current
Trade payables	933	-	889	-
Other payables	958	126	854	286
State and other public entities	348	-	379	-
Accrued costs	302	30	281	27
Other creditors	259	74	130	79
Other payables	33	5	39	5
Related parties ⁽ⁱ⁾	8	-	13	158
Deferred income	8	16	12	17

⁽ⁱ⁾ As part of the optimisation of the capital structure of E&P operations in Brazil, in July 2018, the amount of €158 m (US\$188 m) related to a loan granted by Winland International Petroleum, SARL (a Sinopec Group entity) to the subsidiary Petrogal Brasil, S.A, was fully converted into share capital of this subsidiary, offset against "non-controlling interests" in the consolidated equity of the Galp group. For more information, see Note 22 regarding transactions between minority interests.

The balance of "Other creditors" mainly includes suppliers of tangible and intangible assets in the amount of €154 m (€77 m in 2017) and overlifting in the amount of €35 m (€34 m in 2017).

15. Income taxes, deferred income taxes and energy sector extraordinary contribution

Accounting policy

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 geographical area 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 tax value of the tax loss carried forward is included in deferred tax assets to the extent that these are expected to be utilised in 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 on its E&P activity which the company classifies as income taxes, namely:

- Petroleum income tax (IRP) in Angola 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 regulated under Decree-Law No 2.705 from ANP (Agencia Nacional do Petróleo, Gás Natural e Biocombustíveis). 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 a determined income, from which operational costs related to the production of hydrocarbons are deducted. The SPT rate varies between 0% and 40% depending on the project's production level.

Accounting estimates and judgments

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

Deferred tax assets

Deferred tax assets are 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 in which the deferred tax assets are reversed. An evaluation of deferred tax assets is made 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 provisions booked to be adequate. Nevertheless, the actual obligation may deviate, and depends on the results of litigation and settlements with the relevant authorities.

As at 31 December 2018, and 31 December 2017, the current income tax payable is as follows:

	Unit: €m	
	Liabilities	
	2018	2017
	(82)	(115)
State and Other Public Entities	(82)	(115)

The companies of the Galp Gas Natural Distribuição Group (GGND), headquartered in Portugal, in which the Group has an interest equal or greater than 75%, are taxed in accordance with the Portuguese special regime for the taxation of groups of companies, with the taxable income being determined for Galp Energia, SGPS, S.A. Accordingly, the amount of corporate income tax advance payments made by Galp Energia, SGPS, S.A. (responsible under the special regime for the taxation of groups

of companies) on behalf of GGND Group companies, as well as the amounts related to the payment/receipt of Corporate Income Tax pending settlement with the entities, are recognised in the current income tax receivable and/or payable. As at 31 December 2018, Galp had made payments on behalf of GGND in the amount of €4 m.

The total income tax, IRP and SPT paid during the year 2018 was €613 m.

The income tax and energy sector extraordinary contribution expenses for the year ended 31 December 2018 and 2017 were as follow:

	Unit: €m	
	2018	2017 (restated)
Current tax for the year	578	439
Deferred tax for the year	158	50
Taxes for the year	737	489
Adjustments recognised for current tax in prior years	(1)	7
Adjustments recognised for deferred tax in prior years	-	1
Income taxes in the income statement	736	496
Energy sector extraordinary contribution	60	64

The 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.

	2018	2017 (restated)
Effective tax rate	43.6%	39.8%
Corporate income tax rate of Galp Energia, SGPS, S.A.	31.5%	27.0%
Application of the equity method	-2.4%	-3.5%
"SPT" - Special participation and "IRP" - Tax on Oil Income*	19.5%	21.5%
Other additions and deductions	-5.0%	-5.2%

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

The increase in the effective tax rate is mainly due to an increase in the corporate income tax rate of Galp Energia, SGPS, from 27% (in 2017) to 31.5% (in 2018) resulting from the move to a higher rate tax bracket used to estimate the effective tax rate in accordance with Portuguese legislation.

As at 31 December 2018 and 31 December 2017, the balance of deferred tax assets and liabilities was as follows:

Unit: €m

	As at 31 December 2017 (restated)	Impact on the income statement	Impact on equity	Currency translation adjustments	Other Adjustments	As at 31 December 2018
Deferred Taxes – Assets	350	38	(3)	(12)	(3)	369
Adjustments to tangible and intangible assets	71	(57)	-	(1)	-	13
Retirement benefits and other benefits	94	(3)	(3)	-	-	87
Tax losses carried forward	49	33	-	(2)	-	80
Regulated revenue	8	(1)	-	-	-	7
Temporarily non-deductible provisions	73	16	-	(4)	-	85
Potential foreign exchange rate differences in Brazil	-	27	-	(1)	(3)	24
Others	55	23	-	(5)	-	74
Deferred Taxes – Liabilities	(76)	(196)	45	32	(1)	(196)
Adjustments to tangible and intangible assets	(26)	(149)	-	4	-	(170)
Adjustments to the fair value of tangible and intangible assets	(7)	1	-	-	(1)	(7)
Regulated revenue	(12)	-	-	-	-	(13)
Potential foreign exchange rate differences in Brazil	(28)	(44)	45	28	-	-
Others	(3)	(3)	-	-	-	(6)

Unit: €m

	As at 31 December 2016	Restatement	As at 31 December 2016 (restated)	Impact on the income statement (restated)	Impact on equity	Currency translation adjustments	Other Adjustments	As at 31 December 2017 (restated)
Deferred Taxes – Assets	335	50	385	(29)	16	(22)	-	350
Adjustments to tangible and intangible assets	28	50	78	(5)	-	(2)	-	71
Retirement benefits and other benefits	87	-	87	10	(3)	-	-	94
Tax losses carried forward	96	-	96	(45)	-	(2)	-	49
Regulated revenue	7	-	7	-	-	1	-	8
Temporarily non-deductible provisions	47	-	47	30	-	(4)	-	73
Potential foreign exchange rate differences in Brazil	21	-	21	(31)	20	(10)	-	-
Others	49	-	49	12	(1)	(5)	-	55
Deferred Taxes – Liabilities	(66)	6	(60)	(21)	-	7	(2)	(76)
Adjustments to tangible and intangible assets	(27)	3	(24)	(6)	-	4	-	(26)
Adjustments to the fair value of tangible and intangible assets	(9)	-	(9)	2	-	-	-	(7)
Regulated revenue	(12)	-	(12)	-	-	-	-	(12)
Potential foreign exchange rate differences in Brazil	-	-	-	(31)	-	3	-	(28)
Others	(18)	3	(15)	14	-	-	(2)	(3)

The increase in the deferred tax assets and liabilities mainly relates to temporary differences between tax and accounting records related to: (i) SEM accounting method, as referred in Note 3 (€57 m); and (ii) difference between accounting and tax records regarding the depreciation and amortisation patterns for tangible and intangible assets (€149 m). In accordance with each tax jurisdiction Galp operates, these temporary differences arise when the tax treatment follows different pattern when compared with the accounting recognition. As of 31 December 2018, the Group does not foresee any barrier to recover the deferred tax assets related to temporary differences recognised.

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

	Tax losses carried forward	Limit year use	Unit: €m Deferred Tax
Tax losses carried forward			80
The Netherlands	20	2025	5
Spain ¹	124	No limit	31
Brazil	129	No limit	44

¹In addition to the €124 m referred above, an additional amount of €142 m of tax losses carried forward in Spain exist, for which no deferred tax assets had been recognised.

The tax losses carried forward in Brazil and Spain will be recovered through future taxable results that may be expected as a result of oil exploration and oil marketing activity, respectively. The companies headquartered in the Netherlands had deferred tax assets as a result of the liquidation of Tarfaya BV, which were partially utilised when Galp Energia E&P BV generated positive results in 2017 and in 2018.

16. 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 income statement 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 at 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. Discount rates are based on the market yields of high-rated corporate bonds in the respective country. 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 of 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 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.

Post-employment benefits

	Unit: €m	
	2018	2017
Asset within Other Receivables (Note 10)	10	-
Liability	(304)	(326)
Net responsibilities	(293)	(326)
Obligations, of which:	(541)	(596)
Past service liabilities related to pension fund	(238)	(272)
Others employee benefit liabilities	(303)	(324)
Assets	247	271

Post-employment obligations

	Unit: €m		
	Notes	2018	2017
Past service liability at the end of the current year		541	596
Past service liability at the end of the previous year		596	643
Current service cost		6	7
Interest cost	26	13	14
Actuarial (gain)/loss		(30)	(21)
Benefit payments made by the fund		(23)	(24)
Benefits payments made by the Company		(35)	(35)
Changes in the benefit plan		(1)	2
Cut back - Early retirement		10	5
Cut back - Pre-retirement		10	6
Cut back - Migration to DC		-	(5)
Other changes		(5)	5

The average maturity of the liabilities under the defined benefit plans is 9.4 years (in 2017: 9.7 years).

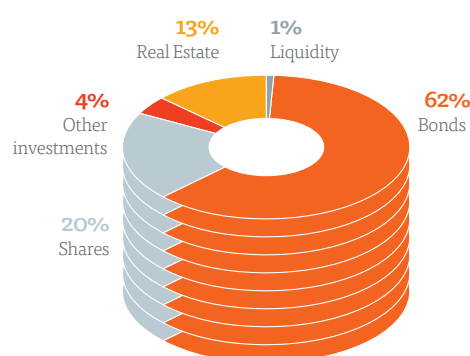
As at 31 December 2018, the breakdown of the expected value of future benefit payments for the next four years is as follows:

	Unit: €m		
	Payment Expectation to the Pension Plan Fund		
	Total	Retirement benefits	Other benefits
	115	78	37
2019	33	24	9
2020	31	22	9
2021	28	19	9
2022	23	13	10

Defined-benefit pension Fund

	Unit: €m		
	Notes	2018	2017
Assets at the end of the current year		247	271
Assets at the end of the previous year		271	284
Net interest	26	6	6
Associates' contribution		2	-
Benefit payments		(23)	(24)
Cut back		-	(5)
Financial gain/(loss)		(8)	10

Type of assets 2018



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 on observable prices in current liquid markets for the same financial instrument supplied by external counterparties, available through Bloomberg.

	Unit: €m	
	2018	2017
Real return on plan assets (%)	(0.7%)	6.0%
Real return on plan assets	(2)	15

The number of participants and beneficiaries of the Petrogal and Sacor pension funds was 6,186 in December 2018 and 6,574 in December 2017.

Post-employment benefit expenses

	Notes	Unit: €m	
		2018	2017
Current service cost	25	6	7
Interest cost	26	7	8
Net cost for the year before special events		13	15
Cut back impact - early retirement	25	10	5
Cut back impact - pre-retirement	25	10	6
Other adjustments	25	(6)	7
Net cost for the year with defined-benefit plan expenses		27	32
Defined contribution	25	4	4
Net cost for the year with defined-contribution plan expenses		4	4
Total		31	36

Remeasurements

	Unit: €m	
	2018	2017
Gains recognised through comprehensive income	22	31
Gain from actuarial experience	30	9
Gain from actuarial assumption changes	-	12
Financial (loss)/gain	(8)	10

Assumptions

	Retirement benefits		Other benefits	
	2018	2017	2018	2017
Return rate on assets	2.25%	2.25%	-	-
Technical interest rate	2.25%	2.25%	2.25%	2.25%
Rate of increase in salary costs	1.00%	1.00%	[1.00% - 3.50%]	[1.00% - 3.50%]
Rate if increase in pension costs	[0.00% - 1.40%]	[0.00% - 2.00%]	-	-
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% EVK 80	50% EVK 80
Common age for retirement	66 years, or 65 years if with at least 43 years of discounting to SS at 65	66 years, or 65 years if with at least 43 years of discounting to SS at 65	66 years, or 65 years if with at least 43 years of discounting to SS at 65	66 years, or 65 years if with at least 43 years of discounting to SS at 65
Method	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit

Sensitivity Analysis

Sensitivity analysis of the discount rate

	Unit: €m	
Discount rate 2.25%		-0.25%
Total	541	13
Retirement benefits	347	7
Other benefits	194	6

Sensitivity analysis of the growth rate of health insurance costs

	Unit: €m		
	Growth rate of 3.5%	-1.00%	1.00%
Past service	173	(23)	24

17. 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 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 total abandonment costs, which are recognised by Galp on a proportional basis as it builds each production well.

Provisions for legal disputes include various types of provision linked to ongoing legal disputes. 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 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 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 contingencies

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 can have a significant effect on the recorded amount for contingencies.

Abandonment provisions

The Group holds provisions for the future decommissioning of oil production facilities and pipelines at the end of their economically useful lives. Most of these decommissioning events are many years in the future, and the exact requirements that will have to be met upon removal are uncertain. Assumptions are made by Galp and the Operator of the concession in relation to the settlement dates, technology, legal requirements and discount rates. The timing and amounts of any future cash flow are subject to significant uncertainty, and estimates are required to determine the amounts of provisions to be recognised. Nevertheless, the timing and amounts of the settlement of future cash flow have been agreed with the official oil authorities.

Environmental liabilities

Galp uses judgments and estimates to calculate provisions for environmental matters such as CO₂ emissions. Every year Galp is entitled to free licences (EUA – Emission Unit Allowances) from the Portuguese Environment Agency to cover part of its greenhouse gas emissions. If the free licences are insufficient to address greenhouse gas emissions, Galp can acquire the EUAs or other equivalent/complementary environmental certificates (ERU – Emission Reduction Units) in the market at a cost, recorded within other operational costs. However, if greenhouse gas emissions are above the amounts specified in the licences and green certificates held in the portfolio at the end of the year, costs are accrued based on the best estimate of the expense to be incurred at the market spot rate of the licences and/or certificates.

Galp also 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 to the conditions of a specific location, as well as in decontamination technologies. Consequently, any changes in the circumstances relating to such provisions, as well as in the legislation and regulations, can significantly affect the provisions for such matters. Environmental liabilities are assessed and reviewed annually.

As at 31 December 2018 and 31 December 2017, the provisions were as follow:

	Unit: €m				
				2018	2017
	Decommissioning/ environmental matters costs	CESE (I and II)	Other provisions	Total	Total
At the beginning of the year	300	272	48	619	429
Additional provisions and increases in existing provisions	42	25	9	77	236
Decreases in existing provisions	(39)	-	-	(39)	(25)
Amount used during the year	(1)	-	(10)	(11)	(3)
Adjustments during the year	13	-	(1)	12	(18)
At the end of the year	315	297	45	658	619

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

	Unit: €m							
	Operating costs (Note 24)	Tangible assets	Financial income and expenses	Energy sector extraordinary contribution	Deferred charges CESE	Results from financial investments	Other	Total
December 2018	(9)	25	7	52	(26)	6	(17)	38
Decommissioning/environmental costs	(12)	25	7	-	-	-	(17)	3
CESE I and II	-	-	-	52	(26)	-	-	25
Other provisions	3	-	-	-	-	6	-	9

For comparative information please refer to the consolidated financial statements for the year ended 31 December 2017

Decommissioning of blocks and environmental costs

The amount of €315 m includes a provision for the abandonment of blocks (€282 m), established to cover the costs to be incurred for asset retirement obligations at the end of the useful lives of those areas (€213 m in Brazil and €69 m in Angola). The remaining €33 m relates to the costs associated with the asset retirement obligations of certain facilities in the refining and marketing segment, due to legal and constructive obligations.

CESE I and II

In the year ending 31 December 2018, the caption of CESE (I and II) - "Energy Sector Extraordinary Contribution I and II" in the amount of €297 m represents the total responsibility as at that date, and corresponds to the contributions for the year 2014 to 2018.

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 amount of eligible net assets as at 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 March 2, the economic value of the take-or-pay contracts had 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 this obligation is currently subject to legal dispute.

Contingent liabilities

As at 31 December 2018, the Company and its subsidiaries had additional Corporate Income Tax assessments under dispute amounting to €42 m, for which a provision of €8 m had been recorded as at 31 December 2018.

Contingent assets

Unitisation process for certain blocks in Brazil

In general, when an oil and gas deposit extends beyond a licensed area, there will be an unitisation process with the adjacent areas to determine the proper interest of each participant in the unitised area.

Several of Galp's Brazilian pre-salt discoveries extend beyond its licensed areas. As a consequence, Galp will have interests in the unitised areas determined once these unitisation processes have been concluded. The outcome of these unitisation processes will enable Galp to maintain, proportionally to the unitised area, the same rights and volumes entitlement that it held with respect to the original licensed area.

The unitisation processes should lead to equalisation between the participants in each licensed area, based on past capital expenditure by partners based on their original interest prior to the unitisation process in each licensed area, and the net profits received thereunder (e.g. Lula, Sépia and Iara). These equalisations should therefore lead to reimbursements among partners per the terms and conditions agreed between them.

In Brazil, the unitisation agreements are contingent on the approval of the National Agency for Petroleum, Natural Gas and Biofuels (ANP). Therefore, the moment for the determination of the partners' interests in the unitised area and the underlying equalisation adjustments between the partners will be conditional upon such approval. There are five unitisation agreements submitted to ANP and for which approval is expected (Lula, Berbigão, Sururu, Atapu and Sépia Leste).

As at 31 December 2018, Galp's best estimate for the net position of the underlying equalisation related to all of the above mentioned unitisation processes amounted to a receivable of c. €100 m.

18. Derivative financial instruments

Accounting policy

Financial instruments

The Group may use financial derivatives to hedge the interest-rate risk and market-fluctuation 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 gains and losses on commodity (i.e. Brent, electricity and gas) futures and swaps are classified within cost of sales. Changes in the fair value of open positions are recorded in financial income, within income from financial instruments. As futures are exchange-traded, subject to a clearing house, gains and losses are continuously recorded in the statement of income.

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

Some TTF bilateral contracts underwent a mark-to-market (MTM) valuation since they are settled on a net basis in cash instead of physically. As such, these contracts are classified 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

The Group uses derivative instruments to reduce the impact of the exposure to financial risk in the financial statements. Derivative instruments to hedge financial risks are not used for trading purposes.

Derivative instruments used by the Group to hedge their cash flows mainly relate to commodities price hedging (electricity) to hedge forecast transactions. The indices are as close as possible to the actual purchases. Derivative instruments used by the Group to hedge the fair value are mainly related to the hedging of commodity prices (natural gas). The indices are the same as those applicable to the contracts signed with customers. Where hedges are complex, even though they are for economical hedge purposes, derivatives are not designated as accounting hedges. Therefore, the fluctuations of Mark-to-Market are recognised as a profit or loss under financial results.

Derivatives that hedge the overall net position of commodity prices (oil margins) are considered as macrohedging. Despite being hedges, these do not comply with the accounting criteria for classification as accounting hedges. Financial instruments for macrohedging purposes are booked as fair value through profit or loss under financial results.

Changes in the fair value of cash flow hedges are presented in hedging reserves. In a fair value hedge, the derivatives are recorded at their fair value through profit or loss under 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 is 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 or because management changes its objectives, all of the deferred MTM in equity is reclassified to profit or loss.

Hedge accounting is discontinued when all of the derivative instruments mature, are sold, management changes the objectives, or the transaction is no longer expected.

Financial derivatives are initially recorded at fair value, calculated by independent external entities 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.

The financial position of derivative financial instruments as at 31 December 2018 and 2017 is detailed as follows:

Unit: €m

	December 2018					December 2017				
	Assets (Note 11)		Liabilities			Assets (Note 11)		Liabilities		
	current	non-current	current	non-current	Equity	current	non-current	current	Non-current	Equity
Total	200	7	(102)	(37)	7	51	11	(21)	(3)	7
Commodity swaps	130	1	(83)	(33)	1	42	11	(21)	(3)	3
Commodity futures	50	-	-	-	6	9	-	-	-	4
Forwards	20	6	(19)	(4)	-	-	-	-	-	-

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

During 2018 and 2017 the Group entered into derivative financial instruments with the objective to hedge the economic exposure mainly related to changes in crude, power and natural gas prices.

The notional of the open derivatives and respective maturity is shown below:

		December 2018		December 2017	
		Maturity		Maturity	
		Less than 1 year	1 year and more	Less than 1 year	1 year and more
Total		1	(401)	(113)	(2)
Commodity swaps	Purchase	(709)	(324)	(307)	(86)
	Sale	377	96	302	88
Commodity futures	Purchase	(120)	(7)	(131)	(4)
	Sale	608	85	26	-
Currency forwards and swaps	Purchase	(557)	(336)	(3)	-
	Sale	402	85	-	-

Unit: €m

The accounting impact as of 31 December 2018 and 31 December 2017 of the gains and losses with derivative financial instruments is presented in the following table:

		December 2018			December 2017		
		Income statement		Equity	Income statement		Equity
		Unrealised (MTM)	Realised	Unrealised (MTM)	Unrealised (MTM)	Realised	Unrealised (MTM)
Total		13	80	1	4	8	1
Commodity swaps		41	73	(1)	27	(11)	2
Fair value hedge related to commodity swaps		(27)	-	-	(22)	-	-
Commodity futures		(4)	6	2	(2)	23	(1)
Currency forwards and swaps		3	1	-	1	(4)	-

Unit: €m

The 2018 income statement shows, under the MTM heading, a negative amount of €27 m, through the caption other financial instruments, related to the fair value hedge and in equity, under the heading hedging reserves, the positive amount of €1 m relating to cash-flow hedge. The cash flow hedges reflected in equity, when settled are reclassified to the hedged item (ie asset) and then to income for the year, when the asset is sold. The amount of settled hedging instruments regarding cash flow hedges amounts to positive €17 m in 2018, and was recognised with the underlying asset under the heading cost of sale.

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:

		December	
		2018	2017
Income from Financial Instruments		(28)	-
Commodity swaps		14	(3)
Commodity futures		(4)	(2)
Other trading operations		(38)	5

Unit: €m

The maturities of derivative liability in the statement of financial position is as follows:

	Unit: €m			
	Less than 1 year	Between 1 and 2 years	2 years and more	Total
2018				
Commodity swaps and options	83	33	-	116
Foreign exchange forwards	19	4	-	23
2017				
Commodity swaps and options	21	2	1	24

19. 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 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 the change in classification is not allowed.

Recognition and measurement

Purchases and sales of investments are recognised on 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 financial assets

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

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income consist mainly of equity investments. When these kind 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 impairments.

Fair value hierarchy

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

The fair value hierarchy must have the following levels:

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

Accounting policy in 2017

Comparative figures follow past year Accounting policies of IAS 39, since no restatement was done when Galp adopted IFRS 9, as permitted by the modified retrospective transition model. Previous IAS 39 financial instruments categories were reclassified to present new IFRS 9 ones. For further information see Note 3 and financial statements for the year ended 31 December 2017.

	Unit: €m	
Financial assets by category	2018	2017
Total	3,599	3,220
Financial assets at fair value through OCI (Note 11)	3	3
Financial assets measured at fair value through profit or loss - Derivatives (Note 18)	207	62
Financial assets and liabilities at amortised cost (Note 10)	2,146	2,266
- less prepayments, underlifting, guarantees and tax receivables	(265)	(308)
Cash and cash equivalents (Note 12)	1,508	1,197

Financial assets at amortised cost comprises Trade receivables, other receivables net of impairments and Sinopec loan.

	Unit: €m	
Financial liabilities by category	2018	2017
Total	1,736	1,579
Financial liabilities measured at fair value through profit or loss - Derivatives (Note 18)	139	24
Financial liabilities measured at amortised cost (Note 14)	2,017	2,029
- less deferred income, overlifting, guarantees and tax payables	(420)	(474)

Financial liabilities at amortised cost comprises Trade payables and other payables.

	Unit: €m	
Financial liabilities measured at fair value through profit or loss	2018	2017
Total	207	62
Active market data (Level 1)	50	9
Directly or indirectly observable market data (Level 2)	157	53

	Unit: €m	
Financial liabilities measured at fair value through profit or loss	2018	2017
Total	139	24
Directly or indirectly observable market data (Level 2)	139	24

20. Financial risk management

Accounting policy

The Group is organised with systems to identify, measure and control the different risks to which it is exposed to and uses various financial instruments to hedge, in accordance with corporate guidelines common to the Group. The Group verifies hedge effectiveness periodically. Hedge relationship is highly correlated between hedged item and hedge instrument.

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, Galp is exposed to the risk of volatility of the international price of crude oil, of its derivatives and of natural gas and electricity. Frequent fluctuations in the price of crude oil and refined products generate uncertainty and have a significant impact on operating results.

The Group partially controls this risk through the derivatives market for oil and natural gas, to protect the refining margin from adverse market changes.

In respect of the natural gas and electricity activities, the Group partially controls this risk through the establishment of natural gas and electricity purchase and sale contracts with similar indexes, so as to protect the business margin from adverse market changes.

The Group normally uses financial derivatives such as Futures and Swaps to hedge this kind of risk (Note 18).

Analysis of commodity price sensitivity

Sensitivity analysis was made for balances relating to financial derivatives over commodities. A 10% immediate devaluation in the following commodities price would impact Galp's income as outlined in the table below:

	Unit: €m			
	Risk exposure 2018	Impact on Income Statement 2018	Risk exposure 2017	Impact on Income Statement 2017
Derivatives on natural gas commodities ¹	(15)	2	34	-
TTF's (natural gas) contracts	15	(25)	N/A	N/A
Derivatives on oil commodities	56	38	(7)	27
Derivatives on other commodities	9	-	11	-

¹ Excludes impacts of derivatives classified as fair value hedge and cash flow hedge

Exchange-rate risk

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 the US dollar, the Company is exposed to fluctuations in exchange rates, which can contribute positively or negatively to income and margins.

Since this is a currency risk associated to other variables, such as the price 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 cash flows. The level of exposure of cash flows and especially 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. As of 31 December 2018, Galp held derivatives such as FX Forwards and Swaps to hedge exchange rate risk (Note 18).

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 EUR regarding other currencies would impact Galp's income as outlined in the table below:

	Unit: €m			
	Risk exposure 2018	Impact on Income Statement 2018	Risk exposure 2017	Impact on Income Statement 2017
Loans obtained	(150)	15	(233)	16
Marketable securities (included in cash and cash equivalents)	795	44	795	45
Derivatives ¹	104	49	7	(1)
Trade and Other receivables	11	1	550	9
Trade and Other payables	(178)	(18)	(301)	(14)

¹ Includes derivatives in USD and FX Forwards, taking into account fluctuation in MTM.

Key currencies exchange rate

	Unit: €m			
	2018		2017	
	Average	Year-end	Average	Year-end
EUR/USD	1.18	1.15	1.13	1.20
EUR/BRL	4.31	4.44	3.61	3.97
USD/BRL	3.65	3.88	3.19	3.31
EUR/CHF	1.16	1.13	1.11	1.17

Interest-rate risk

The total interest-rate position is managed centrally. Interest-rate exposure relates mainly to bank loans and bonds bearing interests. The purpose of managing interest-rate risk is to reduce the volatility of financial costs in the income statement. The policy for interest-rate risk management aims to reduce exposure to variable rates fixing interest rate risk on loans, using a mix of variable and fixed-rate instruments. As at 31 December 2018 Galp did not hold interest-rate derivatives positions.

Interest rate sensitivity analysis

Analysis of interest rate risk includes variable interest rate loans. This year end analysis does not include Sinopec loan receivable since it was repaid on January 2019. A 0.5% increase in the interest rate would impact Galp's financial income as outlined in the table below:

	Unit: €m			
	Risk exposure 2018	Impact on Income Statement 2018	Risk exposure 2017	Impact on Income Statement 2017
Loans obtained	(3,251)	(8)	(2,993)	(4)
Marketable securities	639	-	931	2

Note: Cash and Equivalents on the Financial Position comprises Marketable securities

Liquidity risk

Liquidity risk is defined as the amount by which profit and/or cash flow of the business are affected as a result of the Group's ability

to obtain the financial resources necessary to meet its operating and investment commitments. Galp finances itself through cash flows 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. These lines can cover all loans that are repayable in 12 months. The available short term and medium/long term credit lines that are not being used amount to €1.4 bn on 31/12/2018 and €1.3 bn on 31/12/2017. Galp has ready available Cash equivalents that amount to €1.5 bn on 31/12/2018 and €1.2 bn on 31/12/2017. These figures combined amount to €2.9 bn on 31/12/2018 and €2.5 bn on 31/12/2017.

Credit risk

Credit risk results from potential non-payment by one of the parties to contractual obligations, thus depending of the risk level of the counterparty. In addition, counterparty credit risk exists on monetary investments and hedging instruments. Credit risk limits are established by Galp and are implemented in the various business segments. The credit risk limits are defined and documented and credit limits for certain counterparties are based on their credit ratings, period of exposure and monetary amount of the exposure to credit risk. See note 10 for further risk assessments regarding specifically Trade receivables and other receivables.

21. Capital structure and financial items

The Galp group presents as of 31 December 2018, equity in the amount of €6 bn and set in its equity management policy a limit of indebtedness in amounts equal to or lower than 2x Net Debt/EBITDA, despite the contracts with financial institutions allowing a ratio between 3.5 and 3.75. The net debt at year ending 2018 amounted to €1.7 bn, setting this target ratio at 0.8x.

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 nominal value of 1 Euro each and fully subscribed.

Distribution to shareholders

In accordance with a resolution of the General Shareholders' Meeting held on May 15, 2018, Galp Energia, SGPS, S.A. shareholders were granted dividends in the amount of €456 m (€0.55/share) related to the distribution of net income for the year 2017 and retained earnings. An interim dividend of €207 m (€0.25/share) was distributed on September 21, 2017 and the remaining €249 m (€0.30/share) was paid on May 30, 2018.

In addition, the Board of Directors approved the payment of an interim dividend, in the amount of €228 m fully paid on September 20, 2018, related to the 2018 fiscal year.

During the year ending December 31, 2018, dividends amounting to €35 m have been paid by subsidiaries of the Galp group to non-controlling shareholders.

As a consequence of the above, during the year ending December 31, 2018, the Group has paid dividends amounting to €512 m.

Reserves

Other Reserves – capital increases in Petrogal Brasil, S.A. and Galp Brazil Services, B.V.

On 28 March 2012, Winland International Petroleum, SARL, a subsidiary of Tip Top Energy, SARL (Sinopec Group), subscribed and paid a capital increase amounting to \$4,797 m in respect of the subsidiaries Petrogal Brasil, S.A. and Galp Sinopec Brazil Services, B.V. (previously denominated Galp Brazil Services, B.V.), acquiring 30% of the shares and voting rights of both Galp subsidiaries. As a result of the capital increase, the Galp group has retained the operational and financial control of the companies, for which it owns 70% of the capital and voting rights, continuing, under IFRS 10, to consolidate their net assets by the full consolidation method. Accordingly, the difference of €2,493 m between the amount paid of the capital increase and the book value of the equity at the date of the transaction was recorded as reserves in shareholders' equity. During the year ended 31 December 2018, €663 m were transferred from this reserve to retained earnings, due to the share premium reduction made by GSBV.

22. Non-controlling interests

As of 31 December 2018, the change of non-controlling interests during the year and included in equity is as follows:



(a) Of the €41 m corresponding to dividends attributed to minorities, €23 m related to dividends attributed to the subsidiary Galp Sinopec Brazil Services (GSBV) were recapitalised in the subsidiary Petrogal Brasil.

(b) The share capital changes in joint ventures refers substantially to: (i) capitalisation by GSBV in Petrogal Brasil of the dividends attributed in the amount of €19 m (Note (a) above); (ii) conversion of quasi-equity into the subsidiary Petrogal Brasil share capital of €163 m (see Note 14); (iii) reduction of the share premium in kind made by GSBV to its shareholders in the amount of (€256 m) (see Note 10); and (iv) €13 m relating to other adjustments.

The table below presents the main indicators in the financial statements of the significant minority interests as of 31 December 2018:

	Unit: €m	
	Petrogal Brasil, S.A.	Galp Sinopec Brazil Services B.V.
Total non-current assets	2,759	1,774
Total current assets	876	995
Of which cash and cash equivalents	384	335
Total assets	3,635	2,769
Total non-current liabilities	1,261	-
Of which debt	-	-
Total current liabilities	323	47
Of which debt	-	-
Total liabilities	1,584	47
Total operating income	1,946	51
Total operating costs	921	52
Of which amortisation, depreciation and impairment losses on fixed assets	267	-
Operating result	1,026	(1)
Net financial results	(54)	134
Profit before taxes	972	133
Taxes	(602)	(18)
Net income for the year	370	115

23. Operating income

Accounting policies

For the Refining & Marketing and the Gas & Power 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 Exploration & Production 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 recoveries and Galp's share of the remaining production.

As mentioned in Note 10, Galp undertakes under and overlifting activities. Underlifting occurs when the overtaker lifts the barrels from Galp and sells it. When this happens an 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 to. These balances are presented in Other operating income (Note 23) and Other operating costs (Note 24), respectively.

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

Galp, under the new IFRS 15 accounting principles, also verified principal vs. agent framework in relation to cost incurred and goods and services provided.

One of such services verified is related to the Natural Gas commercialisation activity, namely due to 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 good or service is a responsibility of the Group, thus controlling the goods or service provided to the customer, before delivering it to the final costumers. Galp is therefore a Principal rather than an Agent when performing the contract obligations.

	Unit: €m	
Operating income	December 2018	December 2017 restated
Total operating income	17,322	15,307
Total sales	16,535	14,574
Goods	7,208	5,719
Products	9,297	8,866
Exchange differences	31	(11)
Services rendered	647	628
Other operating income	141	105
Supplementary income	63	84
Underlifting income	22	-
Others	56	21

Supplementary income includes, among others, the amount of €38 m, related to charges to third party for the use of gas assets related to the E&P activity.

24. Operating costs

The operating costs for the years ended 31 December 2018 and 2017 were as follows:

Operating costs	Notes	Unit: €m	
		December 2018	December 2017 restated
Total operating costs		15,693	14,193
Cost of sales		12,763	11,379
Raw and subsidiary materials		5,940	5,319
Goods		4,236	3,406
Tax on oil Products		2,773	2,825
Variation in production		(167)	(124)
Write downs in Inventories	9	37	1
Financial derivatives & Exchange differences		(57)	(48)
External supplies and services		1,780	1,617
Subcontracts - network use		450	460
E&P production costs		268	242
Transport of goods		222	145
Royalties		189	130
E&P exploration costs		43	64
Other costs		609	576
Employee costs	25	321	320
Amortisation, depreciation and impairment	5; 6	691	762
Provision and impairment losses on receivables		5	37
Provisions and reversals	17	(9)	22
Impairment losses on receivables	10	14	15
Other operating costs		134	78
Overlifting costs		55	-
Other taxes		23	20
CO ₂ Licenses		12	8
Other operating costs		43	49

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 price of tariffs.

The amount of €189 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 the Galp share valued at the ANP's reference price.

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 associated services are rendered by Galp's employees.

Remuneration of the Board of Directors

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

	Unit: €m	
	December 2018	December 2017
Employee costs	321	320
Capitalised employee costs	(7)	(8)
Total employee costs for the year	328	328
Statutory board salaries	8	7
Employee salaries	221	218
Social charges	51	51
Retirement benefits - pensions and insurance (Note 16)	24	28
Other insurances	9	8
Exchange differences	-	1
Other costs	15	15
Remuneration of the Board Members	8	7
Galp Energia SGPS Board Members	7	6
Salary and cash bonus	6	5
Pension funds contribution	1	1
Subsidiaries Board Members	1	1
Salary and cash bonus	1	1
Year-end number of full-time employees	6,360	6,389

26. Financial income and expenses

Accounting policy

Financial income and expenses comprises interests with external loans, related parties loans and retirement and other benefits plan. Other financial income and expense from other financial assets or liabilities are not included in this caption.

The financial charges with loans obtained are recorded as financial expenses on an accrual basis. Financial charges arising from general and specific loans obtained to finance fixed asset investments are assigned to tangible and intangible assets in progress, in the proportion of the total expenses incurred on those investments net of investment government grants, until its operations start. The remainder is recognised in financial expenses caption in the income statement for the year. Any interest income from loans directly related to the financing of fixed assets in progress construction is deducted from the financial charges capitalised. The financial charges included in the fixed assets are depreciated according to the useful life of the respective assets.

	Unit: €m	
	December 2018	December 2017 restated
Net Financial Expenses	(12)	(14)
Financial income	45	38
Interest on bank deposits	32	25
Interest and other income with related companies	10	8
Other financial income	3	6
Financial expenses	(57)	(52)
Interest on bank loans, bonds, overdrafts and others	(78)	(94)
Interest with related parties	(5)	(9)
Interests capitalised in fixed assets (Note 5)	49	77
Net interest on retirement and other benefits (Note 16)	(7)	(8)
Charges relating to loans and bonds	(9)	(13)
Other financial costs	(7)	(5)

27. Commitments

Total contractual obligations and recognised non-current liabilities can be specified as follows (payments due by period):

	1-3 years	3-5 years	More than 5 years	Total
Total obligation recognised in statement of financial position	92	46	155	293
Post-employment benefits	65	26	14	105
Other benefits	27	20	141	188
Total obligation not recognised in statement of financial position	2,138	706	1,300	4,144
Natural gas purchases	2,951	1,022	1,340	5,313
Natural gas sales	(813)	(316)	(40)	(1,169)

Natural gas purchases refer to contractual commitments to purchase natural gas under long-term contracts with take-or-pay clauses negotiated and held for own use. These contracts are normally made for 20-25 years, 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 natural gas prices on 31 December 2018.

Natural gas sales position refers to contractual commitments for the sale of natural gas under medium and long-term contracts with negotiated take-or-pay clauses. The amounts were calculated based on the natural gas prices on 31 December 2018.

As part of ongoing business operations, the Group has entered into agreements where commitments have been given for commercial, regulatory or other operational purposes. As of December 31, 2018 and 2017 responsibilities with collaterals granted are as follows:

	Unit: €m	
	December 2018	December 2017
Total of guarantees provided	3,565	1,608
Venture Global, LLC	1,747	-
Charter Agreement FPSO	1,269	1,211
Coral South FLNG project	176	93
Petrobras	80	82
ANP	27	13
Others related to core activities	266	209
Bank loans subject to covenants	900	300

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 (\$2 bn).

Related to four charter agreement FPSO's, Galp provided a guarantee in the amount of \$1,452 m, in the name of Tupi, BV, which represents Galp's proportion in the BM-S-11 consortium.

Under the financing of the Coral South FLNG project, Galp Energia, SGPS, S.A. provides a guarantee (DSU-Debt Service Undertaking 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 December 31, 2018, Galp's stake on the responsibility amounted to €158 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" one of consortium members of Coral South FLNG project), which corresponds of the Galp's share on consortium, excluding ENH. As of December 31, 2018, Galp's stake of the responsibility taken on regarding ENH amounted to €18 m.

Collateral granted to Petróleo Brasileiro S.A. (Petrobras) in the amount of €80 m is due to guarantee the gas supply contract from the development modules of Lula Pilot and Lula NE.

Collateral for crude oil exploration concession agreements have been granted to the Brazilian Agency of Petroleum, Natural Gas and Biofuels (ANP), in the amount of €27 m. The collateral has been granted in connection with the performance of the Minimum Exploration Programs, where Galp, as consortium member, is required to perform certain seismic and drilling 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 early repayment of the borrowed amounts. As of 31 December 2018, the Medium/Long term debt amounted to €2.7 billion. From this amount, the contracts with covenants correspond to 0.9 billion Euros. The existing covenants are designed essentially 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 ratio is the most frequently used and as at 31 December 2018 was 0.8x in accordance with the methodology stated in the contracts. The ratio stipulated in the contracts is in general terms of 3.5 – 3.75 x EBITDA.

28. Related party transactions

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

Related party	Notes	December 2018		December 2017	
		current	non-current	current	non-current
Assets		266	60	539	30
Associates		20	16	12	7
Joint ventures		10	43	20	22
Tip Top Energy, SARL	10	176	-	459	-
Winland International Petroleum, SARL		42	-	29	-
Other related parties		18	-	20	-
Liabilities		(100)	-	(107)	(158)
Associates		(8)	-	(7)	-
Joint ventures		(76)	-	(80)	-
Winland International Petroleum, SARL	14(i)	(9)	-	(17)	(157)
Other related parties		(7)	-	(3)	(1)

Transactions	December 2018			December 2017		
	Purchases	Operating costs/ (income)	Financial costs/ (income) (Note 26)	Purchases	Operating costs/ (income)	Financial costs/ (income) (Note 26)
	102	(158)	(5)	73	(135)	1
Associates	85	(7)	-	73	(19)	-
Joint ventures	-	74	-	-	76	-
Tip Top Energy, SARL	-	-	(10)	-	-	(7)
Winland International Petroleum, SARL	-	-	5	-	-	9
Other related parties	17	(226)	-	-	(192)	(1)

29. Companies in the Galp group

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

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

Shareholder agreements are also thoroughly analysed and contract clauses identified if they give substantive power or are given only protection rights to the investor. Substance over legal form is also necessary to reflect a proper accounting treatment.

Consolidation perimeter

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

Company and country	Activity: ● Exploration & Production ● Refining & Marketing ● Gas & Power ● Others		
	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, B.V., The Netherlands	100%	●	
Galp Sinopec Brazil Services B.V., The Netherlands	70%	●	
Galp E&P Brazil B.V., The Netherlands	100%	●	
Galp Energia Brasil, S.A.; Brazil	100%	●	
Petrogal Brasil, B.V., The Netherlands	100%	●	
Petrogal Brasil, S.A., Brazil	70%	●	
Galp Exploração Serviços do Brasil, Lda., Brazil	100%	●	
Galp East Africa B.V., The Netherlands	100%	●	
Galp Energia Rovuma B.V., The Netherlands	100%	●	
Galp Energia Rovuma BV (Mozambique branch), Mozambique	-	●	
Galp Exploração e Produção Petrolífera, S.A., Portugal	100%	●	
Galp Energia São Tomé e Príncipe Unipessoal, Limitada; S. Tomé and Príncipe	100%	●	
Galp Energia Overseas B.V., The Netherlands	100%	●	
Galp Energia Overseas Block 14 B.V., The Netherlands	100%	●	
Galp Energia Overseas Block 14 B.V. - Branch in Angola, Angola	-	●	
Galp Energia Overseas Block 32 B.V., The Netherlands	100%	●	
Galp Energia Overseas Block 32 B.V. - Branch in Angola, Angola	-	●	
Galp Energia Overseas Block 33 B.V., The Netherlands	100%	●	
Galp Energia Overseas Block 33 B.V. - Branch in Angola, Angola	-	●	
Galp Energia Overseas LNG B.V., The Netherlands	100%	●	
Galp Energia Overseas LNG B.V. - Branch in Angola; Angola	-	●	
Galp Bioenergy B.V., The Netherlands	100%	●	
Windhoek PEL 23 B.V., The Netherlands	100%	●	
Windhoek PEL 23 B.V. (Branch in Namibia); Namibia	-	●	
Windhoek PEL 28 B.V., The Netherlands	100%	●	
Windhoek PEL 28 B.V. (Branch in Namibia); Namibia	-	●	
Galp Trading, S.A., Switzerland	100%		●
Tagus Re, S.A.; Luxembourg	100%		●
Galp Alentejo E&P, S.A., Portugal	100%	●	
ISPG - Centro Tecnológico, S.A., Brazil	100%	●	
GDP Subgroup			
Galp Gás e Power, SGPS, S.A., Portugal	100%		●
Lisboagás Comercialização, S.A., Portugal	100%		●
GDP Gás de Portugal, S.A., Portugal	100%		●
Galp Parques Eólicos de Alcoutim Lda, Portugal *	100%		●

Activity: ● Exploration & Production ● Refining & Marketing ● Gas & Power ● Others

Company and country	Percentage of shares owned	Activity
Lusitaniagás Comercialização, S.A., Portugal	100%	●
Setgás Comercialização, S.A., Portugal	100%	●
Carricho Cogeração Sociedade de Geração de Electricidade e Calor, S.A., Portugal	65%	●
Galp Power, S.A., Portugal	100%	●
Agroger - Sociedade de Cogeração do Oeste, S.A., Portugal	100%	●
Galp Gás Natural, S.A., Portugal	100%	●
Transgás Armazenagem - Soc. Portuguesa de Armazenagem de Gás Natural, S.A., Portugal	100%	●
Transgás, S.A., Portugal	100%	●
Petrogal Subgroup		
Petrogal, S.A., Portugal	100%	●
Petrogal, S.A. (Branch in Venezuela); Venezuela	-	●
Petróleos de Portugal - Petrogal, S.A. (Branch in Spain), Spain	-	●
Galp Energia España, S.A., Spain	100%	●
Galpgest - Petrogal Estaciones de Servicio, S.L.U., Spain	100%	●
Galp Açores S.A., Portugal	100%	●
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A., Portugal	68%	●
Galp Madeira S.A., Portugal	100%	●
CLCM - Companhia Logística de Combustíveis da Madeira, S.A., Portugal	75%	●
Gasinsular - Combustíveis do Atlântico, S.A., Portugal	100%	●
Sacor Marítima, S.A., Portugal	100%	●
C.L.T. - Companhia Logística de Terminais Marítimos, S.A., Portugal	100%	●
Sempre a Postos - Produtos Alimentares e Utilidades, Lda., Portugal	75%	●
Tanquisado - Terminais Marítimos, S.A., Portugal	100%	●
Galpgeste - Gestão de Áreas de Serviço, S.A., Portugal	100%	●
Galp Energia Portugal Holdings B.V., The Netherlands	100%	●
Galp Exploração e Produção (East Timor), S.A., Portugal	100%	●
Enerfuel, S.A., Portugal	100%	●
Portcogeração, S.A., Portugal	100%	●
Galp Marketing Internacional, S.A., Portugal	100%	●
Petrogal Guiné-Bissau, Lda., Guinea-Bissau	100%	●
Petromar - Sociedade de Abastecimentos de Combustíveis, Lda., Guinea-Bissau	80%	●
Petrogás - Importação, Armazenagem e Distribuição de Gás, Lda., Guinea-Bissau	65%	●
C.L.C. Guiné Bissau - Companhia Logística de Combustíveis da Guiné Bissau, Lda., Guinea-Bissau ***	90%	●
Empresa Nacional de Combustíveis - Enacol, S.A.R.L., Cape Verde**	48%	●
Enamar - Sociedade Transportes Marítimos, Sociedade Unipessoal, S.A., Cape Verde**	48%	●
EnacolGest, Lda., Cape Verde**	48%	●
Petrogal Moçambique, Lda., Mozambique	100%	●
Galp Moçambique, Lda., Mozambique	100%	●
Galp Moçambique, Lda. (Branch in Malawi), Malawi	-	●
Galp Swaziland (PTY) Limited, Eswatini	100%	●
Petrogal Angola, Lda., Angola	100%	●

* This company was incorporated in 22 May 2018, and its principal subject is the production of electric energy and the development of renewable energy projects

** 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.

*** In December 2018, the Group acquired 45% of this subsidiary, and obtained control over 90% of the capital, whereby this company was consolidated on 31 December 2018

Unincorporated Joint operations

Consortium	Galp's participation interest
Consortium in Brazil	
BM-S-8 *	17%
BM-S-11	10%
BM-S-24	20%
BT-POT-32	50%
BT-POT-51	50%
BT-SEAL-13	50%
BM-POT-17	20%
BM-POT-16	20%
PEPB-M-783	20%
PEPB-M-839	20%
BAR-300	10%
BAR-342	10%
BAR-344	10%
BAR-388	10%
PN-T-136	50%
PN-T-150	50%
PN-T-166	50%
PN-T-182	50%
POT-M-764	20%
Carcará Norte	20%
C-M-791 **	20%
Block Uirapuru ***	14%
Consortium in Mozambique	
Area 4	10%
Consortium in Angola	
Block 14	9%
Block 14K	4.5%
Block 32	5%
Block 33	5.33%
Sonagas	10%
Consortium in East Timor	
Block (E) So6-04	10%
Consortium in Namibia	
PEL82 ****	40%
PEL83	80%
Consortium in Uruguay	
Area 3	20%
Area 4	20%
Consortium in S. Tomé and Príncipe	
Block 6	45%
Block 5	20%
Block 11	20%
Block 12	20%

* During 2018 Galp increased its share of participation on Block BM-S-8 by 3% from an acquisition from Equinor;

** Pursuant to the 15th Concession Bidding Round hosted by ANP, Galp was awarded with one exploration Block (C-M-791) with share of 20%;

*** Galp acquired an interest of 14% in the Uirapuru exploration Block, pursuant the 4th production sharing big round hosted by ANP;

**** During the year, a farm-down process occurred, resulting on a disposal by 40% of the participation interest in PEL82 to an ExxonMobil subsidiary, maintaining the operatorship of the Consortium.

Investment in Associates

Company and country	Percentage of shares owned	Activity:
		• Refining & Marketing • Gas & Power • Others
EMPL - Europe Maghreb Pipeline, Ltd, Spain	22.80%	•
Gasoduto Al-Andaluz, S.A., Spain	33.04%	•
Gasoduto Extremadura, S.A., Spain	49.00%	•
Metragaz, S.A., Marocco	22.64%	•
Sodigás-Sociedade Industrial de Gases, S.A.R.L., Cape Verde	45.31%	•
Energim - Sociedade de Produção de Electricidade e Calor, S.A., Portugal	35.00%	•
Geo Alternativa, S.L., Spain	25.00%	•
IPG Galp Beira Terminal Lda, Mozambique	45.00%	•
Galp IPG Matola Terminal Lda, Mozambique	45.00%	•
Aero Serviços, SARL - Sociedade Abastecimento de Serviços Aeroportuários, Guineá-Bissau *	50.00%	•
Sonangal - Sociedade Distribuição e Comercialização de Combustíveis, Lda., Angola	49.00%	•
Terparque - Armazenagem de Combustíveis, Lda., Portugal	23.50%	•

* Galp has significant influence even though it holds 50% of the shares of Aero Serviços, SARL.

Incorporated Joint Operations

Company and country	Percentage of shares owned	Activity:
		• Refining & Marketing • Gas & Power • Others
Sigás - Armazenagem, de Gás, A.C.E., Portugal	60.00%	•
Pergás - Armazenamento, de Gás, A.C.E., Portugal	51.00%	•
Multiservicios Galp Barcelona, Spain	50.00%	•

Joint Ventures

Activity: ● Exploration & Production ● Refining & Marketing ● Gas & Power ● Others

Company and country	Percentage of shares owned	Activity
Tupi B.V., The Netherlands*	10.00%	●
Iara B.V., The Netherlands*	10.00%	●
Coral FLNG, S.A., Mozambique*	10.00%	●
Coral South FLNG DMCC, United Arab Emirates*	10.00%	●
C.L.C. - Companhia Logística de Combustíveis, S.A., Portugal*	65.00%	●
Galp Disa Aviacion, S.A., Spain	50.00%	●
Asa - Abastecimento e Serviços de Aviação, Lda., Portugal	50.00%	●
Caiageste - Gestão de Áreas de Serviço, Lda., Portugal	50.00%	●
Galpek, Lda, Portugal	50.00%	●
Ventinveste, S.A., Portugal*	51.50%	●
Parque Eólico de Vale Grande, S.A., Portugal*	51.50%	●
Belem Bioenergia Brasil, S.A., Brazil	50.00%	●
Galp Gás Natural Distribuição Subgroup		
Galp Gás Natural Distribuição, S.A., Portugal*	77.50%	●
Beiragás - Companhia de Gás das Beiras, S.A., Portugal*	46.19%	●
Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A., Portugal*	77.50%	●
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A., Portugal*	77.50%	●
Lisboagás - Sociedade Distribuidora de Gás Natural de Lisboa, S.A., Portugal*	77.50%	●
Lusitaniagás - Companhia de Gás do Centro, S.A., Portugal*	75.12%	●
Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A., Portugal*	77.50%	●
Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A., Portugal*	77.50%	●
Setgás - Sociedade de Produção e Distribuição de Gás, S.A., Portugal*	77.45%	●
Tagusgás - Empresa de Gás do Tejo, S.A., Portugal	32.03%	●
Tagusgás Propano, S.A., Portugal	32.03%	●

* 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.

30. Subsequent events

Accounting policy

Events that occur after the date of the financial statements that provide information on conditions that exist after the financial statements date, if material, are disclosed in the notes to the consolidated financial statements.

On 1 February 2019 FPSO P-67 started production in the Lula North area, in the pre-salt of the Santos basin (BM-S-11 consortium). It is expected that the FPSO will be connected to nine production and six injection wells. The vessel will produce 150 thousand barrels of oil and 6 million cubic metres of natural gas.

31. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors on 12 March 2019. However, they are still subject to approval by the General Meeting of Shareholders, in accordance with the commercial law applicable in Portugal.

Chairman

Paula Amorim

Vice-Chairmen

Miguel Athayde Marques

Carlos Gomes da Silva

Members

Filipe Crisóstomo Silva

Thore E. Kristiansen

Sérgio Gabrielli de Azevedo

Abdul Magid Osman

Marta Amorim

Raquel Vunge

Carlos Costa Pina

Francisco Teixeira Rêgo

Jorge Seabra de Freitas

José Carlos Silva

Pedro Ricardo

Tiago Câmara Pestana

Rui Paulo Gonçalves

Luís Todo Bom

Diogo Tavares

Joaquim Borges Gouveia

Accountant

Carlos Alberto Nunes Barata

32. Explanation added for 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 generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version shall prevail.

9.1.b

Statutory Audit Report of the consolidated financial statements and Auditors' Report



Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Galp Energia S.G.P.S., S.A. (the Group), which comprise the consolidated statement of financial position as at December 31, 2018 (which shows total assets of Euro 12,687 million and total shareholders' equity, including non-controlling interests, of Euro 6,047 million including a net profit of Euro 892 million), the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Galp Energia S.G.P.S., S.A. as at December 31, 2018, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted 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 recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

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 judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

.....
 PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.
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PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. pertence à rede de entidades que são membros da PricewaterhouseCoopers International Limited, cada uma das quais é uma entidade legal autónoma e independente.

Key Audit Matters**Summary of the Audit Approach****Impairment of non-current assets for the Upstream business**

Disclosures related to non-current assets for the Upstream business are presented in note 5 and 6 of the Consolidated financial statements.

The upstream asset portfolio is mainly concentrated in oil blocks in Angola, Brazil and Mozambique. The referred investments, net of impairment losses, in the consolidated statement of financial position as at December 31, 2018 amount to Euro 3,706 million (2017 restated: Euro 3,318 million).

The analysis of the recoverable amount of the upstream assets is performed based on a discounted cash flows model, which is highly subjective due to, amongst other factors, the evaluation of oil reserves (estimated based on evaluations performed by external experts, who have extensive experience in this market in which the Group operates), estimated future prices for oil and gas, estimates of operational expenses and investments necessary for the exploration of the estimated reserves by the operator consortium of each block and definition of the discount rate to be applied.

The relevance of this matter in our audit is related with the unpredictability associated with the outcome of the significant estimates, and to the fact that any change on the assumptions can result on a significant change in the financial statements.

The volatility in current and future oil and gas prices, under the present market conditions, is putting additional pressure in the valuation of the upstream assets, having a significant effect on the financial statements of the Group.

As a result of the impairment testing performed by the management, a partial reversal of the impairment losses booked in previous years was recognized in the amount of Euro 18 million in upstream non-current assets.

The audit approach to this key audit matter consisted of:

- assessing management's assumptions considered in the impairment testing, having defined the following as the most significant: recoverable reserves/volumes and investments necessary for the recovery of those volumes, estimated future oil and gas prices and discount rates considered to reflect the time impact of the future cash flows.;
- understanding and assessing the controls, designed and operated by management, for monitoring the recoverable amount of the upstream assets;
- assessing the methodology considered by the management to calculate the recoverable amount of the assets allocated to each cash generating unit, to determine its compliance with the accounting policies in place and its consistent application;
- in terms of reserves, we assessed the consistency of the recoverable volumes considered by the management with the independent expert report prepared as of December 31, 2018, and discussed with management the evolution of the referred reserves compared with previous reports, taking into account the production model of the blocks and the discoveries noted. In this respect, we assessed the competence and objectivity of the expert;
- corroborated estimates of future cash flows and challenged the management as to whether these were appropriate in light of future price assumptions (market forward prices) and the investment/cost budgets approved by each block consortium. We performed sensitivity analyses over main inputs to the cash flow models.
- assessment over the specific inputs related to the determination of the discount rate, including the assessment of the risk-free rate and geographic risks, as well as the cost of capital/financing of the Group. These inputs were also compared with the rates considered in the international markets in which the Group operates.

We also assessed the adequacy of the disclosures associated with the impairment losses recognized in the consolidated financial statements, considering the requirements of the applicable accounting standard.

Key Audit Matters**Summary of the Audit Approach****Recoverable amount of non-current assets in Spain**

Disclosures related to non-current assets in Spain are presented in notes 5, 6, and 15 of the Consolidated financial statements.

As at December 31, 2018, the amount of the non-current assets recognized in the consolidated financial statements of the Galp Group, related to the distribution network of refined products in Spain, amounts to Euro 358 million (Tangible fixed assets: Euro 247 million; Intangible assets: Euro 69 million; Deferred tax assets: Euro 42 million).

In accordance with IAS 36 – Impairment of assets, management should perform annually an impairment assessment and evaluate if impairment indicators exist related to the carrying amount of the non-current assets. The carrying amount of the cash-generating unit (CGU) is compared with the recoverable amount, which is the higher between the value in use and the fair value less costs to sell. The retail network of refined products in Spain has been considered by the management as a single cash-generating unit. As at December 31, 2018, the Group has determined the recoverable amount of its cash-generating units through the value in use.

Additionally, management assesses the recoverability of the deferred tax assets related to the cash-generating unit, considering the estimates of future taxable income, in accordance with IAS 12 – Income taxes.

The relevance of this matter in our audit is related with the complexity and high level of judgment over the impairment model. The calculation of the recoverable amount requires the use of estimates and assumptions by the management, which depend on economic and market estimates, namely related to future cash-flows, growth rates in the perpetuity and discount rates to be used.

In the period ended as of December 31, 2018, as a result of the impairment testing performed by the management, no additional impairment losses were recognized for the non-current assets related to the retail network of refined products in Spain.

In addition, as a result of the good performance presented in the period and the annual revaluation performed on the temporary differences underlying the deferred tax assets, deferred tax assets in the year ended December 31, 2018 were reduced by Euro 7 million.

We have assessed the impairment testing, based on the discounted future cash-flows model, considering the following audit procedures:

- assessing the mathematical accuracy of the model;
- comparison of the future cash-flows considered in the impairment testing with the budget and plan approved by the Executive Committee;
- benchmarking the reasonableness of the future cash-flow estimates, by comparison with the historical performance;
- assessing the adequacy of the discount rate considered;
- performing sensitivity analysis, by changing the relevant assumptions; and
- assessing the estimates and judgments approved by the management, underlying the relevant assumptions supporting the model.

For assessing the recoverability of deferred tax assets, we have compared the future taxable income estimates with the cash-flow estimates referred above, assessed the mathematical accuracy of the calculation and assessed the adequacy of the tax rate considered.

We also assessed the adequacy of the disclosures associated with the impairment testing and deferred taxes presented in the notes to the consolidated financial statements, considering the requirements of the applicable accounting standard.

Key Audit Matters**Summary of the Audit Approach****Litigation and tax contingencies**

Disclosures related to litigation and tax contingencies are presented in notes 15, 17 and 27 of the Consolidated financial statements.

The dimension and structure of the Galp Group and the dispersion of its operational activity, originates an increase in the complexity of the tax recognition in the financial statement of the Group. As a consequence, the Group has several pending tax matters, namely those resulting from tax inspections in Portugal and Petroleum Income tax in Angola, recognizing provisions whenever the Group considers that a negative outcome is probable, in accordance with IAS 37. The assessment of the outcome probability is supported by the legal consultants and tax advisors of the Group, as well as by the management judgment in relation to these matters. As at December 31, 2018 the tax provisions recognized in the consolidated financial statements amounted to Euro 305 million (2017: Euro 280 million).

The relevance of this matter in our audit is related with the complexity and high level of judgment over the corresponding tax matters, as well as the unpredictability associated with the respective outcome.

The audit procedures performed included:

- obtaining the detailed listing of the pending tax contingencies and legal actions, categorized by outcome probability;
- understanding tax and legal contingency processes;
- obtaining and analyzing the replies to the confirmation letters sent to external lawyers;
- inquiry of the Management and of the tax and legal Directors of the Group over the estimates and judgments considered.

We also assessed the adequacy of the disclosures presented in the notes to the consolidated financial statements, considering the requirements of the applicable accounting standard.

Successful Efforts Method – change in accounting policy for the recognition of expenses related to the exploration and evaluation of oil reserves

Disclosures related to the change in accounting policy for the recognition of expenses related to the exploration and evaluation of oil reserves are presented in notes 3 and 5 of the Consolidated financial statements.

In accordance with the accounting policy followed from 1999 to 2017 (including) for E&P activity, Galp capitalized the exploration expenses as tangible assets, in accordance with IFRS 6, being subsequently depreciated in the event of commercial viable discoveries, over the production period.

Effectively January 1, 2018, Galp determined a change in accounting policy for the recognition of exploration expenses related to geology and geophysics (G&G) and related expenses, thus recognizing them as operating cost of the period they are incurred.

The audit procedures performed included:

- assessing the compliance of the accounting policy adopted with the IAS/IFRS standards in force, namely IAS 8 and IFRS 6;
- obtaining the calculation performed by the management in respect of the impact of the accounting policy adopted;
- review of the calculations performed and classification of the expenses, considering the information presented in the fixed assets register, subject to audit procedures in previous years, and

Key Audit Matters	Summary of the Audit Approach
<p>The change in accounting policy was determined by management considering that the new accounting policy is more reliable, considers a more prudent approach and provides better comparability with the remaining industry players.</p> <p>The relevance of this matter in our audit is related with the impact of the referred operation in the consolidated financial statements for the year ended December 31, 2018 and corresponding restatement of the corresponding figures for the period ended December 31, 2017.</p>	<p>information obtained from the oil properties operators;</p> <p>- review of the tax impacts resulting from the change in accounting policy, considering the provisions of IAS 12 and the tax rules in force in each geography applicable.</p> <p>We also assessed the adequacy of the disclosures presented in the notes to the consolidated financial statements, considering the requirements of the applicable accounting standard.</p>

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

- a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;
- c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- d) the adoption of appropriate accounting policies and criteria; and
- e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

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

Our responsibility is 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 scepticism throughout the audit. We also:

- a) 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;
- b) 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;
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- d) 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;
- e) 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;
- f) obtain sufficient 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;

- g) communicate with those charged with governance, including the supervisory board, 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;
- h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and
- i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law, and verifying that the non-financial information was presented.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report, including the information related to management, sustainability and governance (hereinafter referred as Integrated Report) has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Integrated report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified. As set forth in paragraph 7 of article No. 451 of the Portuguese Company Law, this opinion is not applicable to the non-financial statement included in the Integrated report.

Non-financial information set forth in article No. 508-G of the Portuguese Company Law

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the entity included in its Integrated report the non-financial information set forth in article No. 508-G of the Portuguese Company Law.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Integrated report, in the information related to corporate governance, includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

- a) We were first appointed statutory auditors of Galp Energia S.G.P.S., S.A. in the Shareholders' General Meeting of April 16, 2015 for the period from 2015 to 2018.
- b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.
- c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of March 12, 2019.
- d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit.
- e) In addition to the services disclosed in the Integrated report of the Group we inform that, besides the audit services, the following additional services, permitted by law and regulation in force, were provided by us to the Group:

Other assurance services

- Limited review on the interim financial statements;
- Reasonable assurance report on financial ratios;
- Reasonable assurance report on the annual declaration of assets under the scope of the Oil Insurance Policy;
- Reasonable assurance report on the energy sector regulated accounts;
- Reasonable assurance report on the information prepared by the Company in relation to Underground Occupancy Rates pass-through to natural gas consumers;
- Reasonable assurance report on the statement for the calculation of the operating margin of the natural gas sales in the international market (trading);
- Reasonable assurance report on Man Power rate calculations; and
- Verification of sustainability information (Sustainability Report and Databooks);

Other non-assurance services

- Agreed upon procedures on the (i) quarterly statements of purchases of natural gas and (ii) annual statements of purchases of natural gas, in accordance with the reference terms issued by the regulatory entity of energy services ("ERSE – Entidade Reguladora dos Serviços Energéticos");
- Agreed upon procedures report on the Galp Gás Natural, SA calculation criteria and validation of sales price to the last-resort wholesaler distributors ("Comercializadores de

Último Recurso Grossista – CURG”), performed in accordance with the reference terms established on the Tariff Regulation issued by the regulatory entity of energy services (“ERSE – Entidade Reguladora dos Serviços Energéticos”);

- Agreed upon procedures report on the annual declarations related to physical quantities of last-resort retailers marketers (“Grandezas Físicas dos Comercializadores de Último Recurso Retalhistas (CURR)”);
- Agreed upon procedures report on the annual declaration related to extraordinary social support to energy consumers (“Apoio Social Extraordinário ao Consumidor de Energia – ASECE”);
- Agreed upon procedures report on the financial and tax declaration by country, referred as *Country-by-Country report*; and
- Agreed upon procedures report on the calculation of *Replacement Cost*.

March 12, 2019

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Ana Maria Ávila de Oliveira Lopes Bertão, R.O.C.

9.1.c

Statement of compliance by the members of the Board of Directors

Under the terms and for the purposes of Article 245, first paragraph, item c) of the Portuguese Securities Code, each of the below-mentioned members of the Board of Directors declares that, to the fullest extent of his/her knowledge, the management report, the financial statements, the legal certification of the accounts and any further accounting documents regarding the year of 2018 were prepared in compliance with the applicable accounting rules, and gives a true and fair view of the assets, liabilities, financial position and profit or loss of Galp and the companies included in the consolidation, and the management report provides a fair view of the development of the business, and of the performance and position of Galp and the companies included in the consolidation, and provides a description of the main risks and uncertainties faced by Galp and the companies included in the consolidation in the course of their operations.

Lisbon, 12 March 2019

The Board of Directors

Chairman

Paula Amorim

Vice-Chairmen

Miguel Athayde Marques

Carlos Gomes da Silva

Members

Filipe Crisóstomo Silva

Thore E. Kristiansen

Sérgio Gabrielli de Azevedo

Abdul Magid Osman

Marta Amorim

Raquel Vunge

Carlos Costa Pina

Francisco Teixeira Rêgo

Jorge Seabra de Freitas

José Carlos Silva

Pedro Ricardo

Tiago Câmara Pestana

Rui Paulo Gonçalves

Luís Todo Bom

Diogo Tavares

Joaquim Borges Gouveia

9.2.

Supplementary Oil and Gas information (unaudited)

The following information is presented in accordance with Extractive Activities - Oil & Gas (Topic 932) of the Financial Accounting Standards Board (FASB).

Operating income from E&P activities

Operating income from E&P activities by geography, for the years 2018, 2017 and 2016 are as follows:

	Unid: €k			
31 December 2018	Africa	Latin America	Rest of the world	Total
Consolidated total contribution				
Sales	145,877	1,899,184	-	2,045,061
Production costs	(24,682)	(162,937)	-	(187,619)
Royalties	-	(188,818)	-	(188,818)
Other operating costs	(6,106)	(89,697)	(23)	(95,826)
Exploration costs	(7,470)	(35,831)	(820)	(44,121)
Depreciation, amortisation and provisions for the period	(40,752)	(298,358)	-	(339,111)
Operating income before tax for the E&P activities	66,866	1,123,544	(842)	1,189,567
Taxes	(8,658)	(636,083)	199	(644,541)
Operating income for the E&P activities	58,209	487,461	(643)	545,026
31 December 2017				
Consolidated total contribution				
Sales	107,040	1,283,800	-	1,390,840
Production costs	(25,155)	(149,196)	-	(174,351)
Royalties	-	(129,784)	-	(129,784)
Other operating costs	(5,005)	(93,845)	(63)	(98,913)
Exploration costs	-	(5,085)	(23,983)	(29,069)
Depreciation, amortisation and provisions for the period	(126,988)	(296,108)	-	(423,096)
Operating income before tax for the E&P activities	(50,108)	609,781	(24,046)	535,627
Taxes	8,063	(350,478)	5,707	(336,708)
Operating income for the E&P activities	(42,045)	259,304	(18,340)	198,919
31 December 2016				
Consolidated total contribution				
Sales	105,512	705,409	-	810,921
Production costs	(27,870)	(95,754)	-	(123,625)
Royalties	-	(70,749)	-	(70,749)
Other operating costs	(25,076)	(66,528)	60	(91,543)
Exploration costs	-	(29,318)	(48)	(29,366)
Depreciation, amortisation and provisions for the period	(245,341)	(275,043)	-	(520,384)
Operating income before tax for the E&P activities	(192,775)	168,017	12	(24,747)
Taxes	(7,543)	(147,958)	(4)	(155,505)
Operating income for the E&P activities	(200,318)	20,058	8	(180,251)

Sales from production include revenues from the production and sale of oil and natural gas.

Production costs include direct production costs associated with blocks which are currently producing, namely costs relating to the operation and maintenance of wells, equipment related to the support facilities for the extraction of oil and gas operations, collecting system and other general and administrative costs related to production. This caption is presented net of income regarding leasing of production equipment, registered in companies that are not fully consolidated in the Group. The following deductions were made: €80,175 k in 2018, €67,250 k in 2017, and €42,328 k in 2016.

Other operating costs include the responsibility for R&D associated with production activities in Brazil, as well as overhead costs pertaining to areas directly related to E&P activities. This caption excludes general corporate overhead costs related to Group companies, in accordance with FASB Topic 932, and includes costs recorded in companies that are not fully consolidated in the amount of €2,586 k in 2018, €4,368 k in 2017 and €8,717 k in 2016.

Exploration costs correspond to exploration impairments, namely costs of dry wells or asset impairments following the decision to relinquish exploration licences, in accordance with the accounting policy described in Note 5 Tangible Assets from the notes to the consolidated financial statements.

Effective from 1 January 2018, G&G and G&A costs, mainly related to the exploration activity, started to be accounted as operating costs of the period in which they occur, and ceased to be capitalised. This methodology was not applied retrospectively for 2017 and 2016.

Amortisation, depreciation and provisions for the period include costs recorded in companies that are not fully consolidated and which amounted to €28,600 k in 2018, €22,625 k in 2017 and €96,565 k in 2016. In 2016, the amount included impairments related to the transfer of contracts for the construction of hulls related to replicant FPSOs in Brazil.

Operating income does not include overhead costs and financial costs, in accordance with FASB Topic 932.

The caption "Taxes" includes: oil tax payable in Africa, the Special Participation Tax (SPT) applicable to fields in Brazil, and income tax in accordance with the applicable tax laws applicable in each country. The amount of taxes has been adjusted to exclude overheads and financial costs that were excluded from operating income.

The operational results exclude interest expenses attributable to oil and gas activities.

Capital expenditure in E&P activities

Capital expenditure in E&P activities by geography, for the years 2018, 2017 and 2016 is as follows:

				Unid: €k
31 December 2018	Africa	Latin America	Rest of the world	Total
Consolidated total contributions				
Acquisitions without proved reserves	-	175,036	-	175,036
Exploration	(749)	49,452	997	49,700
Development	187,845	209,219	-	397,064
Total incurred in the period	187,096	433,707	997	621,800
31 December 2017				
Consolidated total contributions				
Acquisitions without proved reserves	-	151,023	-	151,023
Exploration	24,005	14,694	5,926	44,625
Development	185,110	471,047	-	656,157
Total incurred in the period	209,115	636,764	5,926	851,805
31 December 2016				
Consolidated total contributions				
Acquisitions without proved reserves	-	-	-	-
Exploration	10,319	27,425	(700)	37,044
Development	255,257	746,717	-	1,001,974
Total incurred in the period	265,576	774,142	(700)	1,039,017

Amounts reported include capitalised costs and costs charged to expense when incurred for the acquisition, exploration and development of oil and gas property. The exploration costs presented above include drilling and equipment costs for exploration wells and geological and geophysical expenses.

Effective from 1 January 2018, G&G and G&A costs, mainly related to the exploration activity, started to be accounted as operating costs of the period in which they occur, and ceased to be capitalised. This methodology was not applied retrospectively for 2017 and 2016.

Development costs include drilling costs and equipment for development wells, as well as the construction of related equipment.

Amounts in the caption "Development" include assets which are related to transport and production equipment for block BM-S-11/A in Brazil and Area 4 in Mozambique, recorded in companies consolidated by the equity method.

Investments are stated in the Group's functional currency. For companies where the functional currency is not the Euro, assets were accounted for at the corresponding exchange rate at the end of the year, in accordance with the accounting policy defined in paragraph 2 of the Notes to the consolidated financial statements. In 2018, an exchange rate of 4.4440 EUR:BRL was considered for assets in Brazil and an exchange rate of 1.1450 EUR:USD was considered for assets in Africa.

Capitalised interests were not included in capital expenditure.

Cumulative investments in E&P activities

Cumulative investments include total expenditure in the acquisition of proved or unproved reserves and in exploration and development activities of blocks in which Galp holds a stake.

Exploration costs are fully capitalised in accordance with Note 5 Tangible Assets from the notes to the consolidated financial statements. Dry wells are recognised as costs and included in the table below, as are impairments. Relinquished blocks are written-off from assets, and consequently, are not included in this information.

Cumulative investments in E&P activities which are reflected in the Group's financial position are as follows:

	Unid: €k			
31 December 2018	Africa	Latin America	Rest of the world	Total
Consolidated total contributions				
Assets with proved reserves				
Fixed assets	1,280,944	2,279,453	-	3,560,397
Work in progress (incomplete wells)	695,282	1,099,673	-	1,794,955
Assets without proved reserves	180,538	485,234	1,993	667,765
Support equipment	333	5,707	-	6,040
Gross cumulative investment	2,157,097	3,870,067	1,993	6,029,158
Cumulative amortisations, depreciations and impairments	(1,010,247)	(805,083)	(1,993)	(1,817,324)
Net cumulative investments	1,146,850	3,064,984	-	4,211,834
31 December 2017				
Consolidated total contributions				
Assets with proved reserves				
Fixed assets	1,159,279	2,244,068	-	3,403,347
Work in progress (incomplete wells)	923,388	1,158,494	-	2,081,882
Assets without proved reserves	301,727	490,772	51,119	843,618
Support equipment	312	16,472	39	16,824
Gross cumulative investment	2,384,706	3,909,806	51,159	6,345,671
Cumulative amortisations, depreciations and impairments	(1,163,616)	(690,526)	(14,222)	(1,868,364)
Net cumulative investments	1,221,091	3,219,281	36,936	4,477,308
31 December 2016				
Consolidated total contributions				
Assets with proved reserves				
Fixed assets	1,260,992	1,654,878	-	2,915,870
Work in progress (incomplete wells)	61,638	1,512,181	-	1,573,819
Assets without proved reserves	1,175,317	468,240	62,396	1,705,954
Support equipment	9,711	5,350	39	15,100
Gross cumulative investment	2,507,658	3,640,649	62,436	6,210,742
Cumulative amortisations, depreciations and impairments	(1,364,328)	(513,867)	(12,470)	(1,890,665)
Net cumulative investments	1,143,330	3,126,782	49,966	4,320,077

Investments were classified in accordance to the following assumptions:

- 1) Assets with Proved Reserves (PR or 1P): assets related to fields which hold proved reserves at the end of each year.
 - 1.1) Fixed assets with PR: assets related with fields which hold proved reserves at the end of each year, already producing and subject to depreciation;
 - 1.2) Work in progress with PR (incomplete wells): assets related with fields with proved reserves at the end of each year, which are not yet in production.
- 2) Assets without PR: assets related with fields without proved reserves, at the end of each year.
- 3) Support equipment: basic and administrative equipment allocated to E&P activities.

Amounts in the following captions include assets related to transport and production equipment for block BM-S-11/A in Brazil and Area 4 in Mozambique, accounted for in companies which were consolidated through the equity method. Under fixed assets with PR, it is accounted €620,904 k in 2018, €586,724 k in 2017 and €419,056 k in 2016. Under assets in progress, it is accounted €413,817 k in 2018, €554,331 k in 2017 and €647,651 k in 2016. Under cumulative amortisations, depreciations and impairments it is recorded €79,815 k in 2018, €52,587 k in 2017 and €60,554 k in 2016.

In the table above, cumulative investments are stated in the Group's functional currency. Regarding companies whose functional currency is not the Euro, assets were updated taking into account the corresponding exchange rate at the end of the year, in accordance with the accounting policy defined in paragraph 2 of the notes to the consolidated financial statements.

In 2018, an exchange rate of 4.4440 EUR:BRL was considered for assets in Brazil and an exchange rate of 1.1450 EUR:USD was considered for assets in Africa.

Oil and gas reserves

Total proved reserves (1P) on 31 December 2018, 2017 and 2016 which are presented in the tables below, include developed and undeveloped proved reserves. These reserves were determined by the independent entity DeGolyer and MacNaughton (DeMac), whose methodology is in accordance with the PMRS, approved in March 2007 and revised in June 2018 by the Society of Petroleum Engineers (SPE), the World Petroleum Council (WPC), the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers.

Proven reserves are the quantities of oil that, by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be commercially recoverable in accordance with defined economic considerations, operational methods, and government regulations.

Proven reserves include estimated quantities related to production sharing agreements (PSA) that are reported under the net entitlement method (which is subject to fluctuations in commodity prices and recoverable costs), as well as estimated quantities related to royalty regimes. As of December 31, 2018 approximately 19% of the total proved reserves are related to PSA located in Africa.

As required by Topic 932, the economic limit of reserves is based on the average prices of the last 12 months and current costs. The economic cut-off date affects the reserve estimate. Therefore, as prices and cost levels change from year to year, the estimate of proved reserves may also change.

The reference price used to determine the Company's net entitlement reserves, which are those to be developed as per the agreements signed for the E&P activity, was \$71.0/bbl, \$54.3/bbl and \$43.7/bbl and corresponds to the average market price of Brent for 2018, 2017 and 2016, respectively.

Reserves associated with blocks in Brazil correspond to 100% of the stake held by Petrogal Brasil in those blocks, since this company is fully consolidated in the Galp group.

The impacts of PSA (price effect and/or change in recoverable costs) in reserves associated with this type of agreements are reflected in the caption "Revisions of previous estimates".

Oil reserves (1P proved reserves)

			Unid: kbbl
2018	Africa	Latin America	Total
Reserves on 31 December 2017	22,037	262,159	284,196
Developed	4,740	109,143	113,883
Undeveloped	17,297	153,016	170,313
Extensions and discoveries	210	9,754	9,964
Acquisitions and sales	-	-	-
Revisions of previous estimates	1,659	34,432	36,091
Production	(2,478)	(31,613)	(34,091)
Reserves on 31 December 2018	21,428	274,732	296,160
Developed	6,616	126,357	132,973
Undeveloped	14,812	148,375	163,187
2017			
Reserves on 31 December 2016	7,247	227,598	234,845
Developed	5,915	72,530	78,445
Undeveloped	1,332	155,068	156,400
Extensions and discoveries	-	-	-
Acquisitions and sales	-	-	-
Revisions of previous estimates	16,971	61,456	78,427
Production	(2,181)	(26,896)	(29,077)
Reserves on 31 December 2017	22,037	262,159	284,196
Developed	4,740	109,143	113,883
Undeveloped	17,297	153,016	170,313
2016			
Reserves on 31 December 2015	8,409	228,164	236,573
Developed	7,075	47,455	54,530
Undeveloped	1,334	180,709	182,043
Extensions and discoveries	-	-	-
Acquisitions and sales	-	-	-
Revisions of previous estimates	1,509	18,647	20,156
Production	(2,671)	(19,213)	(21,884)
Reserves on 31 December 2016	7,247	227,598	234,845
Developed	5,915	72,530	78,445
Undeveloped	1,332	155,068	156,400

Gas reserves (1P proved reserves)

Gas reserves are presented in millions of cubic feet (mmscf), with one barrel of oil equivalent (boe) corresponding to 6,000 cubic feet of gas.

	Unid: mmscf		
	Africa	Latin America	Total
2018			
Reserves on 31 December 2017	339,054	252,350	591,404
Developed	-	119,267	119,267
Undeveloped	339,054	133,083	472,137
Extensions and discoveries	-	1,526	1,526
Acquisitions and sales	-	-	-
Revisions of previous estimates	(14,172)	3,819	(10,353)
Production	-	(27,311)	(27,311)
Reserves on 31 December 2018	324,882	230,384	555,266
Developed	-	114,864	114,864
Undeveloped	324,882	115,520	440,402
2017			
Reserves on 31 December 2016	-	235,474	235,474
Developed	-	68,579	68,579
Undeveloped	-	166,895	166,895
Extensions and discoveries	-	-	-
Acquisitions and sales	-	-	-
Revisions of previous estimates	339,054	42,782	381,836
Production	-	(25,906)	-
Reserves on 31 December 2017	339,054	252,350	591,404
Developed	-	119,267	119,267
Undeveloped	339,054	133,083	472,137
2016			
Reserves on 31 December 2015	-	236,250	236,250
Developed	-	52,501	52,501
Undeveloped	-	183,749	183,749
Extensions and discoveries	-	-	-
Acquisitions and sales	-	-	-
Revisions of previous estimates	-	10,855	10,855
Production	-	(11,631)	(11,631)
Reserves on 31 December 2016	-	235,474	235,474
Developed	-	68,579	68,579
Undeveloped	-	166,895	166,895

Standard measure of discounted future net cash flows

The standard measure of discounted future cash flows has been prepared in accordance with the requirements of Topic 932 of FASB and corresponds to an economic translation of the 1P proved reserves presented in the previous section by the independent entity DeMac.

Future cash inflows represent future revenues associated with the production of proved reserves, calculated by applying the average market price of Brent during 2018: \$71.0/bbl.

Future production costs correspond to the estimated production costs associated with proved reserves.

Future royalties are estimated considering production revenue.

Future development and abandonment costs correspond to the estimated costs for the development of proved reserves (drilling and installation of production platforms), as well as the estimated costs of field abandonment.

Future income taxes include estimates of oil tax payable in Africa calculated according to the existing PSA (applicable to blocks in Africa and calculated according to the PSA); SPT (applicable to blocks in Brazil) and income taxes, according to tax laws in each country.

The cash flows were calculated in U.S. Dollars and translated into Euros at the average exchange rate of 2018 (1.1815 EUR:USD).

	Unid: €k		
31 December 2018	Africa	Latin America	Total
Future cash inflows	3,295,100	16,572,414	19,867,515
Future production costs	(767,478)	(2,572,183)	(3,339,662)
Future royalties	-	(1,915,681)	(1,915,681)
Future development and abandonment costs	(537,200)	(581,605)	(1,118,804)
Future net cash flow before tax	1,990,422	11,502,945	13,493,368
Future income tax	(388,416)	(6,694,682)	(7,083,098)
Future net cash flows	1,602,006	4,808,263	6,410,269
Discount factor (10%)	(1,057,962)	(1,775,197)	(2,833,160)
Standard measure of discounted future cash flows on 31 December 2018	544,044	3,033,066	3,577,109

The principles applied are those required by Topic 932 and do not reflect the expectations of the actual revenues of the reserves nor their present value, and thus do not constitute criteria for investment decision. An estimate of the fair value of reserves should also take into account, among other variables, the recovery of reserves not currently classified as proved, the risks inherent in the estimation of reserves, the expectation of future hydrocarbons price variation and the cost structure, as well as the consideration of an adequate discount factor.

9.3.

Galp report payments to governments in 2018

Under Article 245-B of the Portuguese Securities Code (following the provisions of Directive 2013/34/EU of the European Parliament and of the Council regarding annual financial statements, consolidated financial statements and related reports of certain types of undertakings, transposed into Portuguese law through Decree-Law No. 98/2015, of June 2)

1. Introduction

Galp believes that values such as accountability and good governance are reinforced by supporting the transparency of revenue flows from oil and gas activities. This allows citizens to access the information they need to hold Public Administrations accountable for the way in which they use funds received through taxes and other frameworks.

Galp has worked with Public Administrations, non-governmental organisations and international agencies to increase transparency, disclosure and accountability of payments made to Public Administrations.

In addition to the Payments stated in this Report, Galp contributes to the economies of the countries in which it operates through other activities on the extractive activity side by making payments to Public Administrations - for example in relation to the transportation, trading, manufacturing and marketing of products derived from oil and gas. Additionally, Galp contributes to the economies of the countries in which it operates by creating employment opportunities, purchasing products and services from local suppliers and undertaking social investment activities.

2. Subject

This Report provides an overview of the Payments (defined below) to Public Administrations (term defined below) made by Galp Energia, SGPS, S.A., and its subsidiary undertakings (hereinafter together referred to as “Galp”), covering the full year 2018, whenever such companies make payments as a result of their activities of exploration, prospection, discovery, development and extraction of oil, natural gas deposits or other materials (referred to as “Extractive activities”).

3. Legislation

This report has been prepared in compliance with the provisions of Article 245-B of the Portuguese Securities Code and its contents in line with the provisions of chapter 10 of the Directive 2013/34/EU of the European Parliament and of the Council regarding the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, transposed into Portuguese law through Decree-Law No. 98/2015 of June 2 (herein together referred to as the “applicable legislation”).

4. Reporting entities

This Report includes payments to Public Administrations made by Galp. Excluded from this Report are Payments made by entities over which Galp has joint control and Payments made by entities over which Galp has no operatorship.

5. Public Administrations

For the purposes of this report, Public administrations include any national, regional or local authority of a European Union member State or of a third country, and includes any department, agency or entity that is a subsidiary thereof, which includes a national oil company.

6. Project

Payments are reported at project level except that payments that are not attributable to a specific project are reported at entity level.

A “Project” is defined as a set of operational activities which are governed by a single contract, license, lease, concession or similar legal agreement, and forms the basis for payment liabilities to a Public Administration. If such agreements are substantially interconnected, those agreements are to be treated as a single project.

For a fully integrated Project (concept defined below), which does not have an interim contractual cut off point where a value can be ascribed separately to Extractive activities and to other processing activities, payments to Public Administrations will be disclosed in full.

7. Payments

For the purposes of this Report, a Payment is an amount paid in cash or in kind under the following forms:

Production Entitlements

Include the host government's share of production in the reporting period, derived from projects operated by Galp. This includes the government's share as a sovereign entity or through its participation as an equity or interest holder in projects within its sovereign jurisdiction (home country). Production Entitlements arising from activities or interests outside of the home country are excluded.

For the year ended December 31, 2018, there were no production entitlements arising from projects Operated by Galp.

Taxes

Taxes paid by Galp on its income, profits or production (which include petroleum income tax in Angola or Corporate income Tax and Special Participation in Brazil), including those settled by a Public Administration on behalf of Galp under a tax-paid concession. Payments are reported net of refunds. Excluded from this Report are the Taxes on transactions and on consumption (including but not limited to Value Added Taxes), personal income taxes, sales taxes, and property taxes.

Royalties

These are payments for the rights to extract oil and gas resources, typically set at a percentage of revenue less any deductions that may be taken.

Bonuses

These are usually paid upon signing an agreement or a contract, when a commercial discovery of oil and gas is declared, or production has commenced or another milestone has been reached.

License fees, rental fees, entry fees and other considerations for licenses and/or concessions

Taxes and other Fees paid as consideration for acquiring a license to gain access to an area where Extractive Activities are performed. Excluded from this Report are any Administrative government fees that are not specifically related to Extractive Activities, or to access extractive resources.

Infrastructure improvements

Payments which relate to the construction of infrastructure not substantially dedicated to use in Extractive Activities.

8. Other provisions

Operatorship

When Galp makes a Payment directly to a Public Administration arising from a Project, the full amount paid is disclosed, even where Galp, as operator, is proportionally reimbursed by its non-operating venture partners through a billing process (cash-call).

Cash and in-kind payments

Payments are reported on a cash basis, meaning that they are reported during the period in which they are paid, as opposed to being reported on an accruals basis (which would mean that they would be reported in the period for which the liabilities arise).

Materiality Level

This Report includes all types of Payments to Public Administrations, either on a single payment basis or as part of a series of related payments, provided that these are above €100,000.

Exchange Rate

For the purposes of this Report, Payments made in currencies other than Euros are translated based on the annual average foreign exchange rate.

Summary Report (€k)

	Production Entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure Improvements	Total
Angola	-	18,933	-	-	-	-	18,933
Brazil	-	413,762	183,060	108,285	525	-	705,632
East Timor	-	-	-	-	-	-	-
Mozambique	-	-	-	-	-	-	-
Namibia	-	473	-	-	83	-	556
Portugal	-	-	-	-	-	-	-
S. Tomé and Príncipe	-	77	-	89	-	-	166
Total	-	433,245	183,060	108,374	608	-	725,287

Report by Country: Angola

Government Report (€k)

	Production Entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure Improvements	Total
Governments							
Ministry of Finance	-	18,933	-	-	-	-	18,933
Total	-	18,933	-	-	-	-	18,933

Project Report (€k)

	Production Entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure Improvements	Total
Projects							
Block 14	-	13,178	-	-	-	-	13,178
Block 14k	-	1,296	-	-	-	-	1,296
Block 32	-	4,460	-	-	-	-	4,460
Total	-	18,933	-	-	-	-	18,933

Report by Country: Brazil

Government Report (€k)

	Production Entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure Improvements	Total
Governments							
Revenue	-	472	183,060	108,285	-	-	291,817
Agência Nacional do Petróleo, Gás Natural e Biocombustíveis	-	413,290	-	-	525	-	413,815
Total	-	413,762	183,060	108,285	525	-	705,632

Project Report (€k)

	Production Entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure Improvements	Total
Entity Level Payment							
Petrogal Brasil, S.A.	-	472	-	-	311	-	783
Galp Energia, S.A.	-	-	-	-	-	-	-
Projects							
Block BM-S-11	-	413,290	182,513	-	-	-	595,803
Block POT-T-440	-	-	-	-	3	-	3
Block POT-T478	-	-	-	-	-	-	-
Block POT-T479	-	-	348	-	-	-	348
Block SEAL-T-412	-	-	-	-	1	-	1
Block SEAL-T-429	-	-	199	-	22	-	221
Block PN-T-136	-	-	-	-	94	-	94
Block PN-T-182	-	-	-	-	94	-	94
Block Carcará Norte	-	-	-	-	-	-	-
Block Uirapuru	-	-	-	83,483	-	-	83,483
Block C-M-791	-	-	-	24,802	-	-	24,802
Total	-	413,762	183,060	108,285	525	-	705,632

Report by Country: Namibia

Government Report (€k)

	Production Entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure Improvements	Total
Governments							
Ministry of Finance	-	473	-	-	-	-	473
Ministry of Mines and Energy	-	-	-	-	83	-	83
Total	-	473	-	-	83	-	556

Project Report (€k)

	Production Entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure Improvements	Total
Entity Level Payment							
Windhoek PEL 23 BV - Branch	-	305	-	-	-	-	305
Windhoek PEL 24 BV - Branch	-	169	-	-	-	-	169
Total	-	473	-	-	83	-	556

Report by Country: S. Tomé and Príncipe

Government Report (€k)

	Production Entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure Improvements	Total
Governments							
Ministry of Finance	-	77	-	-	-	-	77
Projects	-	-	-	89	-	-	89
Total	-	77	-	89	-	-	166

Project Report (€k)

	Production Entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure Improvements	Total
Entity Level Payment							
Galp Energia São Tomé e Príncipe, Limitada	-	77	-	-	-	-	77
Projects							
Block 6	-	-	-	87	-	-	87
Block 5	-	-	-	-	-	-	-
Block 11	-	-	-	1	-	-	1
Block 12	-	-	-	1	-	-	1
Total	-	77	-	89	-	-	166

9.4.

Consolidated non-financial information

Under Article 508-G of the Portuguese Companies Code (following the provisions of Directive 2014/95/EU of the European Parliament and of the Council, regarding the disclosure of non-financial and diversity information, transposed into Portuguese law through Decree-Law No. 89/2017, of July 28)

Matter	Relevant Policies	Implementation of mechanisms and due diligence processes; Main indicators and results
Environment	<p>Health, Safety and Environmental Policy https://www.galp.com/corp/Portals/o/Recursos/Governo-Societario/SharedResources/Documentos/EN/health-safety-environment-policy.pdf</p> <p>Galp believes that protecting people, the environment and its assets is essential to the generation of sustainable value, assuming its responsibility to manage the risks and impacts of its activities.</p> <p>Company Standard Regulation- Health, Safety, Social and Environmental (HSE&S) Specific Requirements for Projects It defines the HSE&S requirements which must be met in the decision-making process, associated with each development stages (throughout the entire lifecycle) of projects, to ensure the protection of people, the environment and assets, based on an HSE&S risk assessment and in line with Galp's Health, Safety and Environmental Policy and its commitments</p> <p>Climate Change Policy https://www.galp.com/corp/Portals/o/Recursos/Governo-Societario/SharedResources/Documentos/EN/Climate-Change-Policy.pdf</p> <p>Aware of the challenges that climate change represents and considering the expectations of its stakeholders, Galp has updated its operating policy on climate change, defining its commitments in this regard.</p>	<p>Please refer to the following sections of chapter 4 of this report:</p> <p>4.1 Energy transition: where next?</p> <p>4.2 How can we turn challenges into opportunities?</p> <p>4.3. A call to action</p> <p>4.4. How are we doing it?</p>
Social	<p>Code of Ethics and Conduct https://www.galp.com/corp/Portals/o/Recursos/Governo-Societario/SharedResources/Documentos/EN/Codigo-De-Conduta-Etica-EN.pdf</p> <p>Galp has made in its Code of Ethics and Conduct commitments to society in relation to human rights, corporate responsibility and the environment</p> <p>Corporate Social Responsibility Policy https://www.galp.com/corp/Portals/o/Recursos/Governo-Societario/SharedResources/Documentos/EN/Corporate%20Social%20Responsibility%20Policy%20-%20last%20version.pdf</p> <p>As a reference company in the energy sector, Galp endorses corporate social responsibility as a fundamental element of its management throughout its entire value chain and in its relations with stakeholders, in the different contexts and geographies in which it operates.</p> <p>Community Investment Policy https://www.galp.com/corp/Portals/o/Recursos/Governo-Societario/SharedResources/Documentos/EN/community-investment-policy.pdf</p> <p>As an integrated energy operator, present across different geographies, Galp takes on the challenge of being a key partner to the communities where it conducts business, with the purpose of promoting the social and economic development of those regions, in line with its strategy.</p>	<p>Please refer to the following section of chapter 4 of this report:</p> <p>4.4. How are we doing it?</p>

Matter	Relevant Policies	Implementation of mechanisms and due diligence processes; Main indicators and results
Employees	<p>Health, Safety and Environmental Policy https://www.galp.com/corp/Portals/o/Recursos/Governo-Societario/SharedResources/Documentos/EN/health-safety-environment-policy.pdf</p> <p>Galp believes that protecting people, the environment and its assets is essential to generating sustainable value, assuming its responsibility for managing the risks and impacts of its activities.</p> <p>Code of Ethics and Conduct https://www.galp.com/corp/Portals/o/Recursos/Governo-Societario/SharedResources/Documentos/EN/Codigo-De-Conduita-Etica-EN.pdf</p> <p>We need all of Galp's people to act in accordance with our values and with integrity and respect for each other.</p> <p>Human Rights Policy https://www.galp.com/corp/Portals/o/Recursos/Governo-Societario/SharedResources/Documentos/EN/human-rights-policy.pdf</p> <p>Galp believes that human rights are inherent to the human condition, and are therefore inalienable, universal, indivisible and interdependent. As an integrated energy operator, the Company assumes its defence and promotion, whatever the geography and context in which it operates, and the continuous improvement of the instruments that support the implementation of this policy</p> <p>Company Standards Regulations on Recruitment and Mobility, Internships, Learning management, Internacional Mobility and Job Family Model</p> <p>Galp follows an integrated lifecycle approach to manage employees' talent, focused on the following areas: recruitment; hosting of new people; performance management; development; reward and acknowledgment; learning and training; mobility; organisational climate and the Company's values. This approach resulted in several programmes fully aligned with Galp's values and culture, ensuring that we add value for our employees through which they can enhance their skills by taking on new challenges.</p>	<p>Please refer to the following section of chapter 4 of this report:</p> <p>4.4. How are we doing it?</p>
Gender equality	<p>Diversity policy for the board of directors and audit board https://www.galp.com/corp/Portals/o/Recursos/Governo-Societario/SharedResources/Documentos/EN/Diversity_policy_for_the_board_of_directors_and_audit_board_-_Versao_publicada_-_EN.pdf</p> <p>Galp acknowledges the benefits of diversity within its board of directors and Audit Board as a way of improving the balance of its composition, improving the performance of its members, reinforcing the quality of decision-making and control processes, avoid the effects of groupthink and contributing to Galp's sustainable development.</p> <p>Plan for equality 2018 https://www.galp.com/corp/Portals/o/Recursos/Governo-Societario/SharedResources/Documentos/PT/Plano%20para%20a%20igualdade%202018%20-%20Versao%20final_EN%2003-03-2018.pdf</p> <p>Bearing in mind the importance of gender equality, as a means of demonstrating Galp's commitment to this goal, and in compliance with Article 7 of Law No. 62/2017 of 1 August, Galp presented its plan for equality in 2018, aimed at achieving effective equal treatment and opportunities for men and women, promoting the elimination of discrimination on the grounds of sex and promoting balance between personal, family and professional life.</p>	<p>As part of the Diversity Policy of the Board of Directors and Audit Board, Galp commits, in line with the competences of each body, to make efforts to promote diversity on its Board of Directors and Audit Board. The implementation of the diversity policy began with its approval by the Board of Directors on December 15, 2017, and its results will be included in the governance report for 2019, the year in which the next General Elective Meeting of Galp will be held.</p> <p>In the development and fulfilment of the commitments assumed by Galp for 2018 within the Business Forum for Equality – IGEN and incorporated into Galp's Equality Plan for 2018, Galp implemented the following initiatives in 2018:</p> <ul style="list-style-type: none"> • Creation of an internal, permanent and multidisciplinary action and reflection group with the purpose of promoting the discussion, definition and implementation of best practice in relation to equal opportunities, leading to the development of a set of discussions, an analysis of best practice and trends, the collection and analysis of internal information on indicators to enable a detailed diagnosis/assessment on the theme of Gender Equality that allows an action plan to be defined, with an impact on the lives of Galp's employees; • Participation of members of the internal work group in discussion forums regarding the theme of Gender Equality; • Galp's adherence to the UN Global Compact's "Equality means business" initiative as a way of measuring the gender gap and the alignment of commitments in these matters; • Galp's membership of PWN Lisbon – Professional Women's Network; • Conducting in-house workshops with PWN on gender and neuroscience; • Participation in the Girl Move Project, an association that aims to empower young Mozambican women to be development agents through the integration of two Mozambican female trainees into internal teams for a month.
		<p>Please refer also to the following section of chapter 4 of this report:</p> <p>4.4. How are we doing it?</p>

Matter	Relevant Policies	Implementation of mechanisms and due diligence processes; Main indicators and results
Non-discrimination	<p>Code of Ethics and Conduct https://www.galp.com/corp/Portals/o/Recursos/Governo-Societario/SharedResources/Documentos/EN/Codigo-De-Conduta-Etica-EN.pdf</p> <p>Establishes Galp's commitments and its employees' regarding non-discrimination</p> <p>Human Rights Policy https://www.galp.com/corp/Portals/o/Recursos/Governo-Societario/SharedResources/Documentos/EN/human-rights-policy.pdf</p> <p>Galp has committed not to tolerate any form of discrimination on the basis of race or ethnic origin, colour, gender, sexual orientation, age, religion, nationality, family and socioeconomic status, marital status, education, disability, political ideology, among others, ensuring equal opportunities and equal treatment in matters of professional activity.</p>	<p>Please refer to the following section of chapter 4 of this report:</p> <p>4.4. How are we doing it?</p>
Human rights	<p>Code of Ethics and Conduct https://www.galp.com/corp/Portals/o/Recursos/Governo-Societario/SharedResources/Documentos/EN/Codigo-De-Conduta-Etica-EN.pdf</p> <p>Establishes Galp's commitment to minimising the actual or possible negative impact on communities where Galp carries out activities, and to respect the right of the communities to be heard before beginning any activity that might have such an impact and to provide and contract for the provision of goods and services only to suppliers that Galp considers, to the best of its knowledge, to have respect for human rights in a manner equivalent to that undertaken by Galp.</p> <p>Human Rights Policy https://www.galp.com/corp/Portals/o/Recursos/Governo-Societario/SharedResources/Documentos/EN/human-rights-policy.pdf</p> <p>Galp believes that human rights are inherent to the human condition, and therefore, are inalienable, universal, indivisible and interdependent. As an integrated energy operator, the Company commits to defend and promote human rights, whatever the geography and context in which it operates, and continuously to improve the instruments that support the implementation of this policy</p>	<p>Please refer to the following section of chapter 4 of this report:</p> <p>4.4. How are we doing it?</p>
Prevention of corruption and bribery	<p>Code of Ethics and Conduct https://www.galp.com/corp/Portals/o/Recursos/Governo-Societario/SharedResources/Documentos/EN/Codigo-De-Conduta-Etica-EN.pdf</p> <p>We are committed not to resort to bribery or influence peddling, irrespective of their form or means, in order to obtain any result, whether licit or illicit, contrary or not to the purposes and objectives of the company. Similarly, we explicitly reject receiving any bribes.</p> <p>Corruption Prevention Policy and Standard https://www.galp.com/corp/Portals/o/Recursos/Governo-Societario/SharedResources/Documentos/EN/Corruption_Prevention_Policy_1.pdf</p> <p>Galp is committed to monitoring the evolution of best practice on the prevention of corruption risk in order to achieve continuous improvements. The Policy gives the principles in line with the values that guide the Code of Ethics and Conduct. The Standard approved in 2018 establishes rules for the prevention, detection and responses to the risk of corruption in Galp group, developing what is set forth in the Code of Ethics and Conduct and the Corruption Prevention Policy, in line with Galp's values, the legal and regulatory obligations to which Galp and its employees are subject, the specific corruption risks Galp faces in the course of its activities in the various geographies in which it operates.</p> <p>Company Standard Regulation - Management of Conflicts of Interest This standard approved in 2018 has the purpose of preventing, avoiding, reporting and treating conflicts of interests of Galp employees in an ethical and responsible manner.</p>	<p>As part of the process of assessing any new potential investment in a different geography, Galp evaluates the risks posed by the country's legal and regulatory framework.</p> <p>Galp also performs compliance due diligence procedures on its most relevant business partners, service providers and suppliers prior to entering into transactions with them, in order to ensure that such entities also have appropriate and effective policies and procedures related to the prevention of Corruption and Bribery.</p> <p>For more details, please refer to Chapter 6, section 53 (Compliance/ Reputation risk).</p> <p>During 2018, 133 counterparties were assessed by our System Compliance Catalyst. In three cases significant risks were identified and therefore negotiations with such counterparties were terminated.</p> <p>During 2018, Galp continued the training programme for Galp's employees on its Ethics and Conduct Code and compliance matters. During 2018, Galp provided training on Ethics to the 60 most significant suppliers.</p> <p>Please refer also to the following section of chapter 4 of this report:</p> <p>4.4. How are we doing it?</p>
Brief description of Company's business model	<p>Information on Galp's business model may be found on Note 4 of the Appendix 9.1.a</p>	
Associated risks	<p>This information is available at Chapter 7, Title III, section 53 of this report (details and descriptions of the major economic, financial and legal risks to which the company is exposed in pursuing its business activity)</p>	

9.5.

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9.5.a

Individual financial statements and notes to the individual financial statements as of 31 December 2018

Statement of financial position as of 31 December 2018 and 2017

Galp Energia, SGPS, S.A.

(Amounts stated in thousand Euros - €k)

ASSETS	Notes	2018	2017
Non-current assets:			
Tangible assets	12	5	9
Investments in subsidiaries and associates	4.1	2,801,167	2,644,262
Investments in affiliates	4.2	350	350
Other receivables	14	1,937,590	1,987,590
Deferred tax assets	9	180	180
Total non-current assets:		4,739,292	4,632,391
Current assets:			
Trade receivables	15	1,044	1,334
Other receivables	14	195,023	120,703
Current income tax receivable	9	50,902	65,597
Cash and cash equivalents	18	8,932	11,211
Total current assets:		255,901	198,845
Total assets		4,995,193	4,831,236
EQUITY AND LIABILITIES			
Equity:			
Share capital	19	829,251	829,251
Share premium		82,006	82,006
Other reserves	20	193,827	193,827
Retained earnings		207,035	261,966
Net profit for the year		484,310	421,888
Total equity:		1,796,429	1,788,938
Liabilities:			
Non-current liabilities:			
Bank loans	22	792,150	688,437
Bonds	22	1,644,276	1,594,868
Other payables	24	2,124	2,142
Total non-current liabilities:		2,438,550	2,285,447
Current liabilities:			
Bank loans and overdrafts	22	55,682	57,332
Bonds	22	497,844	391,938
Trade payables	26	568	435
Other payables	24	151,328	241,035
Current income tax payable	9	54,792	66,111
Total current liabilities		760,214	756,851
Total liabilities		3,198,764	3,042,298
Total equity and liabilities		4,995,193	4,831,236

The accompanying notes form an integral part of the statement of financial position for the year ended 31 December 2018.

Income statement for the years ended 31 December 2018 and 2017

Galp Energia, SGPS, S.A.

(Amounts stated in thousand Euros - €k)

	Notes	2018	2017
Operating income:			
Services rendered	5	10,198	8,443
Other operating income	5	-	30
Total operating income:		10,198	8,473
Operating costs:			
External supplies and services	6	(3,231)	(2,844)
Employee costs	6	(8,770)	(7,626)
Amortisation, depreciation and impairment loss on fixed assets	6	(4)	(4)
Other operating costs	6	(279)	(505)
Total operating costs:		(12,284)	(10,979)
Operating result:		(2,086)	(2,506)
Financial income	8	96,579	96,139
Financial costs	8	(66,246)	(83,837)
Exchange gain (loss)		(290)	(899)
Results on investments in subsidiaries and associates	4	463,950	415,638
Profit before tax:		491,907	424,535
Income tax	9	(7,597)	(2,647)
Net income		484,310	421,888
Earnings per share (in Euros)	10	0.58	0.51

The accompanying notes form an integral part of the income statement for the year ending 31 December 2018.

Statement of comprehensive income for the years ended 31 December 2018 and 2017

Galp Energia, SGPS, S.A.

(Amounts stated in thousand Euros - €k)

	Note	2018	2017
Net profit for the year		484,310	421,888
Comprehensive income for the year		484,310	421,888

The accompanying notes form an integral part of the statement of comprehensive income for the year ended 31 December 2018.

Statement of changes in equity for the years ended 31 December 2018 and 2017

Galp Energia, SGPS, S.A.

(Amounts stated in thousand Euros - €k)

	Changes for the year	Notes	Share capital	Share premium	Other reserves (Note 20)	Retained Earnings	Net profit for the year	Total
Balance as of 1 January 2017			829,251	82,006	193,827	261,840	413,784	1,780,708
Net profit for the year			-	-	-	-	421,888	421,888
Comprehensive income for the year			-	-	-	-	421,888	421,888
Dividends distributed/interim dividends			-	-	-	(413,658)	-	(413,658)
Increase of reserves by appropriation of profit			-	-	-	413,784	(413,784)	-
Balance as of 31 December 2017			829,251	82,006	193,827	261,966	421,888	1,788,938
Balance as of 1 January 2018			829,251	82,006	193,827	261,966	421,888	1,788,938
Net profit for the year			-	-	-	-	484,310	484,310
Comprehensive income for the year			-	-	-	-	484,310	484,310
Dividends distributed/interim dividends		30	-	-	-	(476,819)	-	(476,819)
Increase of reserves by appropriation of profit			-	-	-	421,888	(421,888)	-
Balance as of 31 December 2018			829,251	82,006	193,827	207,035	484,310	1,796,429

The accompanying notes form an integral part of the financial statements of changes in equity for the year ended 31 December 2018.

Statement of cash flows for the years ended 31 December 2018 and 2017

Galp Energia, SGPS, S.A.

(Amounts stated in thousand Euros - €k)

	Notes	2018	2017
Operating activities:			
Cash receipt from customers		14,775	9,437
Cash paid to suppliers		(5,780)	(7,193)
Cash paid to employees		(4,320)	(4,094)
Income tax received/(paid)		(4,220)	35,872
Other (payments)/receipts from operating activities		9,628	(5,895)
Cash flow from operating activities (1)		10,083	28,127
Investing activities:			
Cash receipts related to:			
Interests and similar income		94,542	125,372
Dividends	4	463,660	414,603
Loans granted		94,034	183,123
		652,236	723,098
Cash payments related to:			
Financial investments		(156,905)	(130,000)
Loans granted		(127,186)	(25,431)
		(284,091)	(155,431)
Cash flow from investing activities (2)		368,145	567,666
Financing activities:			
Cash receipts related to:			
Loans obtained		3,742,583	3,968,345
		3,742,583	3,968,345
Cash payments related to:			
Loans obtained		(3,575,923)	(4,052,961)
Interests and similar costs		(68,500)	(91,579)
Dividends	30	(476,819)	(413,658)
		(4,121,242)	(4,558,198)
Cash flow from financing activities (3)		(378,659)	(589,853)
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		(431)	5,941
Effect of foreign exchange rate changes		-	137
Cash and cash equivalents at beginning of the year	18	8,324	2,246
Cash and cash equivalents at end of the year	18	7,893	8,324

The accompanying notes form an integral part of the statement of cash flows for the year ended 31 December 2018.

Notes to the financial statements as of 31 December 2018

1. Introduction

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, S.A.; GDP – Gás de Portugal, SGPS, S.A. and Transgás–Sociedade Portuguesa de Gás Natural, S.A. (“Transgás, S.A.” currently designated Galp Gás Natural, S.A.)

During the previous years the Company shareholders positions suffered several changes and the Company shareholder position as of 31 December 2018 is stated in Note 19.

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

The following financial statements are presented in thousand euros, except if stated otherwise.

2. Significant accounting policies

2.1. Basis of presentation

Company' financial statements were prepared on a going concern basis, at historical cost, except for financial derivative instruments, when applicable, 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 2018. 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.

As of 31 December 2018, Galp Energia, SGPS, S.A. presents negative working capital in the amount of €504,313 k. Even so, the Board of Directors confirms the inexistence of any non-compliance with the going concern basis, considering that the financing and liquidity of the Company is ensured (a) by the dividend policy of its subsidiaries, and (b) by the existence of available credit lines, not write-off, which as of 31 December 2018 amount to €1,400 m, to fulfill any commitment assumed for a twelve month period.

2.2. Adoption of new and amended IFRS in 2018

Changes in accounting policy following the application of IFRS 9 – “Financial Instruments”

On 1 January 2018 Galp adopted the new IFRS 9 standard, which replaces the previous IAS 39.

A new methodology for the measurement and reporting of impairment losses for trade and other receivables was introduced, introducing an expected losses model, where the credit risk assessment is considered upon initial recognition.

In Galp Energia, SGPS, S.A., the change in accounting policy had no accounting impact.

Changes in accounting policy following the application of IFRS 15 – “Revenue from Contracts with Customers”

On 1 January 2018 Galp applied the new IFRS 15, which replaced IAS 18. The application of IFRS 15 had no impact on the Company's revenue recognition.

2.3. New or amended IFRS to be adopted in 2019

IFRS 16 replaces IAS 17 - “Leases” and associated interpretations, with a significant impact on the accounting applied by lessees, recognizing for all assets lease contracts a lease liability corresponding to future payments of lease rentals and an asset related to its “right of use”.

Exemptions to this accounting treatment (which the company has adopted) are provided for short-term leases (less than 12 months) and low-value assets (acquisition cost of less than 5,000 EUR). The definition of a lease has also been revised, based on the “right to control the use of an identified asset”.

Galp has decided to use a modified version of the retrospective approach, as permitted by the standard. Upon initial recognition, Galp will recognise right-to-use assets at amounts equal to the lease liabilities, with no restatement of prior-period financial information.

As allowed by the standard, Galp decided as a practical expedient to “grandfather” the previous assessment made under IAS 17. The practical expedient determines that existing agreements outside of the scope of IAS 17 could be excluded from the initial adoption of IFRS 16.

Galp Energia, SGPS, S.A. estimates that the impact resulting from the adoption of IFRS 16 as of 1 January 2019 will increase its assets and liabilities by €85 k. Such contractual impact is due to the following assets: Vehicles.

The presentation and the pace of recognition of charges in the income statement will be changed, and operating lease expenses, currently reported under IAS 17 on a straight-line basis, will be replaced by the depreciation of the recognised right of use and lease interest.

The discount rates used for lease agreements as at the transition date will be the incremental borrowing rates appropriate for each lease agreement based on factors such as the lessee’s legal entity, leased assets, lease term and currency.

The Company’s Board of Directors considers that the accompanying separate financial statements and the following notes ensure an adequate presentation of the financial information.

Inherent to the application of the accounting policies used for the preparation of these financial statements is the need for Galp’s management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses. Estimates and assumptions made by the Board of Directors were, however, based

on the best available knowledge, at the date of the approval of these financial statements, for the events and transactions in progress.

In preparing and presenting the financial statements, the Company declares that it is in compliance, explicitly and unreservedly, with the IAS/IFRS and its SIC/IFRIC interpretations, as approved by the European Union.

The main accounting policies adopted by the Company in the preparation of its individual financial statements are as follows. During the year ended December 31, 2018 there were no changes in accounting policies compared to those considered in the preparation of the financial information related to the previous year, and there were no material errors related to prior years.

These financial statements refer to the Company in individual terms and were prepared in accordance with the legal terms for approval at the General Shareholders’ Meeting, and the financial investments were recorded at acquisition cost, as explained in Note 2.4.. The Company will prepare and present the consolidated financial statements in which the financial statements of the companies in which it holds the control will be included.

2.4. Investments in subsidiaries and associates

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

Investments in other companies are presented in Note 4.

Dividends received from subsidiaries and associates are recorded as Results on investments in subsidiaries and associates.

2.5. Tangible assets

Tangible assets are recorded at acquisition cost net of depreciation and impairment losses.

Depreciation is calculated on the acquisition cost, on a straight-line basis, as from the date it starts to be used or the assets are available for use, at the rates considered most appropriate to depreciate the assets during their estimated economic useful life

The average depreciation rates used correspond, in average, to the following estimated useful lives:

	Useful life (years)
Administrative equipment	5 to 8
Other tangible assets	8

The capital gains/losses resulting from the write-off or disposal of tangible assets is determined by the difference between the sale price and the net book value as of the date of the write-off/disposal. The net book value includes accumulated impairment losses. The resulting accounting capital gain/loss is recorded in the income statement “Other operating income” or “Other operating costs” captions, respectively.

2.6. Impairment of non-current assets

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.

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) used by the Galp group, applicable to the business segment in which the asset or the cash generating unit is included.

Impairment losses recognised in previous periods are reversed when it is concluded that they no longer exist or have decreased. Such tests are made whenever there are indications that an impairment recognised in an earlier period has reverted. Reversal of impairment is recognised as a decrease in the income statement caption where originally the impairment loss was recognised. However, impairment losses are only reversed up to the amount that the asset would be recorded (net of amortisation or depreciation), if the impairment loss had not been recorded previously.

2.7. Provisions

Provisions are recorded when, and only when, the Company has a present obligation (legal, contractual or constructive) resulting from a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed and adjusted at each reporting date so as to reflect the best estimate at that date. Provisions for restructuring costs are recognised by the Company whenever there is a formal detailed restructuring plan.

During the year ended 31 December 2018, there were no transactions that should be classified as restructuring provisions.

2.8. Foreign currency balances and transactions

Transactions are recorded in the separate financial statements of the Company 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 caption “Exchange gain (loss)”.

As of 31 December 2018 and 2017, the Company had no balances denominated in foreign currency.

2.9. Income and accruals basis

Costs and income are recorded in the period to which they relate, independently of when they are paid or received. When the actual amounts of costs and income are not known, these 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.

The revenue from dividends is recognised when the right of the Company to recognise the amount is established.

2.10. Financial costs on loans obtained

Financial costs on loans obtained are recorded in accordance with the effective interest rate method.

2.11. Income tax

Since 2001, companies with head offices in Portugal in which the Company has a direct or indirect participation interest greater than 75%, if that participation gives the Company more than 50% of the voting rights, have been taxed in accordance with the special regime for the taxation of groups of companies, taxable income being determined in Galp Energia, SGPS, S.A.

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.

Deferred tax assets are recorded only when there is reasonable expectation of sufficient future taxable income to use them or whenever there are taxable temporary differences that offset the deductible temporary differences in the period they revert. 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.

2.12. Financial instruments

Financial assets and liabilities are recorded on the statement of financial position when the Company becomes a contractual party to the financial instrument.

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 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 the change in classification is not allowed.

Recognition and measurement

Purchases and sales of investments are recognised on 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 financial assets

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

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income consist mainly of equity investments. When these kind of financial assets are derecognised, the gain or loss will be maintained 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 impairments, recognised in the "Impairment losses on receivables" caption. Usually, the amortised cost of these assets does not differ from its nominal value or fair value.

Trade receivables and other receivables are derecognised when the contractual rights for the cash flows expire (meaning, are received), when they are transferred (i.e. sold), or when they are impaired.

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 also takes into account the loss in the event of default. The default probability represents an annual probability of default, reflecting 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.

Credit Risk

For Credit Risk purposes, if trade and other receivables are independently rated, these ratings are used. Otherwise, if there is no independent rating, 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. Trade receivables' compliance with credit limits is regularly monitored by Management.

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

a) Loans

Loans are recorded as liabilities based on the nominal amount received, net of issuance expenses related to these loans. Loans are subsequently measured at amortised cost.

Financial costs are calculated at the effective interest rate and recognised in the income statement on an accrual basis.

Financial costs include interest and any origination fees incurred relating to the project finance.

b) Trade and other payables

Accounts payable are initially measured at fair value and subsequently measured at amortised cost, at the effective interest rate method. Usually, the amortised cost of these liabilities does not differ from their nominal value.

c) Derivates instruments

Hedge acouting

The Company uses derivative instruments to manage its financial risks as a way to hedge those risks. Derivative instruments to hedge financial risks are not used for trading purposes.

Derivative instruments used by the Company to hedge cash flows mainly relate to interest rate hedging instruments on loans obtained. The coefficients, calculation conventions, interest rate re-fixing dates and interest rate hedging instrument repayment schedules are in all ways identical to the conditions established in the underlying contracted loans, and as such represent perfect hedges.

The following criteria is used by the Company to classify derivative instruments as cash flow hedging instruments:

- The hedge is expected to be highly effective in offsetting the changes in the cash flow of the hedged risk;
- The hedging effectiveness can be reliably measured;
- There is adequate documentation of the hedge at the beginning of the operation; and
- The hedged transaction is highly probable.

Financial derivatives are initially recognised by its fair value, calculated by independent external entities using generally accepted methods (such as discounted cash flows, the Black-Scholes model, Binomial and Trinomial model, and Monte-Carlo simulations, among others, depending on the type and characteristics of the financial derivative), considering generally accepted principles and variables observable in the market. Changes in the fair value of these instruments are presented in the equity caption “Hedging reserves”, being transferred to the income statement when the hedged instrument affects profit and loss.

Hedge accounting is discontinued when the derivative instruments mature or are sold. Where the derivative instrument stops qualifying as a hedging instrument, the accumulated fair value differences deferred in the equity caption “Hedging reserves” are transferred to the income statement or added to the book value of the asset which gave rise to the hedging transaction, and subsequent revaluations are recognised directly in the income statement.

A review was made of the Company's existing contracts so as to detect embedded derivatives, namely contractual clauses that could be considered as financial derivatives. No financial derivatives that should be recognised at fair value have been identified.

When embedded derivatives exist in other financial instruments or other contracts, they are recognised as separate derivatives in situations in which the risks and characteristics are not intimately related to the contracts and in situations in which the contracts are not reflected at fair value with unrealised gains and losses reflected in the income statement.

In addition, in specific situations the Company also contracts interest rate derivatives to hedge fair value. In such situations the derivatives are recorded at fair value through the profit and loss. When the hedged instrument is not measured at fair value (namely loans measured at amortised cost), the effective portion of the hedge is adjusted in the hedged instrument's book value through the income statement.

In accordance with IFRS 13 an entity must classify the fair value measurement, based on a fair value hierarchy that reflects the meaning of the inputs used in measurement. The fair value hierarchy must have the following levels:

Level 1 - the fair value of assets or liabilities is based on active liquid market quotation at the date of the statement of financial position;

Level 2 - the fair value of assets or liabilities is determined through valuation models based on observable market inputs;

Level 3 - the fair value of assets or liabilities is determined through valuation models, whose main inputs are not observable in the market.

d) Cash and cash equivalents

The amounts included in caption “Cash and cash equivalents” includes cash, bank deposits, term deposits and other treasury applications that mature in less than three months, and that can be realised immediately with insignificant risk of change in their value.

For cash flow statement purposes caption “Cash and cash equivalents” also includes bank overdrafts included in the statement of financial position caption “Bank loans and overdrafts”.

2.13. Statement of the financial position classification

Realizable assets and liabilities payable in more than one year from the reporting date are classified as non-current assets and non-current liabilities, respectively.

2.14. Subsequent events

Events that occur after the reporting date that provide additional information on conditions that existed at the end of the reporting period are recognised in the financial statements. Events that occur after the financial statements date that provide information on conditions that exist after the financial statements date, if material, are disclosed in the notes to the financial statements.

2.15. 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 costs 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) provisions for contingencies, and (ii) impairment of investments in subsidiaries and associates.

Provisions for contingencies

The final cost of legal processes, settlements and other litigation can vary due to estimates based on different interpretations of the rules, opinions and final assessment of the losses. Consequently, any change in circumstances relating to these types of contingency can have a significant effect on the recorded amount of the provision for contingencies.

Impairment of investments in subsidiaries and associates

The identification of impairment indicators, the estimation of future cash flows and the determination of the fair value of assets imply a high degree of judgment by the Board of Directors regarding the identification and evaluation of the different indicators of impairment, expected cash flows and discount rates.

2.16. Risk management and hedging

The Galp group's operations lead to the exposure to risks of: (i) market risk, as a result of the volatility of prices of oil, natural gas and its derivatives, exchange rates and interest rates; (ii) credit risk as a result of its commercial activity; and (iii) liquidity risk as the Group could have difficulty in obtaining financial resources to cover its commitments.

The Company has an organisation and systems that enable it to identify, measure and control the different risks to which it is exposed and uses several financial instruments to hedge them in accordance with the corporate directives common to the whole Group. The contracting of these instruments is centralised.

The accounting policies explained in this section contain more details of these hedges, as well as in the Company's consolidated financial statements.

During the year ended 31 December 2018, only material changes required by IFRS 7 - Financial instruments: Disclosures were disclosed.

2.17. Share capital

Common shares are classified as equity. The costs directly attributable to the issuance of new shares or other equity instruments are presented as a deduction, net of taxes, of the amount received resulting from the issuance.

3. Companies included in the consolidation

Not applicable.

4. Investments in other companies

4.1. Investments in subsidiaries and associates

Investments held as of 31 December 2018 and 2017 are as follows:

Subsidiaries and associates:	Head Office		Percentage held		Main activity	Acquisition Cost	
	City	Country	2018	2017		2018	2017
Galp Energia, S.A.	^{b)} Lisbon	Portugal	100%	100%	Business management and consultancy services	13,154	6,154
Galp Energia E&P, B.V.	^{a)} Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas. Trading of oil, natural gas and petroleum products; management of equity investments in other companies and financing businesses and companies	1,822,692	1,672,692
Galp Gas & Power, SGPS, S.A.	Lisbon	Portugal	100%	100%	Management of equity investments	161,765	161,765
Petrogal, S.A.	Lisbon	Portugal	100%	100%	Refining crude oil and derivatives; transport, distribution and trading of crude oil and derivatives and natural gas; research and exploration of crude oil and natural gas; and any other industrial, commercial, research and related services.	803,556	803,556
Enerfuel S.A.	^{c)} Sines	Portugal	-	10,56%	Studies, projects, installation, production and commercialisation of biofuels, treatment, waste recovery, purchase and sale of equipment.	-	95
						2,801,167	2,644,262

^{a)} During the year ended 31 December 2018, the company executed share capital increases amounting to €150,000 k in the subsidiary Galp Energia E&P, BV.

^{b)} During the year ended 31 December 2018, the company provided supplementary contributions to its subsidiary Galp Energia, S.A., in the amount of €7,000 k.

^{c)} During the year ended December 31, 2018, the Company sold 10.56% held by its subsidiary Enerfuel, S.A. to Petrogal, S.A., for the amount of €95 k.

31 December 2018

	Head Office		Financial information of subsidiaries (provisional accounts)			
	City	Country	Total assets	Total liabilities	Equity	Net profit
Galp Energia, S.A.	Lisboa	Portugal	65,627	56,787	8,840	(1,375)
Galp Energia E&P, B.V.	¹⁾ Roterdão	Holanda	2,957,319	822,618	2,134,701	873,780
Galp Gas & Power, SGPS, S.A.	Lisboa	Portugal	409,981	14,731	395,250	112,748
Petrogal, S.A.	Lisboa	Portugal	4,590,147	3,792,704	797,443	45,628
			8,023,074	4,686,840	3,336,234	1,030,781

Provisional accounts at reporting date.

¹⁾ USD financial statements converted to Euro, considering the exchange rates in force.

During the year ended 31 December 2018 and 2017, gains/(losses) related to financial investments in subsidiaries and affiliated companies were as follows:

Dividends received	2018	2017
Galp Energia, S.A.	579	-
Galp Energia E&P, B.V.	148,746	62,573
Galp Gas & Power, SGPS, S.A.	86,000	332,236
Petrogal, S.A.	228,625	20,571
Enerfuel S.A.	-	258
	463,950	415,638

The difference of €290 k as of 31 December 2018, 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, BV and recorded under the heading "Exchange gains (losses)".

4.2. Investments in affiliates

Investments in affiliates as of 31 December 2018 and 2017 were as follows:

Company	Head Office		Percentage held		Acquisition cost	
	Localidade	País	2018	2017	2018	2017
ISPG-Instituto do Petróleo e do Gás ^(a)	Lisbon	Portugal	66.67%	66.67%	200	200
Adene-Agência para a Energia, S.A.	Lisbon	Portugal	10.98%	10.98%	114	114
Omegas-Soc. D'etuded du Gazoduc Magreb-Europe	Tanger	Morocco	-	-	35	35
OEINERGE-Agência Municipal de Energia e Ambiente	Lisbon	Portugal	1.45%	1.45%	1	1
Galp Suazilândia	Matsapha	Eswatini	0.01%	0.01%	-	-
					350	350

^(a) ISPG is a non-profit association, established by Galp Energia, "Universidade de Aveiro", "Universidade de Coimbra", "Universidade do Minho", "Universidade Nova de Lisboa", "Universidade do Porto", "Instituto Superior Técnico" and "Faculdade de Ciências da Universidade de Lisboa". ISPG's mission is to gather and centralise knowledge and promote the development, transmission and diffusion of science and technology applied to the activities in the energy sector, especially oil and gas. The activities carried out aim at enhancing the competitiveness of the energy industries, in particular through the advanced training of relevant technical staff, a network of cooperation between enterprises, higher education institutions and other public and private R&D and industrial innovation entities. On 29 November 2016, Galp Energia, SGPS, S.A. subscribed and paid €230 k by the participating units in ISPG (230 PUs). Additionally, in the year ended 31 December 2016 Galp Energia, SGPS, S.A. sold to Petróleos de Portugal - Petrogal, S.A. 30 PUs for €30 k. Galp Energia, SGPS maintains its Founding Member status and holds 200 PUs and Petrogal joins ISPG as an Associate with 30 PUs (of the total 300 which represent ISPG share capital, while the remaining are owned by the universities).

5. Operating income

The detail of the Company's operating income for the years ended 31 December 2018 and 2017 is as follows:

Captions	2018	2017
Services rendered		
Domestic market	9,426	7,804
Foreign market	772	639
	10,198	8,443
Other operating income	-	30
	10,198	8,473

The services provided, amounting to €10,198 k, relate essentially to management services provided to other companies in the Group.

The increase in operating income, as compared to 2017, is mainly due to the adjustment of costs with the Company's Statutory Board Members, which led to an increase in fees, since these are determinant in the valuation of the price of the operational management activity provided to subsidiaries.

6. Operating costs

As of 31 December 2018 and 2017 the operating costs are detailed as follows:

Captions	2018	2017
External supplies and services		
Other specialised services	1,880	1,738
Travel and accommodation	468	416
Legal services	303	58
Insurance	179	240
Rents	96	126
IT services	58	51
Litigation and notaries	31	7
Fuel	25	23
Representation costs	19	14
Office supplies	10	18
Communication	9	20
Maintenance and repairs	4	5
Gifts	-	1
Fees	-	1
Other costs	147	126
	3,231	2,844
Employee costs		
Remuneration of Statutory Board members (Note 29)	6,815	5,773
Remuneration of personnel	648	650
Social charges	1,027	1,027
Retirement benefits	-	9
Other insurance	102	84
Other costs	178	83
	8,770	7,626
Amortisation, depreciation and impairment of tangible assets:		
Depreciation and impairment of tangible assets (Note 12)	4	4
	4	4
Other operating costs		
Other taxes	177	278
Other operating costs	102	227
	279	505
	12,284	10,979

Other specialised services mainly include corporate services, such as accounting services, personnel management, general services, financial services and audit services, invoiced by the subsidiary Galp Energia, S.A. (Note 28).

7. Segment reporting

Not applicable.

8. Financial income and costs

Financial income and costs for the years ended 31 December 2018 and 2017 are detailed as follows:

Captions	2018	2017
Financial income		
Interest - related parties (Note 28)	96,577	96,139
Interest - other	2	-
	96,579	96,139
Financial costs		
Interest - related parties (Note 28)	1,401	2,555
Interest - other	63,967	80,434
Commissions and other charges	878	848
	66,246	83,837

9. Income tax

The company and several of its subsidiaries are taxed in accordance with the special regime for the taxation of groups of companies, with taxable income being determined in Galp Energia, SGPS, S.A. However, estimated income tax of the Company and its subsidiaries is recorded based on their individual tax results which, for the year ended in 31 December 2018, amounted to an account receivable and payable from these Group companies of €16,427 k and €54,792 k (Note 28), respectively.

The following matters could affect income tax payable in the future:

- i) In accordance with current Portuguese legislation, corporate income tax returns are subject to review and correction by the tax authorities for a period of four years (social security can be reviewed for five years), except when there are tax losses carried forward, tax benefits have been granted or there are claims or appeals in progress where, depending on the circumstances, the period can be extended or suspended;
- ii) Galp's tax returns for the years 2015 to 2018 may still be subject to revision. However, Galp management believes that corrections resulting from tax inspections/inspections by tax authorities should not have a significant effect on the financial statements as of 31 December 2018 and 2017.

As of 31 December 2018 and 2017, the caption “Income tax receivable and payable” was as follows:

	Assets		Liabilities	
	2018	2017	2018	2017
Group companies:				
Current income tax receivable/payable (Note 28)	16,427	54,723	54,792	16,260
	16,427	54,723	54,792	16,260
State				
Current income tax receivable/payable	34,475	10,874	-	49,851
	34,475	10,874	-	49,851
Total	50,902	65,597	54,792	66,111

The Company’s income tax estimate is recorded based on its taxable results, which in the year ended 31 December 2018 represents a tax payable in the amount of €7,594 k.

The income tax for the year is as follows:

Captions	2018	2017
Current taxes	7,594	2,329
Insufficiency/(excess) of income tax estimated in previous years	3	253
Deferred taxes	-	65
	7,597	2,647

The effective income tax rate reconciliation as of 31 December 2018 and 2017 is as follows:

	2018	Rate	Income tax	2017	Rate	Income tax
Profit before tax:	491,907	21.00%	103,300	424,535	21.00%	89,151
Adjustments to taxable income:						
Dividends received		(19.81)%	(97,430)		(20.56)%	(87,284)
Insufficiency/(excess) of income tax estimated in prev. years		0.00%	3		0.06%	253
Autonomous taxation		0.01%	54		0.02%	84
Sur-charge – Regional and State		0.33%	1,633		0.09%	382
Other increases and deductions		0.01%	37		0.01%	60
Effective income tax rate		1.54%	7,597		0.62%	2,647

Deferred taxes

The balance of deferred tax assets as of 31 December 2018 and 2017 was as follows:

	Assets	
	2018	2017
Others deferred taxes	180	180
	180	180

The movements in deferred tax items in the years ended 31 December 2018 and 2017 are as follows:

	Assets	
	2018	2017
Opening balance	180	245
Impact in profit&loss:		
Others	-	(65)
	-	(65)
Ending balance	180	180

10. Earnings per share

Earnings per share for the years ended 31 December 2018 and 2017 were as follows:

	2018	2017
Net profit		
Net profit for purposes of calculating earnings per share	484,310	421,888
Number of shares		
Weighted average number of shares for purposes of calculation of net earnings per share (Note 19)	829,250,635	829,250,635
Basic and diluted earnings per share (amounts in Euros)	0.58	0.51

As there are no situations that give rise to dilution, the diluted earnings per share are the same as the basic earnings per share.

11. Goodwill

Not applicable.

12. Tangible and intangible assets

Tangible assets are recorded in accordance with the accounting policy described in Note 2.5. Applicable depreciation rates are disclosed in the respective note. During the years 2018 and 2017 tangible assets present the following movements:

Tangible assets	2018				
	Basic equipment	Transport equipment	Administrative equipment	Other tangible assets	Total tangible assets
Acquisition cost					
Acquisition cost as of 1 January	34	52	324	1,009	1,419
Acquisition cost as of 31 December	34	52	324	1,009	1,419
Accumulated depreciations and impairment losses					
Accumulated depreciations as of 1 January	(34)	(52)	(315)	(1,009)	(1,410)
Depreciation for the year (Note 6)	-	-	(4)	-	(4)
Accumulated depreciations as of 31 December	(34)	(52)	(319)	(1,009)	(1,414)
Net amount:					
Balance as of 31 December	-	-	5	-	5

Tangible assets	2017				
	Basic equipment	Transport equipment	Administrative equipment	Other tangible assets	Total tangible assets
Acquisition cost:					
Acquisition cost as of 1 January	34	52	324	1,009	1,419
Acquisition cost as of 31 December	34	52	324	1,009	1,419
Accumulated depreciations and impairment losses:					
Accumulated depreciations as of 1 January	(34)	(52)	(311)	(1,009)	(1,406)
Depreciation for the year (Note 6)	-	-	(4)	-	(4)
Accumulated depreciations as of 31 December	(34)	(52)	(315)	(1,009)	(1,410)
Net amount:					
Balance as of 31 December	-	-	9	-	9

In the years ended 31 December 2018 and 2017, intangible assets are as follows:

Intangible assets	2018	
	Industrial property and other rights	Total intangible assets
Acquisition cost:		
Acquisition cost as of 1 January	8	8
Acquisition cost as of 31 December	8	8
Accumulated depreciations and impairment losses		
Accumulated amortisation as of 1 January	(8)	(8)
Accumulated amortisation as of 31 December	(8)	(8)
Net amount:		

Balance as of 31 December

Intangible assets	2017	
	Industrial property and other rights	Total intangible assets
Acquisition cost:		
Acquisition cost as of 1 January	8	8
Acquisition cost as of 31 December	8	8
Accumulated depreciations and impairment losses		
Accumulated amortisation as of 1 January	(8)	(8)
Accumulated amortisation as of 31 December	(8)	(8)
Net amount:		

Balance as of 31 December

13. Government grants

Not applicable.

14. Other receivables

The non-current and current caption "Other receivables" as of 31 December 2018 and 2017 is detailed as follows:

Captions	2018		2017	
	current	non-current	current	non-current
State and other public entities:				
Value added tax	-	-	194	-
Other receivables - related parties (Note 28)	2,452	-	10,462	-
Loans to related parties (Note 28)	185,589	1,937,590	100,835	1,987,590
Advances to suppliers	-	-	2	-
Personnel	111	-	111	-
Other receivables	140	-	138	-
	188,292	1,937,590	111,742	1,987,590
Accrued income:				
Accrued interest (Note 28)	6,332	-	7,004	-
Other accrued income	-	-	11	-
	6,332	-	7,015	-
Deferred costs:				
Interest and other financial costs	353	-	1,898	-
Prepaid Insurance	46	-	48	-
	399	-	1,946	-
	195,023	1,937,590	120,703	1,987,590
Impairment of other receivables	-	-	-	-
	195,023	1,937,590	120,703	1,987,590

15. Trade receivables

As of 31 December 2018 and 2017, this caption included the balances of €1,044 k and €1,334 k, respectively, referring to Group companies (Note 28).

16. Inventories

Not applicable.

17. Other investments

Not applicable

18. Cash and cash equivalents

Caption "Cash and cash equivalents" as of 31 December 2018 and 2017, had the following detail:

	2018	2017
Cash	5	5
Bank deposits	8,927	11,206
Cash and cash equivalents in the statement of financial position	8,932	11,211
Bank overdrafts (Note 22)	(1,039)	(2,887)
Cash and cash equivalents in the statement of cash flows	7,893	8,324

19. Share capital

Capital structure

The share capital of Galp Energia is comprised of 829,250,635 shares with nominal value of 1 Euro each and fully subscribed. 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. (Parpública) and are not available for trade.

The Company's shareholder structure as of 31 December 2018 and 31 December 2017 was held as follows:

	2018		
Shareholders	No. of shares	% of capital	% of voting rights
Amorim Energia, BV	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%	-

	2017		
Shareholders	No. of shares	% of capital	% of voting rights
Amorim Energia, BV	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%	-

20. 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 utilised.

As of 31 December 2018 and 2017, Other reserves details as follows:

	2018	2017
Legal reserve	165,850	165,850
Free reserve	27,977	27,977
Total	193,827	193,827

On 31 December 2018 and 2017, the legal reserve is fully provided for in accordance with the commercial legislation.

21. Non-controlling interests

Not applicable.

22. Loans

As of 31 December 2018 and 2017, the loans obtained are detailed as follows:

	2018		2017	
	current	non-current	current	non-current
Total	553,526	2,436,426	449,270	2,283,305
Bank loans	55,682	792,150	57,332	688,437
Bond and Notes Loans	497,844	1,644,276	391,938	1,594,868

Galp has established, under its financing plan, an EMTN Program ("EUR 5,000,000,000 Euro Medium Term Note Program"). Up to 31 December 2018, Galp had executed three issues of notes under the EMTN Program, totaling €1,500,000 k, which are listed on the London Stock Exchange.

As of 31 December 2018, the Company has contracted commercial paper programs and revolving credit facility, committed, totaling €1,050,000 k, being at the present date available the amount of €550,000 k.

As of 31 December 2018, current and non-current bank loans, excluding origination fees and overdrafts, had the following maturities:

Maturities	Loans		
	Total	current	non-current
	2,999,015	550,402	2,448,613
2019	550,402	550,402	-
2020	501,249	-	501,249
2021	531,308	-	531,308
2022	271,056	-	271,056
2023	770,000	-	770,000
2024	370,000	-	370,000
2025 and following	5,000	-	5,000

The movements occurred during the year ended December 31, 2018 were as follows:

	Opening balance	Origination	Principal reimbursements	Bank Overdraft Transactions	Ending balance
Financial debt	2,732,575	1,650,000	(1,390,775)	(1,848)	2,989,952
Bank loans	745,769	1,000,000	(896,089)	(1,848)	847,832
Bank loans and commercial paper	744,389	1,000,000	(895,375)	-	849,014
Bank overdraft	2,887	-	-	(1,848)	1,039
Origination Fees	(1,507)	-	(714)	-	(2,221)
Bond and Notes	1,986,806	650,000	(494,686)	-	2,142,120
Bonds	495,000	650,000	(495,000)	-	650,000
Notes	1,500,000	-	-	-	1,500,000
Origination Fees	(8,194)	-	314	-	(7,880)

During the period ended 31 December 2018, the Company proceed with the following bond issuances:

Issuance	Due amount	Interest rate	Maturity	Reimburse
GALP ENERGIA/2018 Euro 100 M	100	Euribor 6M + spread	February 23	February 23
GALP ENERGIA/2018 Euro 150 M	150	Euribor 6M + spread	March 23	March 23
GALP ENERGIA/2018	100	Euribor 6M + spread	May 24	50% @ May 22 50% @ May 24
GALP ENERGIA/2018-2024	100	Euribor 6M + spread	May 24	May 24
GALP ENERGIA/2018-2024 Euro 200 M	200	Euribor 6M + spread	September 24	50% @ September 22 50% @ September 24
Bonds and Notes	650			

During the period ended 31 December 2018, the following bond loans were reimbursed:

Issuance	Due amount	Interest rate	Maturity	Reimburse
GALP ENERGIA/2012-2018 FRN	260	Euribor 3M + spread	February 18	February 18
GALP ENERGIA/2013-2018	110	Euribor 3M + spread	March 18	March 18
GALP ENERGIA/2013-2018 EURO 200M	25	Euribor 6M + spread	April 18	April 18
GALP ENERGIA/2012-2020	100	Euribor 6M + spread	June 20	September 2018
	495			

23. Post employment and other employee liabilities

Not applicable

24. Other payables

The caption “Other payables” as of 31 December 2018 and 2017, has the following detail:

Captions	2018		2017	
	current	non-current	current	non-current
State and other public entities:				
Value Added Tax	252	-	-	-
Personnel and corporate income tax withheld	147	-	239	-
Social security contributions	110	-	121	-
Loans - related parties (Note 28)	104,446	-	198,543	-
Personnel	53	-	52	-
Other creditors	36	-	12	-
	105,044	-	198,967	-
Accrued costs:				
External supplies and services	5	-	7	-
Accrued interest	43,983	-	40,278	-
Holiday pay, holiday subsidy and corresponding contributions	634	-	634	-
Productivity bonus	1,086	-	1,085	-
Medium and long term incentives	-	2,124	-	2,142
Financial costs	176	-	64	-
Other accrued costs	15	-	-	-
	45,899	2,124	42,068	2,142
Deferred income:				
Others	385	-	-	-
	385	-	-	-
	151,328	2,124	241,035	2,142

25. Provisions

Not applicable

26. Trade payables

As of 31 December 2018 and 2017, caption "Trade payables" had the following detail:

Captions	2018	2017
Trade payables – current account	400	261
Trade payables - pending invoices	168	174
	568	435

27. Other financial instruments - derivatives

Not applicable

28. Related parties

Balances and transactions with related parties in the years ended 31 December 2018 and 2017 were as follows:

Assets							2018
Companies	Total related parties	non-current		current			Accruals and deferrals (Note 14)
		Loans granted (Note 14)	Trade receivables (Note 15)	Loans granted (Note 14)	Other receivables (Note 14)	Current income tax receivable (Note 9)	
Subsidiaries	2,144,585	1,937,500	1,036	185,589	2,371	11,757	6,332
Joint ventures and associates	4,759	-	8	-	81	4,670	-
Other related entities	90	90	-	-	-	-	-
	2,149,434	1,937,590	1,044	185,589	2,452	16,427	6,332

The amounts of €1,937,590 k and €185,589 k recorded under loans granted in current and non-current assets relate to the following contracts:

Contract	Company	Amount		Interest rate	Reimbursement
		non-current	current		
350010000	ADENE-Agência para a Energia	90		Non remunerated	2022
3500140003	Petrogal, S.A.		30,000	Fixed Rate	2019
3500140003	Petrogal, S.A.	24,000		Fixed Rate	2020
3500140003	Petrogal, S.A.	15,000		Fixed Rate	2021
3500140003	Petrogal, S.A.	12,000		Fixed Rate	2022
3500140003	Petrogal, S.A.	12,000		Fixed Rate	2023
3500140003	Petrogal, S.A.	12,000		Fixed Rate	2024
3500140003	Petrogal, S.A.	3,000		Fixed Rate	2025
3500140004	Petrogal, S.A.		20,000	Fixed Rate	2019
3500140004	Petrogal, S.A.	16,000		Fixed Rate	2020
3500140004	Petrogal, S.A.	10,000		Fixed Rate	2021
3500140004	Petrogal, S.A.	8,000		Fixed Rate	2022
3500140004	Petrogal, S.A.	8,000		Fixed Rate	2023
3500140004	Petrogal, S.A.	8,000		Fixed Rate	2024
3500140004	Petrogal, S.A.	2,000		Fixed Rate	2025
3500140009	Petrogal, S.A.	477,500		Euribor 6M + Spread	2020
3500140010	Petrogal, S.A.	25,000		Euribor 6M + Spread	2024
3500140011	Petrogal, S.A.	1,305,000		Euribor 6M + Spread	2026
Cash pooling	Petrogal, S.A.		117,594	Market rate	2019
Cash pooling	Galp Power, S.A.		3,356	Market rate	2019
Cash pooling	Galp Exploração e Produção Petrolifera, S.A.		2,520	Market rate	2019
Cash pooling	Galp Marketing International, S.A.		4,348	Market rate	2019
Cash pooling	Portcogeração, S.A.		7,463	Market rate	2019
Cash pooling	Lisboagás Comercialização, S.A.		279	Market rate	2019
Cash pooling	Galp Exploração e Produção (East Timor), S.A.		20	Market rate	2019
Cash pooling	Galp Açores, S.A.		9	Market rate	2019
		1,937,590	185,589		

The amount of €6,332 k recorded in accruals and deferrals, in current assets, refers to interest accrued on loans granted on December 31, 2018 to other Group companies.

Assets

Companies	Total related parties	2017		2017		Current income tax receivable (Note 9)	Accruals and deferrals (Note 14)
		non-current	current	non-current	current		
		Loans granted (Note 14)	Trade receivables (Note 15)	Loans granted (Note 14)	Other receivables (Note 14)		
Subsidiaries	2,157,426	1,987,500	1,326	100,835	10,450	50,311	7,004
Joint ventures and associates	4,432	-	8	-	12	4,412	-
Other related entities	90	90	-	-	-	-	-
	2,161,948	1,987,590	1,334	100,835	10,462	54,723	7,004

The amount of €1,987,590 k and €100,835 k, recorded under loans granted in current and non-current assets relate to the following contracts:

Contract	Company	Amount		Interest rate	Reimbursement
		non-current	current		
350010000	ADENE-Agência para a Energia	90		Non remunerated	2022
3500140003	Petróleos de Portugal-Petrogal, S.A.		30,000	Fixed Rate	2018
3500140003	Petróleos de Portugal-Petrogal, S.A.	30,000		Fixed Rate	2019
3500140003	Petróleos de Portugal-Petrogal, S.A.	24,000		Fixed Rate	2020
3500140003	Petróleos de Portugal-Petrogal, S.A.	15,000		Fixed Rate	2021
3500140003	Petróleos de Portugal-Petrogal, S.A.	12,000		Fixed Rate	2022
3500140003	Petróleos de Portugal-Petrogal, S.A.	12,000		Fixed Rate	2023
3500140003	Petróleos de Portugal-Petrogal, S.A.	12,000		Fixed Rate	2024
3500140003	Petróleos de Portugal-Petrogal, S.A.	3,000		Fixed Rate	2025
3500140004	Petróleos de Portugal-Petrogal, S.A.		20,000	Fixed Rate	2018
3500140004	Petróleos de Portugal-Petrogal, S.A.	20,000		Fixed Rate	2019
3500140004	Petróleos de Portugal-Petrogal, S.A.	16,000		Fixed Rate	2020
3500140004	Petróleos de Portugal-Petrogal, S.A.	10,000		Fixed Rate	2021
3500140004	Petróleos de Portugal-Petrogal, S.A.	8,000		Fixed Rate	2022
3500140004	Petróleos de Portugal-Petrogal, S.A.	8,000		Fixed Rate	2023
3500140004	Petróleos de Portugal-Petrogal, S.A.	8,000		Fixed Rate	2024
3500140004	Petróleos de Portugal-Petrogal, S.A.	2,000		Fixed Rate	2025
3500140009	Petróleos de Portugal-Petrogal, S.A.	477,500		Euribor 6M + Spread	2020
3500140010	Petróleos de Portugal-Petrogal, S.A.	25,000		Euribor 6M + Spread	2024
3500140011	Petróleos de Portugal-Petrogal, S.A.	1,305,000		Euribor 6M + Spread	2026
Cash pooling	Galp Power, S.A.		23,818	Market rate	2018
Cash pooling	Galp Exploração e Produção Petrolífera, S.A.		23,373	Market rate	2018
Cash pooling	Galp Marketing International, S.A.		2,135	Market rate	2018
Cash pooling	Transgás, S.A.		919	Market rate	2018
Cash pooling	GDP-Gás de Portugal, S.A.		447	Market rate	2018
Cash pooling	Galp Exploração e Produção (East Timor), S.A.		108	Market rate	2018
Cash pooling	Galp Gas & Power, SGPS, S.A.		35	Market rate	2018
		1,987,590	100,835		

The amount of €7,004 k recorded in accruals and deferrals, in current assets, refer to interest accrued on loans granted as of 31 December 2017 to other Group companies.

Liabilities

Companies	Total related parties	Trade payables	current		Accruals and Deferrals
			Loans Obtained (Note 24)	Current income tax payable (Note 9)	
Subsidiaries	158,887	398	104,446	54,036	7
Joint ventures and associates	756	-	-	756	-
	159,643	398	104,446	54,792	7

The amount of €104,446 k, recorded under current loans, refers to the cash pooling of the Company with the following companies:

Company	Amount	Interest rate
Transgás, S.A.	269	Market
Galp Gás Natural, S.A.	45,838	Market
Sacor Marítima, S.A.	11,476	Market
GDP Gás de Portugal, S.A.	440	Market
Setgás Comercialização, S.A.	4,721	Market
Tanquisado - Terminais Marítimos, S.A.	143	Market
C.L.T. - Companhia Logística de Terminais Marítimos, S.A.	691	Market
Galpgeste - Gestão de Áreas de Serviço, S.A.	3,995	Market
Enerfuel S.A.	781	Market
Lisboagás Comercialização, S.A.	5,294	Market
Transgás Armazenagem - Soc. Portuguesa de Armazenagem de Gás Natural, S.A.	1,674	Market
Galp Madeira - Distrib. e Comercializ. de Combustíveis e Lubrificantes, S.A.	961	Market
Galp Gás & Power, SGPS, S.A.	19,905	Market
Galp Energia, S.A.	7,554	Market
Agroger-Sociedade de Cogeração do Oeste S.A.	693	Market
Galp Alentejo E&P, S.A.	11	Market
	104,446	

The amount of €54,792 k recorded in income tax relates to the tax payable to other Group companies, under the special regime for the taxation of Groups of companies (Note 9).

Liabilities

Companies	Total Related Entities	Trade payables	current		
			Loans Obtained (Note 24)	Current income tax payable (Note 9)	Accruals and Deferrals
Subsidiaries	214,890	223	198,543	16,117	7
Joint ventures and associates	143	-	-	143	-
	215,033	223	198,543	16,260	7

The amount of €16,260 k recorded in income tax relates to the tax payable to other Group companies, under the special regime for the taxation of groups of companies (Note 9).

Transactions

Companies	2018				
	Operating Expenses (Note 6)	Expenses with assigned personnel (Note 6)	Operating Income (Note 5)	Financial Expenses (Note 8)	Financial Income (Note 8)
Subsidiaries	1,384	582	(10,198)	1,401	(96,577)
Other companies	268	-	-	-	-
	1,652	582	(10,198)	1,401	(96,577)

Of the €1,652 k recorded in operating expenses, €210 k refers to costs with the Directors, charged by the shareholder Amorim Energia, BV and €1,340 k to the services rendered by the subsidiary Galp Energia, S.A., relating, in particular, to consulting services and support to business management in the areas of accounting, treasury, financial, administrative and logistics management, procurement and supply, fixed assets, auditing, information systems, human resources and training.

The amount of €10,198 k recorded in operating income refers to management services performed by the Company to its subsidiaries.

Transactions

	2017				
Companies	Operating Expenses (Note 6)	Expenses with assigned personnel (Note 6)	Operating Income (Note 5)	Financial Expenses (Note 8)	Financial Income (Note 8)
Subsidiaries	1,248	650	(8,443)	2,555	(96,139)
Other companies	200		-	-	-
	1,448	650	(8,443)	2,555	(96,139)

Of the €1,448 k recorded in operating expenses, €200 k refer to costs with the Directors, charged by the shareholder Amorim Energia, BV and €1,218 k to the services rendered by the subsidiary Galp Energia, S.A., relating, in particular, to consulting services and support to business management in the areas of accounting, treasury, financial, administrative and logistics management, procurement and supply, fixed assets, auditing, information systems, human resources and training.

The amount of €8,443 k recorded in operating income refers to management services performed by the Company to those subsidiaries.

29. Remuneration of the board

The remuneration of the board members of Galp Energia, SGPS, S.A. for the years ended 31 December 2018 and 2017 is detailed as follows:

	2018					
Company	Salary	Pension plans	Allowances for rent and travels	Bonuses	Other charges and adjustments	Total
Corporate Boards of Galp Energia, SGPS, S.A.						
Executive management	3,570	982	276	1,448	25	6,341
Non-executive management	588	-	-	-	-	588
Supervisory Board	92	-	-	-	-	92
General Assembly	4	-	-	-	-	4
	4,254	982	276	1,448	25	7,025

	2017					
Company	Salary	Pension plans	Allowances for rent and travels	Bonuses	Other charges and adjustments	Total
Corporate Boards of Galp Energia, SGPS, S.A.						
Executive management	3,567	982	276	449	28	5,302
Non-executive management	575	-	-	-	-	575
Supervisory Board	92	-	-	-	-	92
General Assembly	4	-	-	-	-	4
	4,238	982	276	449	28	5,973

Of the total amounts of €7,025 k and €5,973 k, recorded in the years ended 31 December 2018 and 2017 respectively, €6,815 k and €5,773 k were recorded in personnel costs (Note 6) and €210 k and €200 k were accounted for in External supplies and services.

Under the current policy, the remuneration of Galp's statutory board members includes all remuneration due for the exercise of positions in Group companies and the accruals related to amounts to be charged to this year.

Under IAS 24, key personnel are all persons with authority and responsibility to plan, direct and control the activities of the company, directly or indirectly, including any director, whether executive or non-executive. According to the interpretation of this standard by Galp Energia, the only persons that meet all these characteristics are the members of the Board of Directors.

30. Dividends

In accordance with the resolution of the General Shareholders' Meeting held on May 15, 2018, the shareholders of Galp Energia, SGPS, S.A. were assigned dividends in the amount of €456,088 k relating to the distribution of net income for the year 2017 corresponding to a dividend of €0.55 per share. Of this amount €207,313 k were paid to shareholders in September 2017.

In addition, the Board of Directors approved the payment of an interim dividend, in the amount of €228,044 k fully paid on September 20, 2018.

31. Oil and gas reserves

Not applicable

32. Financial risk management

Risk management

Galp is exposed to several types of risks, market (interest rate), liquidity and credit risks, inherent to the oil and natural gas industries, which affect its results.

Market risks

Interest rate risk

The total interest rate position is managed centrally. Interest rate exposure relates mainly to bank loans. Exposure to interest rate is mostly related with interest bearing bank debt. The objective of managing interest rate risk is to reduce the volatility of financial costs in the income statement. The interest rate risk management policy is aimed at reducing exposure to variable rates fixing interest rate risk on loans, using simple derivatives such as swaps.

Liquidity risk

Liquidity risk is defined as the amount by which profit and/or cash flow of the business are affected as a result of the Group's constraint to obtain the financial resources necessary to meet its operating and investment commitments.

The Company finances itself through cash flows generated by its operations, and also maintains a diversified portfolio of loans. The Company has access to credit amounts that are not fully subscribed but that are at its disposal. These credits can cover all loans that are repayable in 12 months. The available short and medium-long term lines of credit that are not being used are sufficient to meet any immediate demand.

Credit risk

Credit risk results from potential non-compliance by one of the parties, of contractual obligations to pay and so the risk level depends on the financial credibility of the counterparty. In addition, counterparty credit risk exists on monetary investments and hedging instruments. Credit risk limits are established by Group and are implemented in the various business segments. The credit risk limits are defined and documented and credit limits for certain counterparties are based on their credit ratings, period of exposure and monetary amount of the exposure to credit risk.

Receivables impairment is detailed in Notes 14 and 15.

33. Contingents assets and contingent liabilities

Pledged guarantees

As of 31 December 2018, responsibilities with pledged guarantees include the following:

- Guarantees of €35,686 k in benefit of the tax administration;
- Guarantees of €2 k in benefit of the Lisbon Port Authority;
- Guarantees of €1,650 k in benefit of "REN – Rede Eléctrica Nacional, S.A.";
- Guarantee in the amount of €473 k in benefit of Tax and Customs Authority;
- Guarantees in the amount of €83,929 k in benefit of third parties on behalf of Group companies;

- Guarantee in the amount of €150,000 k in respect of loan obtained;
- Credit substitute guarantees in the amount of €5,895 k;
- Guarantees in benefit of the government of the Democratic Republic of East Timor, government of S. Tomé and Príncipe and government of Namibia amounting to \$14,387 k, in connection with the oil exploration activities held in these territories;
- Guarantee in benefit of Oil Insurance Limited amounting to \$13,605 k .

As of 31 December 2018, commitments for credit letters amount to \$1,200 k .

In addition, under the financing of the Coral FLNG project, Galp Energia, SGPS shall provide a guarantee (DSU-Debt Service Undertaking) on the total amount owed at each moment in proportion to its participation. This guarantee must end at the time of the Actual Completion Date (estimated for the year 2024) if there are no outstanding obligations. As of 31 December 2018, the Galp portion of DSU amounted to €158,300 k . Also under this financing, Galp Energia, SGPS, S.A. provides a guarantee covering 1/9 of DSU on behalf of ENH (“Empresa Nacional de Hidrocarbonetos”, one of the members of the consortium of the Coral South FLNG project), which corresponds to the participation Galp on the total shareholdings excluding ENH. As of 31 December 2018, the Galp portion of the DSU relating to ENH amounted to €17,600 k.

34. Information regarding environmental matters

Not applicable.

35. Subsequents events

Not applicable.

36. Approval of the financial statements

The financial statements were approved by the Board of Directors on 12 March 2019.

Chairman

Paula Amorim

Vice-Chairmen

Miguel Athayde Marques

Carlos Gomes da Silva

Members

Filipe Crisóstomo Silva

Thore E. Kristiansen

Sérgio Gabrielli de Azevedo

Abdul Magid Osman

Marta Amorim

Raquel Vunge

Carlos Costa Pina

Francisco Teixeira Rêgo

Jorge Seabra de Freitas

José Carlos Silva

Pedro Ricardo

Tiago Câmara Pestana

Rui Paulo Gonçalves

Luís Todo Bom

Diogo Tavares

Joaquim Borges Gouveia

Accountant

Carlos Alberto Nunes Barata

37. Explanation added for translation

These financial statements are a translation of the financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union (Note 2.1) some of which may not conform to generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

9.5.b

Statutory Audit Report of the individual financial statements and Auditors' Report



Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Galp Energia S.G.P.S., S.A. (the Entity), which comprise the statement of financial position as at December 31, 2018 (which shows total assets of Euro 4,995,193 thousand and total shareholders' equity of Euro 1,796,429 thousand including a net profit of Euro 484,310 thousand), 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 the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Galp Energia S.G.P.S., S.A. as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted 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 recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of the Entity and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

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 judgement, were of most significance in our audit of the financial statements of the current year. 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	Summary of the Audit Approach
<p>Valuation of financial investments</p> <p><i>Disclosures related to financial investments are presented in the notes 2 and 4 of the financial statements.</i></p> <p>As at December 31, 2018, Galp Energia, SGPS, SA holds financial investments in subsidiaries and associates in the amount of Euro 2,801,167 thousand, which are valued at acquisition cost, deducted of impairment losses, when applicable. These financial investments are subject to impairment testing whenever there are indicators or changes in the underlying circumstances which indicate that the carrying value may not be recoverable. For that purpose, the recoverable amount is determined by the value in use, in accordance with the discounted cash flows method.</p> <p>The relevance of this matter in our audit is related to the significance of the amount and level of judgement involved in the impairment model. The calculation of the recoverable amount requires the use of estimates and assumptions by the management, which depend on economic and market estimates, namely those related to future cash-flows, growth rates for the perpetuity and discount rates used.</p> <p>As a result of the impairment testes performed by the management, no impairment losses were noted on the financial investments held by Galp Energia, S.G.P.S., S.A.</p>	<p>To assure the accurate valuation of the financial investments the following audit procedures were performed:</p> <ul style="list-style-type: none"> - evaluation of impairment indicators in the financial investments; and - obtaining and analyzing the impairment testing on financial investments, when applicable. <p>The analysis of the impairment testing, based on discounted cash flows models, considers the following procedures:</p> <ul style="list-style-type: none"> - verifying the mathematical accuracy of the model; - assessing the reasonableness of the future cash flows projections, from the comparison with historical performance; - evaluating the accuracy of the discount rate considered; and - evaluating the estimates and judgments assumed by the management, underlying the relevant assumptions supporting the model. <p>Additionally, we have verified the accuracy of the disclosures presented in note 4 of the financial statements, considering the requirements of the applicable accounting standard.</p>

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

- a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Entity in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;
- c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- d) the adoption of appropriate accounting policies and criteria; and
- e) the assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Entity's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Entity's financial information.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is 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:

- a) 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;
- b) 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;

- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- d) 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;
- e) 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;
- f) communicate with those charged with governance, including the supervisory board, 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;
- g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and
- h) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law, and verifying that the non-financial information was presented.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report including the information related to management, sustainability and governance (hereinafter referred as Integrated Report) has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Integrated report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Entity, no material misstatements were identified. As set forth in paragraph 7 of article No. 451 of the Portuguese Company Law, this opinion is not applicable to the non-financial information included in the Integrated report.

Non-financial information set forth in article No. 66-B of the Portuguese Company Law

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the entity included in its Integrated report the non-financial information set forth in article No. 66-B of the Portuguese Company Law.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Integrated report, in the information related to corporate governance, includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

- a) We were first appointed statutory auditors of the Entity in the Shareholders' General Meeting of April 16, 2015 for the period from 2015 to 2018.
- b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud.
- c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Entity's supervisory board as of March 12, 2018.
- d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Entity in conducting our audit.
- e) In addition to the services disclosed in the Integrated report of the Entity, we inform that, besides the audit services, the following additional services, permitted by law and regulation in force, were provided by us to the Entity and to the entities under control:

Other assurance services

- Limited review on the interim financial statements;
- Reasonable assurance report on financial ratios;

- Reasonable assurance report on the annual declaration of assets under the scope of the Oil Insurance Policy;
- Reasonable assurance report on the energy sector regulated accounts;
- Reasonable assurance report on the information prepared by the Company in relation to Underground Occupancy Rates pass-through to natural gas consumers;
- Reasonable assurance report on the statement for the calculation of the operating margin of the natural gas sales in the international market (trading);
- Reasonable assurance report on Man Power rate calculations; and
- Verification of sustainability information (Sustainability Report and Databooks);

Other non-assurance services

- Agreed upon procedures on the (i) quarterly statements of purchases of natural gas and (ii) annual statements of purchases of natural gas, in accordance with the reference terms issued by the regulatory entity of energy services (“ERSE – Entidade Reguladora dos Serviços Energéticos”);
- Agreed upon procedures report on the Galp Gás Natural, SA calculation criteria and validation of sales price to the last-resort wholesaler distributors (“Comercializadores de Último Recurso Grossista – CURG”), performed in accordance with the reference terms established on the Tariff Regulation issued by the regulatory entity of energy services (“ERSE – Entidade Reguladora dos Serviços Energéticos”);
- Agreed upon procedures report on the annual declarations related to physical quantities of last-resort retailers marketers (“Grandezas Físicas dos Comercializadores de Último Recurso Retalhistas (CURR)”);
- Agreed upon procedures report on the annual declaration related to extraordinary social support to energy consumers (“Apoio Social Extraordinário ao Consumidor de Energia – ASECE”);
- Agreed upon procedures report on the financial and tax declaration by country, referred as *Country-by-Country report*; and
- Agreed upon procedures report on the calculation of *Replacement Cost*.

March 12, 2019

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Ana Maria Ávila de Oliveira Lopes Bertão, R.O.C.

9.6.

Reports and opinion of the Audit Board

Audit Board's report and opinion

Dear Shareholders,

According to the legislation in force and the Company's By-laws, and under our mandate, we hereby present our opinion on the Management Integrated Annual Report (including the Corporate Governance Report), the individual and consolidated financial statements and the proposed allocation of results presented by the Board of Directors of Galp Energia, SGPS, S.A., with regard to the year ended 31 December 2018.

We have met several times with the statutory auditor/external auditor, monitoring the performance of their role.

We have monitored the process of preparation and disclosure of financial statements, as well as the legal certification of the accounts.

We have verified and supervised the independence of the statutory auditor/external auditor, in compliance with the applicable law, in particular verifying the adequacy and approving the provision of non-audit services.

We have reviewed the legal certification of the accounts and the audit report on the individual and consolidated accounts for the year 2018, and identified no exceptions.

Under the terms and for the purposes of Article 245, first paragraph, item c) of the Portuguese Securities Code and Article 420, the sixth paragraph of the Companies Portuguese Code, each of the below indicated members of the Audit Board declares that, to the extent of his/her knowledge, the management report, the financial statements, the legal certification of the accounts and any further accounting documents regarding the year of 2018 were prepared in compliance with the applicable accounting rules and gives a true and fair view of the assets, liabilities, financial position and profit or loss of Galp and the companies included in the consolidation, and that the management report includes a fair

view of the development of the business and the performance and position of Galp and the companies included in the consolidation, and includes a description of the main risks and uncertainties faced by Galp and the companies included in the consolidation in their operations.

Under the scope of our mandate, we have verified, and we hereby declare to the fullest extent of our knowledge, that:

- a) The accounting principles and the metrical criteria used are in line with IFRS, as adopted by the EU, and are adequate as to ensure an accurate representation of the assets and results of both the Company and the other companies included in the consolidation;
- b) The corporate governance chapter of the management report regarding the year of 2018 includes all the information required by Article 245-A of the Portuguese Securities Code.

Accordingly, taking into consideration the information received from the Board of Directors and other departments of the Company, as well as the conclusions set out in the legal certification of the accounts and the audit report on the individual and consolidated financial statements, we express our agreement with the management report, the individual and consolidated financial statements and the proposal of the application of results for the financial year 2018, so we are of the opinion that those documents should be approved at a General Shareholders' Meeting.

Lastly, the Audit Board wishes to express its gratitude to the Board of Directors and to the Executive Committee of Galp Energia, SGPS, S.A., whose continuing cooperation has greatly facilitated the exercise of the Audit Board's duties.

Lisbon, 12 March 2019

Daniel Bessa
Chairman

Gracinda Raposo
Member

Pedro Antunes de Almeida
Member

Annual activity report of the Audit Board for the financial year 2018

In accordance with paragraph 1 item g) of Article 420 of the Portuguese Commercial Companies Code (Código das Sociedades Comerciais [CSC]) and of paragraph 1 item g) of Article 8 of the regulations of the Audit Board of Galp Energia, SGPS, S.A. (hereinafter referred to as Galp or the Company), the Board hereby presents its report on the supervisory activities performed during 2018.

I. Introduction

According to the corporate governance model implemented by Galp, which consists of the Latin model set out in paragraph 1 item a) of Article 278 and paragraph 1 b) of Article 413, both from the CSC, the Audit Board is responsible for supervising the Company's activities.

The current Audit Board was elected at the general shareholders' meeting held on 16 April 2015, for the 2015-2018 term of office, and is comprised of three members, two of whom are independent in accordance with the criteria set out in paragraph 5 of Article 414 of the CSC.

All members of the Audit Board meet the compatibility criteria for the performance of their duties as laid down in paragraph 1 of Article 414-A of the CSC.

The main duties of the Audit Board stemming from the applicable legislation and the respective regulations refer to the following key areas:

- a) Continuous monitoring of the Company's activities, monitoring compliance with the law and Bylaws, and overseeing the Company's management;
- b) Monitoring compliance with accounting policies and practices, as well as the preparation and disclosure of financial information, and supervising the audit of the accounts included in the Company's accounting documents;
- c) Monitoring the effectiveness of the systems of risk management and internal control, assessing annually with the Executive Committee the internal control and audit procedures and any issues raised about the accounting practices adopted by the Company, addressing to that Committee such recommendations as it may deem fit;
- d) Overseeing the adoption by the Company of the principles and policies for the identification and management of key risks of

a financial and operational nature related to the Company's business, and ensuring and monitoring the adequate and timely control and disclosure of such risks;

- e) Receiving reports of irregularities on the part of shareholders, Company employees or others;
- f) Proposing to the general shareholders' meeting the appointment of the Statutory Auditor or the statutory auditing company;
- g) Appointing or dismissing the Company's External Auditor and assessing its activity each year through a critical appraisal of the reports and documentation created in the course of their duties; and
- h) Monitoring the independence of the External Auditor, especially in relation to the provision of additional services.

II. Activities performed by the Audit Board in relation to the financial year 2018

In the course of its duties, the Audit Board had access to all information relating to the Company and its collaborators, to enable the appraisal of the performance, current situation and the further development prospects of the Company, and had access to all other documents and clarifications from the persons from which they were requested.

During 2018, the Audit Board held 16 meetings and implemented various measures in the course of its duties, of which the following are highlighted:

1. Continuous monitoring of the Company's activity, monitoring compliance with the law and the Company's By-laws, and overseeing the Company's management

Ongoing monitoring of the Company during 2018 was undertaken, in particular, through meetings with the heads of Galp's central corporate divisions, most regularly the Internal Audit Department, the Risk Management Department and the Legal & Governance Department. Further, the Audit Board has requested the attendance of the heads of Corporate Finance, Strategy and Investor Relations and Corporate Planning and Control to provide information related to the Company's activities.

The Audit Board met also regularly with the Statutory Auditor/ External Auditor and the head of the Accounts Department, and met once with the Chairman of the Board of Directors and the Executive Director responsible for finance.

Further, members of the Audit Board attended the meetings of the Board of Directors at which the quarterly, half-yearly and annual accounts were approved, along with the annual plan and budget.

As part of the exercise of its functions, the Audit Board provided, at the Board of Directors meeting held on October 14, 2018, a favorable opinion regarding Galp's strategic plan, as defined by the Board of Directors.

During 2018, the Audit Board also monitored the functioning of Galp's corporate governance system and its compliance with legal requirements, regulations and By-laws, and monitored legislative and regulatory developments in the field of corporate governance, in particular in relation to the new Corporate Governance Code issued by the Portuguese Institute of Corporate Governance, which was adopted by Galp, as well as monitoring the process of improving the Company's corporate governance structures.

As part of its monitoring of corporate governance matters, the Audit Board also reviewed the Corporate Governance Report for 2018, confirming that the report includes the information required by Article 245-A of the Portuguese Securities Code (Código dos Valores Mobiliários [CVM]) and by CMVM (Comissão do Mercado de Valores Mobiliários [Portuguese Securities Market Commission]) Regulation No. 4/2013.

2. Monitoring compliance with the accounting policies and practices and with the requirements for the preparation and disclosure of financial information and for the statutory audit of the accounts

The Audit Board monitored the accounting policies, criteria and practices and the reliability of the financial information, based on the information received from the Accounts Department and the reports of the Statutory Auditor/External Auditor, and on an appraisal of the findings of the audits and of the evaluation procedures performed during the year by the Statutory Auditor/External Auditor.

The Audit Board reviewed the documents relating to the 2018 audit and the legal certification of the accounts, and issued a favourable opinion thereupon.

3. Monitoring and overseeing the effectiveness of the internal-control and risk-management systems, and performing an annual review of the workings of systems and internal procedures

During 2018, the Audit Board carried out various actions aimed at monitoring, supervising and evaluating the work and adequacy of Galp's internal control, risk management and internal audit systems, either based on the reporting of information by the

Internal Audit and Risk Management departments, or using the internal control report issued by the External Auditor.

As part of its supervisory duties, the Audit Board was also charged with supervising the implementation by the Company of the principles and policies for the identification and management of key financial and operational risks associated with Galp's business, as well as reviewing the measures in place to monitor, control and disclose the risks, in accordance with the objectives established by the Board of Directors.

The Audit Board evaluated the Company's compliance with the strategic plan and budget, risk management, as well as the internal functioning of the Board of Directors and its committees, as well as the relationships between the Company's corporate bodies and committees.

The Audit Board's understanding is that the Executive Committee and the Board of Directors have placed increasing importance on the development and improvement of risk management, internal control and internal audit systems, in line with the Corporate Governance Code issued by the Portuguese Institute of Corporate Governance.

4. Supervision of the activities of the Internal Audit and Compliance Departments

During 2018, the Audit Board supervised the activities of the Internal Audit Department, which formally reports to this Committee, through the monthly monitoring of the implementation of the respective annual audit plan approved by the Audit Board and of information on the allocation of resources received through periodic audit reports from the Internal Audit Department.

The Internal Audit Department verified that the risk management, internal control and internal audit systems were functioning properly, and assessed the effectiveness and efficiency of the implementation of controls and mitigation systems. These activities were carried out independently and systematically, and the most significant comments and recommendations were brought to the attention of the Audit Board, together with opportunities for improvement and corrective measures.

The Audit Board also believe that the Internal Audit Department's plan of activities, assessment of the system of internal control and the use of the resources allocated was performed efficiently and in compliance with the established procedures.

The Audit Board approved the annual plan of Compliance activities presented by the Legal and Governance Department.

5. Annual assessment of the activity of the Company's External Auditor

The Audit Board performed its duties as the Company's primary interlocutor with the External Auditor and as the first recipient of the information prepared by it, having provided the External Auditor with the information and other appropriate conditions required for the effective performance of its duties.

During 2018, the Audit Board assessed the activities of the External Auditor, having monitored these on a regular basis, in particular through the critical appraisal of the reports and documentation that it produced in the course of its duties.

In its annual assessment, the Audit Board considers that the External Auditor provided its services in a satisfactory manner in accordance with the defined work plan, having complied with the applicable rules and regulations, and displayed technical rigour in its activities and that its conclusions – particularly with regard to the legal certification of the accounts – and recommendations were prompt, efficient and high-quality.

The External Auditor confirmed to the Audit Board that it did not detect any relevant irregularities in relation to the Audit Board's discharge of its duties, and that it did not encounter any difficulties whilst carrying out its duties.

As part of verifying the External Auditor's compliance with the rules regarding independence, the Audit Board monitored, during 2018, the provision of non-audit services, which require the prior approval of the Audit Board, after confirming that these do not impact the independence of the External Auditor.

Non-audit services represented 47.7% of the average fee paid to the Auditor over the last three years (2015, 2016 and 2017) for audit services to Galp and to entities under Galp's control. Therefore, this figure is below the limit of 70% established in Article 4 paragraph 2 of EC Regulation number 537/2014 (European Audit Regulation).

With a view to appointing the External Auditor and selecting the Statutory Auditor to be proposed to the General Shareholders' Meeting for the new term beginning in 2019 and ending in 2022, the Audit Board monitored the tender process launched by the Accounting and Procurement Departments of Galp Energia, S.A., having approved the rules governing the respective process, defined the criteria and the selection process. Following the technical and economic evaluation of the proposals received, the Audit Board has decided to select the proposal presented by Ernst & Young Audit & Associados, SROC, S.A. as the most favorable, which will be proposed to be elected by the General Shareholders Meeting as the Statutory Auditor.

6. Company's transactions with related parties

During 2018 there were no related-party transactions subject to the prior opinion of the Audit Board under "Regulations applicable to related-party transactions by the Galp group".

7. Reporting irregularities

In accordance with best corporate governance practice and the applicable market rules, as well as with the principles of fairness, correctness, honesty, transparency and integrity on the basis of which Galp conducts its business, the Galp Irregularity Reporting - Ethics Line Procedure, available on its website and through the Company intranet, governs the mechanism for reporting to the Audit Board, through Galp's Committee of Ethics and Conduct, any alleged irregularities or breaches of the Code of Ethics or the rules that constitute it or that deal with related matters in the fields of accounting, internal accounting controls, auditing, anti-corruption and banking and financial crime occurring at Galp group companies.

In the course of 2018, Galp's Committee of Ethics and Conduct held periodic meetings with the Audit Board to report any communications received and assess which of these to escalate.

As part of the fulfillment of the reporting obligation provided for in point 8 of Galp's Committee of Ethics and Conduct Regulations, this Committee presented to the Audit Board the annual report on the communications received in 2018, the procedures adopted and any actions/measures proposed.

Lastly, the Audit Board would like to express its thanks to the Board of Directors and to the Executive Committee of Galp for the co-operation provided in the course of their duties.

Lisbon, 12 March 2019

Daniel Bessa
Chairman

Gracinda Raposo
Member

Pedro Antunes de Almeida
Member

9.7.

Independent limited assurance report**Independent Assurance Report**

*** (Free translation from the original in Portuguese)**

To the Board of Directors

Introduction

1 We were engaged by the Board of Directors of Galp Energia, SGPS, S.A. (“Galp” or “Company”) to perform a reasonable assurance engagement on the indicator identified in the paragraph 4 below and a limited assurance engagement on the sustainability information also mentioned in that paragraph, which integrates the sustainability information included in the Integrated Report 2018, for the year ended in December 31, 2018, prepared by the Company for the purpose of communicating its annual sustainability performance.

Responsibilities

2 It is the responsibility of the Board of Directors to prepare the sustainability information identified in the paragraph 4 below, included in the Integrated Report 2018, in accordance with the sustainability reporting guidelines “Global Reporting Initiative” version GRI Standards and with the instructions and criteria disclosed in the Integrated Report 2018, as well as for the maintenance of an appropriate internal control system that enables the adequately preparation of the mentioned information.

3 Our responsibility is to issue an assurance report, which is professional and independent, based on the procedures performed and specified in the paragraph below.

Scope

4 The work performed was conducted in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) “Assurance engagements other than audits or reviews of historical financial information”, issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. This standard requires that we plan and perform the assurance engagement to obtain an assurance level:

4.1 reasonable on whether Galp’s Carbon Footprint 2018 (scopes 1 and 2), and

4.2 limited on whether 2018 remaining sustainability information,

is free from material misstatement.

5 For this purpose the above mentioned work included:

- (i) Inquiries to management and senior officials responsible for areas under analysis, with the purpose of understanding how the information system is structured and their awareness of issues included in the report;
- (ii) Identification of the existence of internal management procedures leading to the implementation of economic, environmental and social policies;

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Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. pertence à rede de entidades que são membros da PricewaterhouseCoopers International Limited, cada uma das quais é uma entidade legal autónoma e independente.

- (iii) Testing, on a sampling basis, the efficiency of processes and systems in place for collection, consolidation, validation and reporting of the performance information previously mentioned, through calculations and validation of reported data;
- (iv) Confirmation that operational units follow the instructions on collection, consolidation, validation and reporting of performance information;
- (v) Execution of substantive procedures, on a sampling basis, in order to collect evidence of the reported information;
- (vi) Comparison of financial and economic data included in the sustainability information with the audited by PricewaterhouseCoopers & Associados, SROC, Lda, in the scope of the legal review of Galp's financial statements for the year ended in December 31, 2018;
- (vii) Analysis of the process for defining the materiality of the sustainability issues, based on the materiality principle of GRI Standards and on the AA1000 Accountability Principles (AA1000AP), according to methodology described by the Company in the Report;
- (viii) Verification that the sustainability information included in the Report complies with the requirements of GRI Standards, for the option "In accordance – Comprehensive".

6 In addition, for the purpose of reasonable assurance work, we performed analytical and substantive tests, and based on defined materiality criteria we assured the adequate application of reporting criteria defined by Company in the Carbon Footprint 2018 calculation, disclosed in the Integrated Report 2018.

7 In the limited assurance work, the procedures performed were more limited than those used in an engagement to obtain reasonable assurance and, therefore, less assurance was obtained than in a reasonable assurance engagement.

8 We believe that the procedures performed provide an acceptable basis for our conclusion.

Quality control and independence

9 We apply the International Standard on Quality Control 1 (ISQC1) and, accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

10 We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and of the ethics code of the Institute of Statutory Auditors.

Conclusion on the reasonable assurance work

11 Based on the work performed, it is our opinion that the Galp's Carbon Footprint 2018 (scopes 1 and 2), included in the Integrated Report 2018, for the year ended in December 31, 2018, was prepared, in all material respects, in accordance with GRI Standards requirements and with the instructions and criteria disclosed on it.

Conclusion on the limited assurance work

12 Based on the work performed, nothing has come to our attention that causes us to believe that the remaining sustainability information, included in the Integrated Report 2018, for the year ended in December 31, 2018, was not prepared, in all material respects, in accordance with GRI Standards requirements and with the instructions and criteria disclosed on it, and that Galp has not applied, in the

sustainability information included in the Integrated Report 2018, the GRI Standards, for the option “In accordance – Comprehensive”.

Restriction on use

13 This report is issued solely for information and use of the Board of Directors of the Company for the purpose of communicating the annual sustainability performance in the Integrated Report 2018, and should not be used for any other purpose. We will not assume any responsibility to third parties other than Galp by our work and the conclusions expressed in this report, which will be attached to the Company's Integrated Report 2018.

March 12, 2019

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

António Brochado Correia, R.O.C.

*** (This is a translation, not to be signed)**

9.8.

Compulsory statements**1. Corporate bodies**

The composition of Galp's governing bodies for the period 2015-2018 is as follows:

Board of the General Meeting**Chairman:**

Daniel Proença de Carvalho

Vice-Chairman:

Victor Manuel Pereira Dias

Secretary:

Maria Helena Claro Goldschmidt

Board of Directors**Chairman:**

Paula Fernanda Ramos Amorim

Vice-Chairmen:

Miguel José Pereira Athayde Marques

Carlos Nuno Gomes da Silva

Members:

Filipe Quintin Crisóstomo Silva

Thore Ernst Kristiansen

Sérgio Gabrielli de Azevedo

Abdul Magid Osman

Marta Cláudia Ramos Amorim Barroca de Oliveira

Raquel Rute da Costa David Vunge

Carlos Manuel Costa Pina

Francisco Vahia de Castro Teixeira Rêgo

Jorge Manuel Seabra de Freitas

José Carlos da Silva Costa

Pedro Carmona de Oliveira Ricardo

João Tiago Cunha Belém da Câmara Pestana

Rui Paulo da Costa Cunha e Silva Gonçalves

Luís Manuel Pego Todo Bom

Diogo Mendonça Rodrigues Tavares

Joaquim José Borges Gouveia

Executive Committee**Chairman:**

Carlos Gomes da Silva (CEO)

Members:

Filipe Crisóstomo Silva (CFO)

Thore E. Kristiansen

Carlos Costa Pina

José Carlos Silva

Tiago Câmara Pestana

Pedro Ricardo

Company Secretary**Standing:**

Rui Pedro de Oliveira Neves

Alternate:

Maria Helena Claro Goldschmidt

Audit Board**Chairman:**

Daniel Bessa Fernandes Coelho

Member:

Gracinda Augusta Figueiras Raposo

Member:

Pedro Antunes de Almeida

Alternate:

Amável Alberto Freixo Calhau

Statutory Auditor**Standing:**

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. represented by Ana Maria Ávila de Oliveira Lopes Bertão

Alternate:

José Manuel Henriques Bernardo

2. Treasury shares

Galp holds no treasury shares. During the financial year 2018, Galp did not acquire or sell any treasury shares.

3. Information on the shareholdings of the members of the management and supervisory bodies as at 31 December 2018

	Period from 1 January to 31 December 2018							
	Total shares as at 31.12.2017	Date	No. of shares	Purchase Value (€/share)	Date	No. of shares	Disposal Value (€/share)	Total shares as at 31.12.2018
Members of the Board of Directors								
Paula Amorim*	-							-
Miguel Athayde Marques	1,800							1,800
Carlos Gomes da Silva ¹	2,410							2,410
Filipe Crisóstomo Silva ²	10,000							10,000
Thore E. Kristiansen ²	-							-
Sérgio Gabrielli de Azevedo	-							-
Abdul Magid Osman	-							-
Marta Amorim *	19,263 ^[1]							19,263
Raquel Vunge	-							-
Carlos Costa Pina ²	-	2.3.2018	1,000	14,5				2,200
		14.11.2018	1,200	13,9				
Francisco Teixeira Rêgo*	17,680							17,680
Jorge Seabra de Freitas*	-							-
José Carlos Silva ²	275							275
Pedro Ricardo ²	5,230							5,230
Tiago Câmara Pestana ²	-							-
Rui Paulo Gonçalves*	-							-
Luís Todo Bom	-							-
Diogo Tavares	2,940							2,940
Joaquim Borges Gouveia	-							-
Members of the Audit Board								
Daniel Bessa	-							-
Gracinda Raposo	-							-
Pedro Antunes de Almeida	5							5
Amável Calhau	-							-
Statutory Auditor								
PricewaterhouseCoopers & Associados, Lda.	-							-
José Manuel Henriques Bernardo	-							-

*For the effects of Article 447, par. 2, sub-par. d) of the Commercial Companies Code, it is hereby provided that Amorim Energia B.V., for which the respective director also exercises management functions, is the holder of 276,472,161 Galp's shares.

¹ Stock ownership held by the CEO expressed as a multiple of the CEO's annual fixed salary: 0.0391.

² Average stock ownership by Executive Officers (other than the CEO) expressed as a multiple of the average Executive Officer's annual fixed salary: 0.1629.

4. Company Directors' business

During the fiscal year 2017, no authorisations were requested from the members of the Board of Directors of Galp to carry out business with the Company, or with companies that have an ownership or group relationship with the Company.

5. Exercise of other activities by the Directors

During the fiscal year 2017, none of the directors of Galp exercised any temporary or permanent functions under a labour, subordination or autonomous agreement, with the Company or companies that have an ownership or group relationship with the Company.

The employment agreement of the director José Carlos da Silva Costa with Galp Energia, S.A., a group company, has remained suspended since he was first nominated as a member of the Board of Directors of Galp on 23 November 2012.

On the date upon which the director Pedro Carmona de Oliveira Ricardo was nominated (16 April 2015), the employment agreement into which he entered into with Galp Gás Natural, S.A., a company that has an ownership or group relationship with Galp, was suspended.

6. Creditors' positions in relation to related companies

See Note 28 of the Appendix to the individual financial statements of Galp.

9.9.

Biographies of the members of the management and supervisory bodies and the members of the Remuneration Committee

Board of Directors

Chairman | Paula Amorim

Born in Porto, Portugal, Paula Amorim has been a member of Galp's Board of Directors since April 2012, Vice-Chairman from 2015 to 2016 and Chairman since October 2016.

Representing the fourth generation of the largest and most successful Portuguese Family Business Group, with almost 150 years of history, Paula Amorim is the Chairman of Amorim Investimentos e Participações, SGPS, S.A., which includes in its portfolio Corticeira Amorim, the world's largest cork producer.

She also holds the position of Chairman of the Américo Amorim Group, Amorim Holding II, SGPS.

In 2005, Paula Amorim founded her own company, Amorim Fashion. Five years later she founded the Amorim Luxury Group.

Her personal interest and experience in the fashion industry were determining factors in making the Family Group a major investor in Tom Ford International (TFI), where she is a member of the Board of Directors.

In November 2018 she acquired, in partnership with Vanguard, assets of the Herdade da Comporta Fund, marking a new and important step in her strategy of growth and positioning as a Portuguese and International Hotel and Lifestyle Brand of the highest quality.

Paula Amorim studied Real Estate Management at the Escola Superior de Atividades Imobiliárias.

Vice-Chairman | Miguel Athayde Marques

Miguel Athayde Marques was born in Lisbon, Portugal on 29 April 1955. He is an independent member of Galp's Board of Directors since November 2012 and Vice-Chairman since October 2016.

He is Vice-rector of the Universidade Católica Portuguesa and Professor at the Faculty of Economics and Management of Católica Lisbon School of Business & Economics, responsible for the areas of Corporate Governance and International Business. He has been non-executive independent director of Brisa, Concessões Rodoviárias, S.A. since December 2010 and a member of the Monitoring Committee of Novo Banco, S.A. since January 2018.

Before joining Galp he was Chairman of the Board of Directors of Euronext Lisbon S.A. and Interbolsa, S.A., and Executive Director of Euronext N.V. (Amsterdam), between January 2005 and June 2010. During this period, he was Non-executive Director of Euronext Amsterdam, Euronext Brussels and Euronext Paris. Between April 2007 and June 2010, he was a member of the Management Committee of the New York Stock Exchange. He was also Executive Director of Caixa Geral de Depósitos (between 2000 and 2004) and of Jerónimo Martins (between 1996 and 2000). Before that, he was Chairman of the Board of Directors of AICEP (between 1992 and 1996).

Miguel Athayde Marques holds a degree, with distinction, in Business Administration and Management from Universidade Católica Portuguesa and a Doctorate (Ph.D) in Business Management from the University of Glasgow, School of Financial Studies.

Vice-Chairman | Carlos Gomes da Silva

Carlos Gomes da Silva was born in Porto, Portugal, on 25 February 1967. He has been a member of Galp's Board of Directors since 2007 and Vice-chairman of the Board of Directors and Chairman of the Executive Committee since April 2015.

He is a professional with 30 years of experience in different industries, in particular in the energy industry. Carlos Gomes da Silva joined Galp/Petrogal early in the 1990s, where he played several management roles leading in the operating areas of Refining, Supply & Trading, Planning & Control and Strategy.

From 2001, and for a period of six years, he worked in the beverages industry (at Unicer, a Carlsberg group company) as Head of M&A and Strategy, and subsequently as Executive Director (COO). In his return to the energy industry in 2007 he was appointed member of the Board of Directors of Galp, having performed several executive roles as Executive Director namely

for the marketing of oil, gas & power, trading of oil & gas and corporate divisions.

Carlos Gomes da Silva holds a Degree in Electrical Engineering and Computer Science by the School of Engineering of the Porto University and an MBA by ESADE/IEP (Barcelona).

Member | Filipe Crisóstomo Silva

Filipe Crisóstomo Silva was born in Lisbon, Portugal, on 4 July 1964. He has been a member of the Board of Directors and Chief Financial Officer (CFO) of Galp since July 2012.

Since 1999 and before joining Galp, he was responsible for the investment banking areas of Deutsche Bank in Portugal, and since 2008 has also been the CEO of Deutsche Bank in Portugal.

Filipe Crisóstomo Silva is a graduate in economics and financial management and holds a Masters in financial management, both from the Catholic University of America, Washington D.C.

Member | Thore E. Kristiansen

Thore E. Kristiansen was born in Stavanger, Norway, on 4 July 1961. He is an executive member of Galp's Board of Directors and has been a member of the Executive Committee since October 2014, responsible for Galp's Exploration & Production business unit.

He was Senior Vice-Chairman for South America at Statoil, and was the CEO of Statoil Brazil from January 2013 until he joined Galp. He has been with Statoil for more than 25 years, with responsibility for the distribution of oil products, trading and business negotiation in Norway, the UK, Denmark and Germany, as well as in the areas of exploration and production, with a special focus on Norway, sub-Saharan Africa and South America, and also corporate functions, particularly in finance and M&A, as the Investor Relations Officer. He was also the CEO of Statoil Germany and Statoil Venezuela.

Thore E. Kristiansen holds a degree in Management from the Norwegian School of Management and a Master's of Science degree in Petroleum Engineering from the University of Stavanger, Norway.

Member | Sérgio Gabrielli de Azevedo

Sérgio Gabrielli de Azevedo was born in Salvador, Brazil, on 3 October 1949. He has been an independent non-executive member of Galp's Board of Directors since July 2012.

He was the Secretary of Planning of the State Government of Bahia between March 2012 and December 2014 and was a non-executive member of the Board of Directors of Itausa S.A. until March 2015. Before joining Galp he was a member of the Board of Directors and CEO of Petrobras between July 2005 and February 2012. He was also CFO and Director of Investor Relations of Petrobras between 2003 and 2005.

He was also a member of the Boards of Directors of Desenbahia – State Development Agency of Bahia and of CAR – Companhia de Desenvolvimento e Ação Regional.

Sérgio Gabrielli de Azevedo holds a degree and Masters in Economics from the Universidade Federal da Bahia and a doctorate in Economics from Boston University. He was a visiting researcher at the London School of Economics and Political Science in 2000.

Member | Abdul Magid Osman

Abdul Magid Osman was born in Maputo, Mozambique, on 11 June 1944. He is an independent non-executive member of Galp's Board of Directors since July 2012.

He is also founder and Chairman of the BIOFUND Foundation (biodiversity protection) since 2011, Chairman of the Board of Directors of Épsilon Investimento since 2007 and is Chairman of the Board of Directors and of the Executive Committee of Tchuma Cooperativa de Crédito e de Poupança.

Before joining Galp he was Minister of Finance from 1986 to 1991 and Minister of Mineral Resources of Mozambique between 1979 and 1983. He was a non-executive director of Mercantile Bank, in South Africa, from 2002 to 2007 and Chairman of the Board of Directors and of the Executive Committee of BCI - Banco Comercial de Investimentos.

He was Director of the Management, Development and Governance Division in the United Nations Development Programme (UNDP), managing the programme with projects in over 60 countries.

Abdul Magid Osman has a degree in Economic and Financial Sciences from the Instituto Superior de Economia of Lisbon.

Member | Marta Amorim

Marta Amorim was born in Espinho, Portugal, on 29 April 1972. She is a non-executive member of Galp's Board of Directors since October 2016.

Marta Amorim currently serves as Vice-Chairman of the Américo Amorim Group and is a member of the Board of Directors of Amorim Energia B.V.

Marta Amorim holds a degree in Business Administration and Management from the Universidade Católica Portuguesa and has several years of experience in the banking sector, namely in Banco Nacional de Crédito (currently named Banco Santander Totta, S.A.).

Member | Raquel Vunge

Raquel Vunge was born in Luanda, Angola, on 30 June 1967. She has been a non-executive member of Galp's Board of Directors since October 2014.

She is also a Member of the Board of Directors of Banco Comercial Português and Caixa Angola.

In recent years, she has also been a member of the Board of Directors and the CFO of Sonangol EP, as well as having other responsibilities with Sonangol EP from 1997, including being Director of Finance between 2010 and 2012, the Head of Central Treasury from 2001 to 2010 and an Accounts Analyst at the Accounting and Finance Department until 2001.

Raquel Vunge holds a degree in Management from the Lisbon Instituto Superior de Gestão (School of Management).

Member | Carlos Costa Pina

Carlos Costa Pina was born in Lisbon, Portugal, on 14 December 1970. He has been an executive member of Galp's Board of Directors and a member of the Executive Committee since April 2012, and he is responsible for corporate services and the New Energy business area.

Previously he worked in Technology, Media and Telecommunications, real estate and services companies in the Ongoing group (Portugal and Brazil). He was Secretary of

State for Treasury and Finance in the XVII and XVIII Portuguese Constitutional Governments (2005-2011) and therefore had roles at several international financial institutions. He has also been a director at CMVM (the Portuguese Securities Market Regulator) (2000-2005), a member of the Advisory Board of the Insurance Institute of Portugal (2001- 2005) and a lawyer with his own legal practice, particularly in oil exploration and production (1994-1998). He was also a lecturer at the Lisbon Law School, where he is studying for his doctorate.

Carlos Costa Pina is the author of numerous published works and holds a degree in Law and a Masters in Legal and Business Science from the School of Law, University of Lisbon.

Member | Francisco Teixeira Rêgo

Francisco Teixeira Rêgo was born in Porto, Portugal, on 9 July 1972. He has been a non-executive member of the Board of Directors since April 2015.

He has been a Director of Amorim Holding II and other companies in the Américo Amorim Group since 2004. From 2002 to 2004 he worked in the Commercial Department of SODESA, S.A., an electricity trading company. From 1997 to 2002 he was at ECOCICLO, an Energy Engineering, Audit and Consulting company.

Francisco Teixeira Rêgo graduated in Mechanical Engineering at the School of Engineering of Porto University and completed an Advanced Postgraduate course in Quantitative Management Methods at the School of Management from Porto University.

Member | Jorge Seabra de Freitas

Jorge Seabra de Freitas was born in Porto, Portugal, on 27 February 1960. He is a non-executive member of Galp's Board of Directors since November 2012.

He has also been a director of Amorim Holding II since August 2011. Before joining Galp, he was Chairman of the Board of Directors of Coelima Indústrias Têxteis, S.A., between January 1992 and May 2011.

Jorge Seabra de Freitas holds a degree in Economics from the Porto School of Economics, as well as from the International Executive and Competitive Strategy Programme, both from INSEAD.

Member | José Carlos Silva

José Carlos Silva was born in Porto, Portugal, on 5 January 1963. He has been a member of Galp's Board of Directors since November 2012 and a member of the Executive Committee since December 2012. As Chief Operating Officer (COO) is responsible for the corporate services of Engineering, Project Management and Procurement.

With over three decades of experience in Procurement, Supply Chain and Project Management, he is the Chief Operating Officer (COO) of Refining and Trading Oil, after several leadership roles at the Company, namely as Chief Corporate Officer in the 2012-2014 period as a member of the Executive Committee. His professional experience also includes working in the automotive and tourism industries.

José Carlos da Silva Costa holds a degree in Chemical Engineering from the Porto Instituto Superior de Engenharia (School of Engineering) and specialised training in Quality Management, Information Systems and Innovation.

Member | Pedro Ricardo

Pedro Ricardo was born in Lisbon, Portugal, on 20 December 1964. He is a member of Galp's Board of Directors and Executive Committee since April 2015, responsible for the Gas & Power business unit.

In 1994 he joined Transgás, the company which introduced natural gas to Portugal, where he was the head of Natural Gas Procurement and Sales. In 1998 he was appointed Executive Director of Transgás, responsible for supplies, engineering, operations and maintenance. Between 2002 and 2005 he was executive director of GDP Distribuição, Galp group's sub-holding company in the gas distribution sector, and the executive director of some natural gas distribution companies. Between 2006 and 2015 he was a board member of Galp Gás Natural, S.A. responsible for Supply and Trading of Gas and Electricity.

Pedro Ricardo holds a degree in Chemical Engineering from the Instituto Superior Técnico in Lisbon and holds an MBA from Universidade Nova de Lisboa.

Member | Tiago Câmara Pestana

Tiago Câmara Pestana was born in Porto, Portugal, on 4 September 1964. He is an executive member of Galp's Board of Directors and of the Executive Committee since April 2015, responsible for Iberian and International Oil Marketing.

Between 1999 and 2014, he was the CEO of Dia Portugal Supermercados. Prior to that, he was Executive Director of Lojas de Conveniência Extra, Executive Director of the Jumbo hypermarket network in Portugal and Spain, Executive Director of the Pão de Açúcar group, Portugal, where he was responsible for the management of the Minipreço chain, between 1998 and 1999.

Tiago Câmara Pestana holds a degree in Aeronautical Engineering from the University of Salford (UK) and a Masters in Administrative and Industrial Sciences from City University (UK).

Member | Rui Paulo Gonçalves

Rui Paulo Gonçalves was born in Porto, Portugal, on 30 May 1967. He has been a non-executive member of Galp's Board of Directors since May 2008.

He has also been a Director and General Manager of Amorim – Investimentos Energéticos, SGPS, S.A. since December 2007. He is still the Chairman of the Board of the General Shareholders' Meeting of Amorim Holding II, SGPS, S.A.

Before joining Galp, he practised Law in Porto and was visiting Lecturer at the Portuguese Institute of Administration and Marketing on the degree course and on various post-graduate courses between 2004 and 2007. He was legal adviser to the Unicer Group from 2002 and 2007 and, at the same time, the Deputy Director of the legal office of the same group.

Rui Paulo Gonçalves has a post-graduate degree in Management for law graduates from the School of Economic and Business Sciences of the Universidade Católica and a Degree in Law from the Law School of the same university.

Member | Luís Todo Bom

Luís Todo Bom was born in Luanda, Angola, 1 May 1948. He is an independent non-executive member of Galp's Board of Directors since November 2012.

He is also non-executive Chairman of Multitel Angola, non-executive director of Onyria SGPS and of Onyria Internacional (Onyria group), visiting lecturer at Universidade Europeia and visiting associate lecture at ISCTE between 1982 and March 2017.

Before joining Galp, he was Non-executive Director of Taguspark between 2010 and 2012, Non-executive Director of Chamartín Imobiliária, SGPS, S.A. between 2007 and 2009, Non-executive Director of Companhia de Seguros Sagres, S.A., between 2003 and 2009, Non-executive Director of Portugal Telecom International,

Portugal Telecom Brazil and Semapa, SGOS, between 2003 and 2006 and Non-executive Director of Amorim Imobiliária, SGPS, S.A., between 2002 and 2007. He was Chairman of the Board of AITECOEIRAS between 2008 and 2012 and a member of the MRG Group's Strategy Board between 2009 and 2012. He was Inspector-general and Chairman of the Advisory Board of the Portugal Telecom group and also a Non-executive Director of Inotec Angola – Ambiente, Energia e Comunicações, S.A.

Luís Todo Bom has a degree in Chemical-Industrial Engineering from the Instituto Superior Técnico and an MBA from the Universidade Nova de Lisboa/Wharton School of Pennsylvania. He attended the Stanford Executive Programme and the Executive Programme on Strategy and Organisation at Stanford University. He also attended the Doctor of Business Administration (DBA) Programme at the University of Cranfield and ISCTE.

Member | Diogo Tavares

Diogo Tavares was born in Montijo, Portugal, on 31 October 1945. He was non-executive member of Galp's Board of Directors between 2006 and 2008. He has been a member of Galp's Board of Directors since April 2012.

Before joining Galp, he was Advisor to the Chairman of Amorim Holding II, SGPS, S.A. between 2006 and 2011, and the Director of the same company between 2011 and 2013, and also the Non-executive Director at Galp, S.A. between 2006 and 2008. He was Chairman of UNIRISCO, the first venture capital company in Portugal and, among other positions, was Vice-Chairman of IAPMEI, Vice-Chairman of the Tourism Institute of Portugal, Director of IFADAP, Chairman of IPE-CAPITAL, Vice-Chairman of ICEP and Chairman of Urbimeta, S.A. Sociedade Imobiliária.

Diogo Tavares holds a degree in Mechanical Engineering from the Instituto Superior Técnico and is a graduate of the Advanced Business Management Programme (IAESE/Harvard Business School).

Member | Joaquim Borges Gouveia

Joaquim Borges Gouveia, was born in Porto, Portugal, 24 October 1950. He has been an independent non-executive member of Galp's Board of Directors since May 2008.

Joaquim Borges Gouveia is retired Professor at the Department of Economics, Management, Industrial Engineering and Tourism at the Universidade de Aveiro in 2001, and has also been the Director and Coordinator of several departments at the Universidade de Aveiro.

He was the coordinator of the Governance, Competitiveness and Public Policy (GOVCOPP) research unit of the Research Institute of the Universidade de Aveiro, between 2009 and 2011, and the Director of the Master's course in Sustainable Energy Systems, between 2007 and 2011. He was Chairman of the Board of the National Network of Energy and Environment Agencies (RNAE), and is now Chairman of the respective Board of General Meetings. He is also Chairman of the Board of Directors of Energia - Agência da Área Metropolitana do Sul do Porto.

Joaquim Borges Gouveia holds a degree in Electrical Engineering from the Engineering School of the Universidade do Porto, in 1973 and a doctorate in electrical and computer engineering from the Engineering School of the Universidade do Porto, in 1983. He is an associate lecturer in Engineering.

Audit Board

Chairman | Daniel Bessa

Daniel Bessa was born in Porto, Portugal, 6 May 1948. He has been the Chairman of Galp's Audit Board since 5 October 2006.

He was Chairman of the Board of Porto Business School between 2000 and 2009. He has held posts in teaching (Faculty of Economics and Faculty of Engineering of the Universidade do Porto and at Porto Business School), in the management of education units (Faculty of Economics and Vice-Chancellor's office, Universidade do Porto, and School of Technology and Management of the Instituto Politécnico de Viana do Castelo). He was director of Finibanco and Finibanco Holding, non-executive director of CELBI – Celulose Beira Industrial, of Efacec Capital and INPARSA – Indústrias e Participações, a member of the General and Supervisory Board of BCP – Banco Comercial Português, S.A., Chairman of the Audit Board of SPGM, and an external employee of Sonae group. He was the General Manager of COTEC Portugal – Business Association for Innovation – from 2009 to 2015. He was also a director of AICEP and Chairman of the Advisory Board of IGFCSS – Institute for the Management of Social Security Capitalisation Funds.

Daniel Bessa holds a degree in Economics from the Universidade do Porto, and a doctorate in Economics from Universidade Técnica de Lisboa.

Member | Gracinda Raposo

Gracinda Raposo was born in Arraiolos, Portugal, 19 March 1954. She has been a member of Galp's Audit Board since May 2008.

She is Director of ECS Capital – a Private Equity and Distressed Funds Management Firm. Between 2007 and 2009 she was an advisor to the Board of Directors of the Santander Group. Between 2004 and 2006, she was also a Director of Caixa Geral de Depósitos and non-executive Director of Caixa BI, among other functions. She was also a member of the Audit Board of Banco BIC Portugal until 2013.

Gracinda Raposo has a degree in management from ISCTE and a Master's degree in Operations Management from the University of Georgetown, Minneapolis, USA.

Member | Pedro Antunes de Almeida

Pedro Antunes de Almeida was born in Lisbon, Portugal, 31 December 1949. He has been a member of Galp's Audit Board since November 2012.

From 2006 to 2015, Pedro Antunes de Almeida was Consultant for Economic and Business Affairs to the President of the Portuguese Republic.

As an independent business consultant in the tourism industry, he was Chairman of the Board of Directors of ICEP, Chairman of the Executive Committee of ENATUR – Pousadas de Portugal, Secretary of State for Tourism (XV Government) and Ambassador of Portugal to the World Tourism Organisation. Between 2011 and 2012 he was Secretary of the Board of Galp's General Shareholders Meeting.

Pedro Antunes de Almeida has a degree in Economics and Sociology from the Universidade Nova de Lisboa, with a post-graduate qualification in European Economic Studies, from the Universidade Católica Portuguesa, a course on Public Relations, Marketing and Publicity, from the Graduate School of Media, Lisbon, and the Course for National Defence Auditors from the National Defence Institute.

Alternate member | Amável Calhau

Amável Alberto Freixo Calhau was born in Setúbal, Portugal, 20 November 1946. He has been a Deputy Member of Galp's Audit Board since 5 October 2006.

He is a Statutory Auditor, and has been a Managing Partner of Amável Calhau, & Associados, SROC, Lda. since 1981. He was an Accountant and Auditor for an auditing company between 1970 and 1979 and has been an individual Statutory Auditor since 1980.

He has been a Statutory Auditor for dozens of companies in various sectors since 1981, including: since 1991 to 2012, Statutory Auditor for the Portuguese Securities Market Commission Audit Board; since 2006 to 2014, Statutory Auditor for the Banco de Portugal Audit Board, and since 2008 to 2012, Statutory Auditor for Agência de Gestão da Tesouraria e da Dívida Pública – IGCP, E.P.E. Audit Board.

Amável Alberto Freixo Calhau is an accounting expert from the Army Pupils' Military Institute.

Remuneration Committee

Member | Jorge Armindo de Carvalho Teixeira

Jorge Armindo de Carvalho Teixeira is the Chairman of the Board of Directors of Amorim Turismo, SGSP, S.A. and associates.

He began his professional career in 1976 as an Assistant Lecturer at the Porto Faculty of Economics, teaching Business Management and International Financial Management until 1992. In 1982 he joined what is now the Amorim Group as Chief Financial Officer and in 1987 was appointed Vice-Chairman of the Group, a position he held until 2000. In 1997, at the invitation of the Government, he was appointed Chairman of Portucel – Empresa de Celulose e Papel de Portugal, SGPS, S.A. and he also took the chair of all of the companies in which Portucel, SGPS, S.A. had investments until its privatisation.

Jorge Armindo de Carvalho Teixeira has a degree in Economics from the Faculty of Economics of Universidade do Porto.

Member | Joaquim Alberto Hierro Lopes

Joaquim Alberto Hierro Lopes is a shareholder and managing partner of GED Partners and, at the same time, a member of the Board of Directors of the Management Companies of the Funds GED V España, GED Eastern Fund II, GED Iberian B, GED Sur (also CEO) and of the Board of Directors of several GED Fund subsidiaries, including Nuceri International, Iconsa Engineering, S.A., in Spain and FASE – Estudos e Projectos, S.A. and Serlima Services S.A., in Portugal. He is the Chairman of ISAG European Business School (Graduate School of Administration and Management).

Before joining Galp, he was Executive Director of Norpedip/PME Capital – Sociedade Portuguesa de Capital de Risco (now Portugal Ventures), Chairman and Board Member of several companies,

including FiberSensing, Altitude Software, Payshop, Cabelte, Bluepharma, TV Tel Grande Porto, Fibroplac, and participated in the launch and management of various investment funds. Between 2007 and 2014 he was a member of the Audit Board of Corticeira Amorim SGPS, S.A.

From 1990 to 2010 he was a Lecturer in Financial Mathematics and Management Accounting at the ISAG European Business School.

Joaquim Alberto Hierro Lopes completed a degree in Accounting and Administration at ISCAP - Porto Accounting and Business School, as well as in Mathematics from the Faculty of Sciences of the Universidade do Porto, and also completed an MBA at Porto Business School. He has a Master's Degree in Business Administration, from Universidade do Porto.

9.10.

Positions held in other companies by the members of the management and supervisory bodies and the members of the Remuneration Committee

Inside Galp group*

	Executive Members						
	Carlos Gomes da Silva	Filipe Crisóstomo Silva	Thore Kristiansen	Carlos Costa Pina	José Carlos Silva	Pedro Ricardo	Tiago Câmara Pestana
CLC - Companhia Logística de Combustíveis, S.A.					CBD		
Enerfuel, S.A.				CBD			
Europe Maghreb Pipeline, Ltd						D	
Galp Alentejo E&P, S.A.		D	CBD				
Galp Bioenergy B.V.	D	D		D			
Galp E&P Brazil B.V.	D	D	D				
Galp East Africa B.V.		D	D				
Galp Energia Brasil, S.A.	CBD	D	D	D	D		
Galp Energia E&P B.V.	D	D	D	D	D	D	D
Galp Energia España, SAU	CBD				D	D	D
Galp Energia Overseas B.V.	D	D	D				
Galp Energia Overseas Block 14 B.V.		D	D				
Galp Energia Overseas Block 32 B.V.		D	D				
Galp Energia Overseas Block 33 B.V.		D	D				
Galp Energia Overseas LNG, B.V.		D				D	
Galp Energia Portugal Holdings B.V.	D	D	D				
Galp Energia Rovuma B.V.	D	D	D				
Galp Energia, S.A.	CBD	D	D	D	D	D	D
Galp Energia São Tomé e Príncipe, Limitada		M	M				
Galp Exploração e Produção (East Timor), S.A.	CBD	D	D	D	D	D	D
Galp Exploração e Produção Petrolífera, S.A.	CBD	D	D	D	D	D	D
Galp Gas & Power, SGPS, S.A.	CBD	D	D	D	D	D	D
Galp Gás Natural Distribuição, S.A.						CBD	
Galp Gás Natural, S.A.						CBD	
Galp Marketing International, S.A.							CBD
Galp Power, S.A.						CBD	
Galp Sinopec Brazil Services B.V.	D	D	D		D	D	
Galp Swaziland, Limited							D
GALPEK, LDA.					CMB		
Gasoducto Al-Andalus, S.A.						D	
Gasoducto de Extremadura, S.A.						D	
GDP - Gás de Portugal, S.A.						CMB	
Metragaz - Société pour la Construction de L'Exploitation Technique du Gazoduc Maghreb Europe						D	
MIBGAS, S.A.						D	
Petrogal Angola, Lda.							CMB
Petrogal Brasil B.V.		D	D				
Petrogal Brasil, S.A.	CBD	D	D		D	D	
Petrogal Guiné-Bissau, Lda.							CMB
Petrogal, S.A.	CBD	D	D	D	D	D	D
Tagus RE, S.A.				CBD			
Windhoek PEL 23 B.V.		D	D				
Windhoek PEL 28 B.V.		D	D				

CBD - Chairman of the Board of Directors D - Director CMB - Chairman of the Management Board M - Manager

* For this purpose, all companies directly or indirectly affiliated with Galp are deemed to be included in the Galp group.

Outside Galp group

Paula Amorim

In the Américo Amorim Group

PORTUGAL

Chairman of the Board of Directors of Amorim Holding II, SGPS, S.A.

Chairman of the Board of Directors of Projeto Inverso, SGPS, S.A.

Chairman of the Board of Directors of Amorim Negócios, SGPS, S.A.

Chairman of the Board of Directors of Amorim Investimentos Energéticos, SGPS, S.A.

Chairman of the Board of Directors of I.I. – Investimentos Ibéricos, SGPS, S.A.

Chairman of the Board of Directors of Imoeuro, SGPS, S.A.

Director of GREAT PRIME, S.A.

Vice-Chairman of the Board of GAIVINA – Empreendimentos Turísticos e Imobiliários, S.A.

Vice-Chairman of the Board of PORTAL DO SOL – Sociedade Imobiliária Amorim, S.A.

Director of STOCKPRICE, SGPS, S.A.

Chairman of the Board of Directors of Alqueva Verde, S.A.

Director of AMORIM E ALEGRE - Sociedade Imobiliária, S.A.

Director of Sociedade Agroflorestal do Panasquinho, Lda.

NETHERLANDS

Director of Amorim Energia, B.V.

Director of Power Oil & Gas Investments, B.V.

Director of Investmark Holdings, B.V.

USA

Chairman of the Board of Directors of AHFB I, Inc.

Chairman of the Board of Directors of DDM-B HOLDINGS, Inc.

Chairman of the Board of Directors of AEHC-B HOLDINGS, Inc.

Chairman of the Board of Directors of Amorim/TFI, Inc.

Director of Tom Ford International, LLC.

UK

Director of Platforme International Limited, Inc.

MOZAMBIQUE

Chairman of the Board of Directors of AGS – Mozambique, S.A.

In the Amorim Group

Chairman of the Board of Directors of AMORIM – Investimentos e Participações, SGPS, S.A.

In the Amorim Luxury Group

Sole Director of Amorim Luxury, S.A.

Sole Director of Amorim Fashion, S.A.

Chairman of the Board of Directors of Amorim Guedes de Sousa, S.A.

Manager of Amorim Five, Lda.

Manager of Amorim Guedes de Sousa II, Lda.

Manager of Amorim Guedes de Sousa III, Lda.

Others

Chairman of the Board of Directors of Fundação Galp

Miguel Athayde Marques

Vice-rector of Universidade Católica Portuguesa

Professor at the Universidade Católica Portuguesa, School of Economics and Business

Non-executive Independent Director of Brisa, Concessão Rodoviária, S.A.

Member of the Monitoring Committee of Novo Banco, S.A.

Chairman of the Association of Former Management and Economics Students of Universidade Católica Portuguesa

Member of the Scientific and Pedagogical Council of the Higher Institute of Bank Management (Portuguese Banking Association)

Carlos Gomes da Silva

Chairman of the Board of ISPG – Institute of Oil and Gas, Association for Research and Advanced Training

Chairman of the Board of AEM – Association of Companies Issuing Listed Securities

Member of the Board of Directors of Fundação Galp

Vice-Chairman of EPIS – Association of Entrepreneurs for Social Inclusion

Filipe Crisóstomo Silva

Member of the Board of ISPG – Institute of Oil and Gas,
Association for Research and Advanced Training

Member of the Board of Directors of Fundação Galp

Thore E. Kristiansen

Not applicable

Sérgio Gabrielli de Azevedo

Not applicable

Abdul Magid Osman

Chairman of the BIOFUND Foundation (biodiversity protection)

Chairman of the Board of Directors of Épsilon Investimentos, S.A.

Chairman of the Board of Directors of Banco Único

Chairman of the Board of the General Shareholders' Meeting
of FDC - Fundação de Desenvolvimento Comunitário

Marta Amorim

In the Américo Amorim Group

PORTUGAL

Vice-Chairman of the Board of Directors of Amorim
Holding II, SGPS, S.A.

Chairman of the Board of Directors of Amorim
Holding Financeira, SGPS, S.A.

Chairman of the Board of Directors of Solfim SGPS, S.A.

Chairman of the Board of Directors of Projeto Inverso, SGPS, S.A.

Vice-Chairman of the Board of Directors of Amorim
Negócios, SGPS, S.A.

Vice-Chairman of the Board of Directors of I.I. – Investimentos
Ibéricos, SGPS, S.A.

Vice-Chairman of the Board of Directors of Amorim
Investimentos Energéticos, SGPS, S.A.

Chairman of the Board of Directors of Gevisar, SGPS, S.A.

Vice-Chairman of the Board of Directors of IMOEURO, SGPS, S.A.

Chairman of the Board of Directors of FINANCIMGEST –
Sociedade de Consultoria de Gestão de Créditos, S.A.

Director of GREAT PRIME, S.A.

Chairman of the Board of Directors of SOTOMAR –
Empreendimentos Industriais e Imobiliários, S.A.

Director of LUSARES – Sociedade Imobiliária, S.A.

Chairman of the Board of Directors of PORTAL DO SOL –
Sociedade Imobiliária Amorim, S.A.

Chairman of the Board of Directors of GAIVINA –
Empreendimentos Turísticos e Imobiliários, S.A.

MOZAMBIQUE

Director of AGROMOZ – Agribusiness de Mozambique, S.A.

NETHERLANDS

Director of Amorim Energia, B.V.

Director of Power Oil & Gas Investments, B.V.

Director of Angola Real Estate Investments, B.V.

Director of Topbreach Holding, B.V.

Director of Amorim Financial Sector, B.V.

Director of Amorim Aliança, B.V.

Director of Itacaré, B.V.

Director of Praia do Forte, B.V.

Director of Oil Investments, B.V.

Director of Investmark Holdings, B.V.

LUXEMBOURG

Director of Amorim Investments II, S.A.

Director of Amorim Investments V, S.A.

USA

Director of AHFB I, Inc.

Director of AEHC-B Holdings, Inc.

Director of DDM-B Holdings, Inc.

Director of Amorim/TFI, Inc.

BRAZIL

Chairman of the Board of Directors of Banco Luso-Brasileiro, S.A.

Others

Director of A.P.I. – Amorim Participações Internacionais, SGPS, S.A.

Chairman of the Board of Directors of Paisagem do Alqueva, S.A.

Chairman of the Board of Directors of S.S.A. – Sociedade de Serviços Agrícolas, S.A.

Chairman of the Board of Directors of IMOBIS – Empreendimentos Imobiliários Amorim, S.A.

Chairman of the Board of Directors of MOSTEIRO DE GRIJÓ – Empreendimentos Turísticos, S.A.

Chairman of the Board of Directors of CASA DAS HERAS – Empreendimentos Turísticos, S.A.

Manager of AMAROKA, LDA

Raquel Vunge

Board member of Banco Comercial Português and Caixa Angola

Carlos Costa Pina

Chairman of the Scientific and Technological Council of ISPG – Institute of Oil and Gas, Association for Research and Advanced Training

Vice-Chairman of the Board of BCSD Portugal – Business Council for Sustainable Development

Member of the Board of AIPQR - Associação das Indústrias da Petroquímica, Química e Refinação (Association of Petrochemical, Chemical and Refining Industries)

Member of the Board of Directors of Fundação Portugal – Africa

Member of the General Board of IPCG – Portuguese Institute of Corporate Governance

Member of the General Board of EGP Porto Business School

Director of EPRA – European Petroleum Industry Association (FuelsEurope and Concawe)

Member of the Board of Founders of Fundação da Casa da Música

Chairman of the Board of the General Shareholders Meeting of APEEN – Portuguese Association for Energy Economics

Member of the Audit Board of IDEFF – Instituto de Direito Económico, Financeiro e Fiscal

Chairman of the Board of Auditors of Fundação Res Publica

Member of the Advisory Board of APDC – Associação Portuguesa para o Desenvolvimento das Comunicações

Vice-Chairman of the Board of Câmara de Comércio Portugal-Moçambique

Member of the Strategic Board of Câmara de Comércio e Indústria Portugal-Costa do Marfim

Francisco Teixeira Rêgo**In the Américo Amorim Group**

Vice-Chairman of the Board of Amorim Holding II – SGPS, S.A.

Vice-Chairman of the Board of Amorim Holding Financeira, SGPS, S.A.

Vice-Chairman of the Board of Solfim, SGPS, S.A.

Director of Amorim Negócios – SGPS, S.A.

Director of Projeto Inverso SGPS, S.A.

Director of Amorim Investimentos Energéticos, SGPS, S.A.

Director of Gevisar – SGPS, S.A.

Director of Financimgest – Sociedade de Consultoria e Gestão de Créditos, S.A.

Director of Imoeuro, SGPS, S.A.

Director of Gaivina, Empreendimentos Turísticos e Imobiliários, S.A.

Director of Portal do Sol – Sociedade Imobiliárias Amorim, S.A.

Director of SOTOMAR – Empreendimentos Industriais e Imobiliários, S.A.

Director of Vintage Prime – SGPS, S.A.

Chairman of the Board of SF Plus, S.A.

Director of AGROMOZ Agrobusiness de Mozambique, S.A.

Director of AGS – Mozambique, S.A.

Director of Angola Real Estate Investments, B.V.

Director of Topbreach Holding, B.V.

Director of Amorim Financial Sector, B.V.

Director of Amorim Aliança, B.V.

Director of Amorim Energia, B.V.

Director of Itacaré, B.V.

Director of Praia do Forte, B.V.
 Director of Oil Investments, B.V.
 Director of Amorim Investments II, S.A.
 Director of Amorim Investments V, S.A.
 Substitute of the Chairman of Banco Luso-Brasileiro, S.A.

Others

Chairman of the Board of Moreira, Gomes & Costas, S.A.
 Chairman of the Board of FRGALB – Investments, S.A.
 Director of Época Global, SGPS, S.A.
 Director of Actual, SGPS, S.A.
 Director of Cardan Grande Porto, S.A.
 Manager of Agência de Viagens Sandinense, Lda.
 Vice-Chairman of LUYNES – Investimentos, S.A .
 Vice-Chairman of the Audit Board of ANTROP – Assoc. Nacional
 de Transportadores Rodoviários de Pesados de Passageiros
 Director of Época Global, SGPS, S.A.
 Director of Actual, SGPS, S.A.
 Director of Cardan Grande Porto, S.A.
 Manager of Agência de Viagens Sandinense, Lda.
 Vice-Chairman of na LUYNES – Investimentos, SA

Jorge Seabra de Freitas

In the Américo Amorim Group

Director of Amorim Energia, B.V.
 Member of the Board of Directors of Amorim Holding II, SGPS, S.A.
 Member of the Board of Directors of Solfim, SGPS, S.A.
 Member of the Board of Directors of Amorim Financial, SGPS, S.A.
 Member of the Board of Directors of Amorim Holding
 Financeira, SGPS, S.A.
 Member of the Board of Directors of Amorim Negócios, SGPS, S.A.
 Member of the Board of Directors of Amorim Projetos, SGPS, S.A.
 Member of the Board of Directors of II – Investimentos
 Ibéricos, SGPS, S.A.

Member of the Board of Directors of Financimgest – Sociedade
 de Consultoria de Gestão de Créditos, S.A.

Member of the Board of Directors of AGS – Mozambique, S.A.

Chairman of the Board of Directors of Agromoz – Agribusiness
 de Mozambique, S.A.

Director of Angola Real Estate Investments B.V.

Director of Topbreach Holding B.V.

Director of Amorim Financial Sector B.V. Director
 of Amorim Aliança B.V.

Director of Power Oil & Gas Investments B.V.

Director of Ligardis Holding B.V.

Director of Itacaré, B.V.

Director of Praia do Forte B.V.

Director of Oil Investments B.V.

Director of Amorim Investments II, S.A.

Director of Amorim Investments V, S.A. Director of AHFB I, Inc.

Director of Amorim/TFI, Inc.

Member of the Board of Directors of Sotomar Empreendimentos
 Turísticos e Imobiliários, S.A.

Member of the Board of Directors of Porta do Sol
 Sociedade Imobiliária Amorim, S.A.

Member of the Board of Directors of Lusares
 Sociedade Imobiliária, S.A.

Others

Adviser to Banco Luso-Brasileiro, S.A.

Member of the Board of Directors of Banco Único, SGPS, S.A.

José Carlos Silva

Others

Member of the Scientific and Technological Council
 of ISPG – Institute of Oil and Gas, Association for Research
 and Advanced Training

Pedro Ricardo

Member of the Scientific and Technological Council of ISPG – Institute of Oil and Gas, Association for Research and Advanced Training

Chairman of the Board of AGN – Portuguese Association of Natural Gas Companies

Tiago Câmara Pestana

Member of the Scientific and Technological Council of ISPG – Institute of Oil and Gas, Association for Research and Advanced Training

Chairman of the Board of APETRO – Portuguese Association of Oil Companies

Rui Paulo Gonçalves

In the Américo Amorim Group

Director and general manager of Amorim Investimentos Energéticos, SGPS, S.A.

Director of Amorim Energia, B.V.

Chairman of the Board of the General Shareholders Meeting of Amorim Holding II, SGPS, S.A.

Others

Vice-Chairman of the Board of the General Shareholders Meeting of Banco Único, S.A.

Luís Todo Bom

Managing partner of Terfran – Investimentos e Serviços, Lda.

Managing partner of Angopartners Investments Consulting, Lda.

Non-executive Chairman of the Board of Directors of Multitel Angola – Serviços de Telecomunicações, Lda.

Non-executive director of Onyria SGPS and of Onyria Internacional, S.A. (Onyria group)

Assistant Lecturer at Universidade Europeia

Diogo Tavares

Non-executive Director of upK – Gestão de Facilities e Manutenção, S.A.

Joaquim Borges Gouveia

Retired Professor of the Department of Economics, Industrial Management, Engineering and Tourism of the Universidade de Aveiro

Chairman of the Board of APM – Portuguese Association of Management

Chairman of the General Shareholders Meeting of RNAE – National Network of Energy and Environment Agencies.

Chairman of the Board of Directors of ENERGAIA, Vila Nova de Gaia District Energy Agency

Member of the Board of Directors of ABAP/BIOCANT

Audit Board

Daniel Bessa

Chairman of the Audit Board of Fundação Galp

Chairman of the Audit Board of Galp Gás Natural Distribuição, S.A.

Chairman of the Audit Board of Sonae, SGPS, S.A.

Chairman of the Audit Board of Bial – Portela e Companhia, S.A.

Non-executive Chairman of Amorim Turismo, SGPS, S.A.

Non-executive Chairman of AEGI - Amorim Entertainment and Gaming International, SGPS, S.A.

Non-executive Chairman of Sociedade Figueira Praia, S.A.

Chairman of the Board of the General Shareholders Meeting of Amkor Technology Portugal, S.A.

Member of the Board of Directors and of the Executive Committee of Fundação Bial

Member of the Investment Board of PVCI – Portuguese Venture Capital Initiative (undertaking with investment from BEI Group, through the EIF – European Investment Fund)

Gracinda Raposo

Member of the Audit Board of Fundação Galp

Non-executive Director of Tagusgás – Empresa de Gás do Vale do Tejo, S.A.

Director of ECS-Capital – Private Equity and Distressed Funds Management Firm.

Pedro Antunes de Almeida

Member of the Audit Board of Fundação Galp

Member of the Audit Board of Galp Gás Natural Distribuição, S.A.

Chairman of the Audit Board of Fidelidade Seguros

Non-executive Chairman of the Board of Directors of NAU Hotels & Resorts Group

Amável Calhau

Substitute member of the Audit Board of Fundação Galp

Substitute member of the Audit Board of Galp Gás Natural Distribuição, S.A.

Member of the audit committees of several companies

Remuneration Committee

Jorge Armindo de Carvalho Teixeira

Member of the Board of Directors of Amorim – Entertainment e Gaming Internacional, SGPS, S.A.

Member of the Board of Directors of Amorim Turismo, SGPS, S.A.

Member of the Board of Directors of BLUE & GREEN – Serviços e Gestão, S.A.

Member of the Board of Directors of Bl&Gr, S.A

Member of the Board of Directors of CHT – Casino Hotel de Tróia, S.A.

Member of the Board of Directors of ELEVEN – Restauração e Catering, S.A.

Member of the Board of Directors of Estoril Sol, SGPS, S.A.

Member of the Board of Directors of Fozpatrimónio, S.A.

Member of the Board of Directors of Fundação do Alto da Lixa, S.A.

Member of the Board of Directors of Goldtur – Hotéis e Turismo, S.A.

Member of the Board of Directors of Grano Salis Inv. Turísticos, Jogo e Lazer, S.A.

Member of the Board of Directors of Grano Salis II Investimentos Turísticos e de Lazer, S.A.

Member of the Board of Directors of Hotel Turismo, S.A.R.L.

Member of the Board of Directors of Iberpartners Gestão e Reestruturação de Empresas, S.A.

Member of the Board of Directors of Iberpartners Cafés, SGPS, S.A.

Member of the Board of Directors of Imofoz, S.A.

Member of the Board of Directors of Mobis – Hotéis de Mozambique, S.A.R.L.

Member of the Board of Directors of Newcoffee - Indústria Torrefatora de Cafés, S.A.

Member of the Board of Directors of Notel Empreendimentos Turísticos, S.A.R.L.

Member of the Board of Directors of Prifalésia Construção e Gestão de Hotéis, S.A.

Member of the Board of Directors of SGGHM Sociedade Geral de Hotéis de Mozambique, S.A.

Member of the Board of Directors of Sociedade Figueira Praia, S.A.

Member of the Board of Directors of SPIGH – Sociedade Portuguesa de Investimentos e Gestão Hoteleira, S.A.

Member of the Board of Directors of Troia Península Investimentos, SGPS, S.A.

Member of the Board of Directors of Turyleader, SGPS, S.A.

Member of the Executive Board of AHP - Hospitality Association of Portugal

Vice-Chairman of APC – Associação Portuguesa de Casinos

Vice-Chairman of the Board of Directors of the CTP Portuguese Confederation of Tourism

Chairman of the Audit Board of the APR Portuguese Resorts Association

Joaquim Alberto Hierro Lopes

Member of the Board of Directors of GED Partners, SL

Member of the Board of Directors of Capital Promoción Empresarial del Sur, S.A.

Member of the Board of Directors of GED Capital Development, S.A.

Member of the Board of Directors of GED Iberian Private Equity, S.A.

Member of the Investment Committees of all GED Funds

Chairman of the Board of FASE-Estudios e Projectos, S.A.

Member of the Board of Directors of Serlima Services, S.A.

Chairman of the Board of Directors of ISAG – Graduate School of Administration and Management

9.11.

Glossary and abbreviations

Glossary

Absenteeism

Ratio between the number of working hours lost by absence and the maximum potential of working hours (number of employees x 21 days x 11 months x 8 hours).

API density

Density expressed in API degrees, defined by the American Petroleum Institute by means of the following formula: $API^{\circ} = (141.5/g) - 131.5$, where g is the density of the oil to 60°F (15.6 °C). This is the formula that is internationally used to establish the density of crude oil. The greater the API density, the lighter the crude oil.

Atmospheric distillation

Distillation of crude oil effected under atmospheric pressure, from which oil product fractions are produced (light oil, heavy oil, diesel fuels, and heavy products, for example). After suitable treatment, these fractions are the components of the finished products.

Benchmark refining margin

The benchmark refining margin is calculated with the following weighting: 45% hydrocracking margin + 42.5% cracking margin + 7% Base oils + 5.5% Aromatics.

Rotterdam hydrocracking margin

The Rotterdam hydrocracking margin has the following profile: -100% Brent dated, +2.2% LPG FOB Seagoing (50% Butane + 50% Propane), +19.1% EuroBob NWE FOB Bg, +8.7% Naphtha NWE FOB Bg, +8.5% Jet NWE CIF, +45.1% ULSD 10 ppm NWE CIF, +9.0% LSFO 1% FOB Cg; C&L: 7.4%; Terminal rate: \$1/ton; Ocean loss: 0.15% over Brent; Freight 2017: WS Aframax (80 kts) Route Sullom Voe/Rotterdam – Flat \$7.59/ton. Yields in % of weight.

Rotterdam cracking margin

The Rotterdam cracking margin has the following profile: -100% Brent dated, +2.3% LPG FOB Seagoing (50% Butane + 50% Propane), +25.4% EuroBob NWE FOB Bg, +7.5% Naphtha NWE FOB Bg, +8.5% Jet NWE CIF, +33.3% ULSD 10 ppm NEW CIF, +15.3% LSFO 1% FOB Cg; C&L: 7.7%; Terminal rate: \$1/ton; Ocean loss: 0.15% over Brent; Freight 2017: WS Aframax (80 kts) Route Sullom Voe/Rotterdam – Flat \$7.59/ton. Yields in % of weight.

Rotterdam base oils margin

The Rotterdam base oils margin has the following profile: -100% Arabian Light, +3.5% LGP FOB Seagoing (50% Butane + 50% Propane), +13% Naphtha NWE FOB Bg, +4.4% Jet NWE CIF, 34% ULSD 10 ppm NWE CIF, +4.5% VGO 1.6% NWE FOB Cg, +14% Base Oils FOB, +26% HSFO 3.5% NWE Bg; Consumptions: -6.8% LSFO 1% CIF NWE Cg; C&L: 7.4%; Terminal rate: \$1/ton; Ocean loss: 0.15% over Arabian Light; Freight 2017: WS Aframax (80 kts) Route Sullom Voe/Rotterdam – Flat \$7.59/ton. Yields in % of weight.

Rotterdam aromatics margin

The Rotterdam aromatics margin has the following profile: -60% EuroBob NWE FOB Bg, -40% Naphtha NWE FOB Bg, +37% Naphtha NWE FOB Bg, +16.5% EuroBob NWE FOB Bg, +6.5% Benzene Rotterdam FOB Bg, +18.5% Toluene Rotterdam FOB Bg, +16.6% Paraxylene Rotterdam FOB Bg, +4.9% Ortoxylene Rotterdam FOB Bg; Consumption: -18% LSFO 1% CIF NEW. Yields in % of weight.

CO₂

Carbon dioxide, colourless gas that is heavier than air, this being one of its natural components. Produced by certain natural processes, such as the carbon cycle, and by the complete burning contained in fossil fuels.

Cogeneration

Power generation technology that allows the combined production of heat and electricity. The advantage of cogeneration is the capacity it has to take double advantage of the heat produced by burning the fuel for the generation of thermal energy for the generation of electricity. This process allows the same installation to comply with the heat (hot water or steam) and electricity needs of both industrial clients and urban settlements. This system improves the energy efficiency of the generation process and reduces use of the fuel.

Complexity

The complexity of a refinery lies in its capacity to process crude oil and other raw materials and is measured by means of the complexity index, calculated separately by different organisations within the sector, such as energy sector consultants 360 Strategic execution Energy for a changing world To our stakeholders Strategic framework Solomon Associates and Nelson. A refinery's complexity index is calculated by attributing a complexity factor to each one of the refinery's units, which is based above all on the level of technology used in the construction of the unit, taking as a reference a crude oil primary distillation installation to which is attributed a complexity factor of 1.0. The complexity index of each unit is calculated by the multiplication of the complexity factor with the unit's capacity. The complexity of a refinery is equivalent to the weighted average of the complexity index of each one of its units, including the distillation units. A refinery with a complexity index of 10.0 is considered to be 10 times more complex than a refinery equipped with just crude oil atmospheric distillation, for the same quality of processed product.

Condensates

Hydrocarbons that, when stored in the respective deposits, are found to be in a gaseous state, but which on the surface become liquids under normal pressure and temperature conditions. This essentially concerns pentane and other heavier products.

Contingent resources

These are quantities of oil that are estimated on a given date to be potentially recoverable from known accumulations but are not currently considered to be commercially recoverable. This may happen for a variety of reasons. For example, maturity issues (the discovery needs further appraisal in order to firm up the elements of the development plan); technological issues (new technology needs to be developed and tested for commercial production); or market-driven issues (sales contracts are not yet in place or the infrastructure needs to be developed in order to get the product to market). 2C contingent resources are those that are calculated based on the best estimate, while 3C resources correspond to the highest estimate, thus reflecting a larger level of uncertainty. Volumes that fall into this category cannot be referred to as reserves.

Conversion

Set of various treatments (catalytic or thermal) where the principal reaction is effected on the carbon connections, with this having the possibility of being more or less deep due to the conditions imposed. This process is typically associated with the conversion of fuel oils in lesser fractions (diesel, gasoline and gases) and fuel oils that are more sophisticated from the perspective of their use. In a modern refinery, these processes have assumed a growing importance.

Cracking

Transformation through a breaking down of the hydrocarbon molecules in long chains, with the objective of obtaining hydrocarbon molecules in shorter chains, thus increasing the proportion of lighter and more volatile products. Distinguishing between thermal cracking and catalytic cracking. Thermal cracking is only caused by the actions of heat and pressure. Catalytic cracking uses catalysers that, at the same temperature, allow a deeper and more selective transformation of fractions that could be heavier.

Dated Brent

Price of shipments of Brent oil as announced by the price fixing agencies. This is the reference price for the vast majority of crude oils sold in Europe, Africa and the Middle East, and is one of the most important references for the prices on the spot market. Dated Brent oil is the light crude oil from the North Sea that, since July 2006, has included the Fortis and Oseberg branches. The crude mix has an average API density of approximately 38.9°.

Diesel

A mix of liquid hydrocarbons destined for feeding compression ignition engines (Diesel cycle). The behaviour of diesel fuel depends on the temperatures at which it is used.

Distillation

A method for separating (liquid or solid) substances by evaporation followed by condensation. Distillation may take place under atmospheric pressure or in a vacuum, depending on what products are desired. This process produces distillates.

Emissions

Release of gases into the atmosphere. Within the context of global climatic alterations, the gases released include gases capable of altering the climate – the so-called GGEs. A typical example is the release of CO₂ during the burning of fuels.

Direct emissions (A1)

These can be directly controlled by the Company and concern the emissions due to the consumption of fuel in its own installations: ovens, heat or steam generators, or the Organisation's cars.

Indirect emissions (A2)

These are a result of the Company's activities but which use another organisation's resources: use of grid, heat or steam electricity, produced at installations that are not the Company's.

Indirect emissions (A3)

Emissions due to the consumption of fuel in installations that are not the Company's: leased cars, planes, waste incineration, logistics activities or services.

Employee turnover

Ratio between the number of departures and the total number of employees, considering only departures on their own initiative.

FPSO

A floating, production, storage and offloading unit is a 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.

FLNG

Floating natural gas liquefaction system, built on a ship structure, with a capacity for production, liquefaction and storage of liquefied natural gas. The stored product is exported through the transfer to LNG vessels.

Fuel oil

A mix of hydrocarbons destined to be burnt in a furnace or boiler for the generation of heat or used in an engine for the generation of power. There are various types of fuel oil, due to its viscosity, which conditions their use.

Gasoline

Fuel for automobiles equipped with motors that use the Otto cycle. This should comply with precise specifications concerning its physical and chemical qualities, of which the most important is resistance to self-inflammation.

Hydrocracking

Process of cracking with the use of hydrogen and under the action of catalysts that allows the conversion of less valuable, highboiling-point oil fractions into lighter, more valuable fractions. The hydrogen allows working at lower temperatures and greater selectivity and, therefore, produces better results. The products from the reaction are saturated compounds, which provide them with important stability qualities.

ICE

The Intercontinental Exchange, Inc., or ICE, is a North-American company that operates virtual markets, in which futures contracts are transacted as well as OTC contracts on energy and commodities, and other financial derivatives products.

Jet fuel

Fuel for jet motors used in aviation

Liquefied natural gas (LNG)

Natural gas that is changed into its liquid state to enable transportation. Liquefaction is performed by a reduction in the temperature of the gas, to atmospheric pressure, to amounts of less than -160°C. The volume of the LNG is approximately 1/600 of the volume of natural gas.

Liquefied Petroleum Gas (LPG)

Gaseous hydrocarbons, under normal conditions of temperature and pressure, and liquids, by raising the pressure or reduction of temperature, which can legally be transported and stored. The most common are propane and butane.

Lubricants

Products obtained by mixing one or more base oils and additives. This process obeys specific formulas due to the use of the lubricant. The percentage of additives in the lubricating oils reaches 40%. The lubricating oils have three main uses: automobiles, industry and marine.

Naphtha

Oil product fraction that is located between gases and oil. This is also a raw material in the petrochemical industry, from which cracking provides a large variety of products. This can also form part of the composition of engine gasoline (light naphtha) or, in the case of heavy naphtha, serve as a raw material for the production of reformat.

Natural gas

Mix of light hydrocarbons found in the subsoil, in which methane is present at a percentage of more than 70% volume. The composition of natural gas may vary depending upon the field in which it is produced and the processes of production, conditioning, processing and transport.

Net entitlement production

The production percentage of the rights for the exploration and production of hydrocarbons in a concession following production-sharing agreements.

Prospective resources

Quantities of oil that have, on a certain date, been estimated as potentially recoverable from undiscovered accumulations through future development projects. The estimation of a prospect's resources is subject to both commercial and technological uncertainties. Risked mean estimate prospective resources have a higher implied recovery probability than unrisks mean estimate resources. The quantities classified as prospective resources cannot be classified as contingent resources or reserves.

Proven reserves (1P)

Under the definitions approved by the SPE and the WPC, proven reserves are those quantities of oil which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and government regulations. If deterministic methods are used, the expression "reasonable certainty" is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. The definition of current economic conditions should include relevant historical oil prices and associated costs. In general, reserves are considered proven if the commercial productivity of the reservoir is supported by actual production or formation tests. In this context, the term "proven" refers to the actual quantities of oil reserves and not just the productivity of the well or reservoir. The area of the reservoir considered as proven includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) the undrilled portions of the reservoir that can reasonably be judged as commercially productive on the basis of available geological and engineering data. Reserves may be classified as proven if facilities to process and transport those reserves to market are operational at the time of the estimate or there is a reasonable expectation that such facilities will be installed.

Proven and probable reserves (2P)

2P reserves correspond to the sum of proven (1P) and probable reserves. Under the definitions approved by the SPE and the WPC, probable reserves are a category of unproven reserves. Unproven reserves are based on geological or engineering data similar to those used in estimates of proven reserves but in relation to which technical, contractual, economic or regulatory uncertainties preclude such reserves from being classified as proven. Probable reserves are those quantities of oil that, by analysis of geological and engineering data, have a lower probability of being recovered than the proven reserves, but higher than the possible reserves. If probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the 2P estimate.

Proven, probable and possible reserves (3P)

3P reserves correspond to the sum of proven, probable and possible reserves. Under the definition approved by the SPE and the WPC, possible reserves are a category of unproven reserves. Unproven reserves are based on geological or engineering data similar to those used in estimates of proven reserves but in relation to which technical, contractual, economic or regulatory uncertainties preclude such reserves from being classified as proven. Possible reserves have a lower probability of being recovered than probable reserves. If probabilistic methods are used, there should be at least a 10% probability that the quantities actually recovered will equal or exceed the 3P estimate.

Refineries' utilisation rate

Ratio of the total quantity of crude processed oil in the crude oil distillation units in relation to these units' maximum processing capacities.

Refinery

The installation where the industrial processes designed to transfer the crude oil into products adapted to the needs of the consumers (fuels, lubricants, bitumen, etc.) or into raw materials for other so-called "second generation" industries (for example, the petrochemical industry).

Renewable energy

Energy that is available from permanent and natural energy conversion processes and is economically exploitable under present conditions or in the foreseeable future.

Replacement Cost (RC)

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

Replacement Cost Adjusted (RCA)

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

Seismic

Seismic acquisition involves the generation (source) and recording (receiver) of seismic data. A source, such as a vibrator unit, dynamite shot, or an air gun, generates acoustic or elastic waves that travel into the Earth, pass through strata with different seismic responses and filtering effects, and return to the surface to be recorded as seismic data. The receiver may include different configurations, including laying geophones or seismometers on the surface of the Earth or seafloor, pulling hydrophones behind a marine seismic vessel, suspending hydrophones vertically in the sea or placing geophones in a wellbore (as in a vertical seismic profile) to record the seismic signal.

Social Return on Investment (SROI)

Cost-benefit analysis of the social value generated by the intervention of an organisation. This social impact assessment tool compares the social value generated by the intervention with the necessary expense for this benefit through a ratio between the net present value of the benefits and the net present value of the investment.

Spot market

The name, relating to products such as oil, used to describe the international commerce of products shipped in single cargos, such as crude oil, the prices of which closely follow the respective demand and availability.

Storage facility

Installation used by principal and collector pipeline companies, producers of crude oil, and terminal operators (except refineries) for storage of crude oil and oil products.

Wind farm

Group of wind turbines for the production of electrical energy interlinked by a common network by means of a system of transformers, distribution lines and, usually, a substation. The functions of exploration, control and maintenance are normally centralised by means of a monitored IT system, which is complemented by visual inspections.

Wind power

Kinetic energy – that is, energy that is generated by movement that is obtained by displacement of the air, or in other words, wind. This can be converted into mechanical energy for the enactment of pumps, mills and electrical energy generators.

Working interest production

The production percentage of the rights for exploration and production of hydrocarbons in a concession before the effect of production-sharing agreements.

Abbreviations and acronyms

AFI: accident frequency index	CMVM: Comissão do Mercado de Valores Mobiliários (Portuguese Securities Market Regulator)	ENH: Empresa Nacional de Hidrocarbonetos (National hydrocarbons company of Mozambique)
AI: artificial intelligence	CNPC: China National Petroleum Corporation	Eni: Eni, S.p.A.
Amorim Energia: Amorim Energia, B.V.	CNPD: Comissão Nacional de Proteção de Dados	EPC: Engineering, Procurement and Construction
ANEFA: Associação Nacional de Empresas Florestais, Agrícolas e do Ambiente (National Association of Forestry, Agriculture and Environment Companies)	CO₂: carbon dioxide	EPCIC: Engineering, Procurement, Construction, Installation and Commissioning
ANP: Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (Brazilian energy sector regulator)	COFINS: contribution to social security financing	EQS: Environment, Quality and Safety
APCER: Associação Portuguesa de Certificação (Portuguese Association of Certification)	CONCAWE: Conservation of Clean Air and Water in Europe	EQSSD: Environment, Quality, Safety and Sustainability Department
b.p.: basis points	COO: chief operating officer	ERSE: Entidade Reguladora dos Serviços Energéticos (Portuguese energy market regulator)
bbbl: barrel of oil	COOPVAL: Cooperativa Agrícola dos Fruticultores do Cadaval	ERU: emission reduction units
BBLT: Benguela, Belize, Lobito and Tomboco	COSO: Committee of Sponsoring Organisations of the Treadway Commission	ESCO: energy performance contract
bcm: billion cubic metres	CRO: chief risk officer	ESHIA: Environmental, Social and Health Impact Assessment
BlackRock: BlackRock, Inc.	CSC: Commercial Law (Código das Sociedades Comerciais)	ESIAS: Environmental and Social Impact Assessments
bn: billion	CTA: cumulative translation adjustment	EU ETS: European Union Emissions Trading System
boe: barrel of oil equivalent	CURG: last-resort wholesaler distributors	EU: European Union
BRL (or R\$): brazilian reais	CURR: last-resort retailers marketers	EUA: emission unit allowances
BSEE: Bureau of Safety and Environmental Enforcement	CVM: Portuguese securities code	EUR (or €): Euro
C&L: consumptions and losses	CWT: complexity weighted tonne	EWT: extended well test
CCUS: carbon capture, utilisation and storage	DCF: discounted cash flow	FAME: fatty acid methyl ester
CEC: Ethics and Conduct Committee	DeMac: DeGolyer and MacNaughton	FASB: Financial Accounting Standards Board
CEO: chief executive officer	DERI: Strategy and Investor Relations Division	FCC: fluid catalytic cracking
CESE: Energy Sector Extraordinary Contribution (Portugal)	DJSI: Dow Jones Sustainability Index	FCF: free cash flow
CFFO: cash flow from operations	DST: drill stem test	FCT: Fundação para a Ciência e Tecnologia
CFO: chief financial officer	DSU: debt service undertaking	FID: final investment decision
CGD: Caixa Geral de Depósitos, S.A.	E&P: Exploration & Production	FLNG: floating, liquefied natural gas unit
CGU: cash generating unit	Ebit: earnings before interest and taxes	FPSO: floating, production, storage and offloading unit
CITE: Comissão para a Igualdade no Trabalho e no Emprego (Commission for Equality in Labour and Employment)	Ebitda: earnings before interest, taxes, depreciation and amortisation	FSB: Financial Stability Board
CLCM: Companhia Logística de Combustíveis da Madeira, S.A.	EMPL: Europe-Maghreb Pipeline	FUNAE: Fundo Nacional de Energia (Mozambique)
	EMTN: Euro Medium Term Note	
	EMV: Expected Monetary Value	

G&A: general and administrative	IPIECA: Global Oil and Gas Industry Association for Environmental and Social Issues	MRV: Mozambique Rovuma Venture S.p.A.
G&G: geological and geophysical studies	IRC: corporate income tax	MTM: mark-to-market
G&P: Gas & Power	IRP: oil income tax (Angola)	mton: million tonnes
Galp: Galp Energia, SGPS, S.A., Company, Group or Corporation	ISIN: International securities identification number	mtpa: million tonnes per annum
GDP: Gás de Portugal, SGPS, S.A.	ISO: International Organisation for Standardisation	MW: megawatt
GGND: Galp Gás Natural Distribuição, S.A.	ISP: Portuguese Tax on Oil Products (Imposto sobre Produtos Petrolíferos)	MWh: megawatt-hour
GHG: greenhouse gases	IsPG: Instituto do Petróleo e Gás (Brazilian Institute of Oil and Gas)	n.m.: no meaning
GIIP: gas initially in place	IUCN: International Union for Conservation of Nature	NAMCOR: National Petroleum Corporation of Namibia
GRI: Global Reporting Initiative	JFM: job family model	NAMCOR: National Petroleum Corporation of Namibia
GVA: Galp Added Value	k: thousand/thousands	NE: North-east
GWh: gigawatt-hour	kbbl: thousand barrels of oil	NG: natural gas
GWT: Global Water Tool	kboepd: thousand barrels of oil equivalent per day	NPV: Net Present Value
HC: hydrocracking	kbpd: thousand barrels of oil per day	OECD: Organisation for Economic Cooperation and Development
HSE: Health, Safety and the Environment	km/km²: kilometres/square kilometres	OHSAS: Occupational Health and Safety Assessment Services
IAS: International Accounting Standards	Kosmos: Kosmos Energy	OTC: over-the-counter
IASB: International Accounting Standards Board	KRI: key resources indicators	OU: organisational units
IASC: International Accounting Standards Committee	kton: thousand tonnes	p.p.: percentage points
IBAT: Integrated Biodiversity Assessment Tool	LNEG: Laboratório Nacional de Energia e Geologia	Parpública: Parpública – Participações Públicas, SGPS, S.A.
ICE: Intercontinental Exchange	LNG: liquefied natural gas	PDP: personal development plans
IFRIC: International Financial Reporting Interpretation Committee	LPG: liquefied petroleum gas	Petrobras: Petróleo Brasileiro, S.A.
IFRS: International Financial Reporting Standards	LRO: local risk officer	Petrogal: Petróleos de Portugal – Petrogal, S.A.
IGEN: Business Forum for Equality	m: million	PIA: production individualisation agreement
IIA: The Institute of Internal Auditors	m³: cubic metres	PIS: program of social integration (Brazil)
IIRC: International Integrated Reporting Council	mm³: million cubic metres	PMRS: Petroleum Resources Management System
IMO: International Maritime Organisation	mmbbl: million barrels of oil	PoD: Plan of Development
IMPEL: Integrated Water Approach and Urban Reuse	mmboe: million barrels of oil equivalent	POS: Probability of Geological Success or Probability of Success
IOC: International Oil Company	mmbpd: million barrels of oil per day	PPSA: Pré-Sal Petróleo S.A.
IOGP: International Association of Oil and Gas Production	mmbtu: million British thermal units	PSA: production sharing agreement
IPCG: Portuguese Institute of Corporate Governance	mmscf: millions of cubic feet	PSI-20: portuguese stock market reference index
	MPDP: Market Production Data Platform	PwC: PricewaterhouseCoopers
		PWN: Lisbon's Professional Women's Network

R&D: Research & Development**R&M:** Refining & Marketing**R&T:** Research & Technology**RAB:** regulatory asset base**RC:** replacement cost**RCA:** replacement cost adjusted**RCM:** reliability centred maintenance**ROC:** statutory auditor**ROI:** return on investment**SDG:** Sustainable Development Goals**SEM:** successful efforts method**SGPS:** Sociedade Gestora de Participações
Sociais (Holding company)**SIC:** Standing Interpretation Committee**SPE:** Society of Petroleum Engineers**SPPI:** Solely Payments of Principal and Interests**SPT:** Special Participation Tax (Brazil)**SROC:** firm of statutory auditors**SXEP:** STOXX Europe 600 Oil & Gas Index**tCO₂:** tonnes of carbon dioxide**tCO₂e:** tonnes of carbon dioxide equivalent**tcf:** trillion cubic feet**TCFD:** Task Force on Climate-related Financial
Disclosure**TJ:** terajoule**toe:** tonne of oil equivalent**ton:** tonne**TSR:** total shareholder return**TTF:** title transfer facility**UGS:** global system use**UNESCO:** United Nations Educational,
Scientific and Cultural Organisation**UNGC:** United Nations Global Compact**UNPD:** United Nations Development
Programme**UOP:** unit of production**URD:** distribution network use**URT:** transportation network use**USA:** United States of America**USD (or \$):** United States Dollar**VAT:** value added tax**VB:** visbreaker unit**VGO:** vacuum gas oil**VP:** Voluntary Principles on Security
and Human Rights**WAC:** weighted average cost**WACC:** weighted average cost of capital**WEST:** Western European Summer Time**WPC:** World Petroleum Council**YoY:** year-on-year

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EDITION



UNCREDITED PHOTOGRAPHS THROUGHOUT THE REPORT

Photographer Pedro Ferreira: page 12

**Photos for VISÃO magazine in partnership with Galp,
by the photographer Arlindo Camacho:** page 14

Galp's Digital Photo Stock: pages 93 and 95

Tab photos by Frederico Van Zeller, with a Garage Films production,
resorting to projection to create an anamorphic word illusion,
which are only completely visible from one angle. The entire production
was carried out in order to preserve the environment.

Pages 10, 11, 32, 33, 40, 41, 62, 63, 90, 91, 98, 99, 108 and 109

DESIGN AND CONCEPTION

J. Walter Thompson

PRODUCTION COORDINATION

APP - Production Partners

