PRESS RELEASE
Lisbon, October 29, 2019

3rd Quarter 2018

International expansion drives growth

- **More than 80% of Ebitda originated from international activities**
- **New units in Brazil and Angola contribute to 10% increase in oil and gas production in the 3rd quarter from same period a year earlier**
- **Capex of €234 million in the quarter brings year-to-date total investment to €597 million**
- **Sines and Matosinhos planned stoppages improve refineries' efficiency**
- **Adjusted 3rd quarter net income totals €212 million**

Continued progress in Galp's Brazilian-focused internationalization strategy drove the company's third-quarter adjusted net income to €212 million, a 35% improvement from the same quarter a year ago.

Total oil and gas production (working interest) in the 3rd quarter increased 10% from the same period a year before, to an average 103.8 kboepd, boosted by the increase in production from P-66, the 7th floating, production, storage and offloading (FPSO) unit that started operating in Brazil's offshore pre-salt fields in May 2017 and is now producing at plateau. Net entitlement production rose 11% in the same period, totaling an average 102.3 kboepd. Oil accounted for about 90% of production.

The increase in production was constrained by scheduled maintenance in three floating production units in Brazil during the quarter and positively impacted by the start of production of the first of the two committed units at the Kaombo project, in Angola's Block 32.

Average daily production in the Brazilian pre-salt increased by 8.1 kboepd, to 94.9 kboepd, while Angola added 1.8 kboepd, to a total 7.4 kboepd.

In accumulated terms, in the full nine months, average working-interest production totaled 105.3 kboepd and net-entitlement production reached 103.9 kboepd.

A programmed maintenance stoppage at the Matosinhos refinery, near Porto, at the end of September, also used to carry out strategic efficiency projects, has translated into 7% declines, both in processed raw materials and in product sales from the Refining & Marketing division.

In the nine months through September 30th, processed raw materials declined 5% while sales fell 4%, in this case also due to a programmed stoppage in the Sines refinery, for maintenance and the adoption of efficiency projects.

Galp's refining margin narrowed 21% compared with the same quarter of 2017, to an average $5.8/boe, and dropped 16%, to an average $5.1/boe, in the nine months from the same period a year before.

Total volumes of natural gas (NG) and Liquefied Natural Gas (LNG) sold reached 2,024 million m³, up 18% from the same quarter of 2017, following the increase in network trading volumes and in sales to industrial clients and to the electrical segment in Iberia. Sales of electricity were 1,262 GWh, down 2%, driven by the start of planned maintenance in the Matosinhos cogeneration unit.

Nine months sales of NG/LNG increased 8% to 5,891 mm³, supported by the increase in network trading volumes and sales to the conventional segment, namely to industrial clients. Trading volumes increased 7% from the same period a year earlier, with the increase in NG sales in the European hubs offsetting the fewer LNG trading volumes.

Sales of electricity in the same period increased 6% to 4,030 GWh, on the back of the higher contribution from the marketing activity.

Investment and financial strength

Capex totalled €234 million during the quarter, of which 81% was allocated to the E&P business. Capex of €117 million in exploration and appraisal activities was mainly related to the payment of signing bonuses for licenses in Brazil, which totalled €103 million.

Investment related to development and production activities was mainly allocated to the development of projects in BM-S-11 in Brazil and block 32 in Angola.

From January until September 30th, capex reached €597 million, of which 80% was allocated to the E&P business. Investment in development and production activities reached €289 million and was mainly allocated to activities in block BM-S-11 and block 32. It is also worth highlighting the investment in the Coral South project in Mozambique.

Investment in downstream activities (R&M and G&P) reached €115 million and was mostly allocated to the maintenance and improvement of refining energy efficiency, as well as to the renewal of the retail network.

On September 30, net debt was €1,899 million, up €162 million from the previous quarter, driven by the dividend and the Brazil bid round payments in September. Net debt to Ebitda RCA stood at 0.9x.

During the third quarter of 2018, Galp issued medium and long-term debt amounting to €300 million, which contributed to the increase in the average life of debt to three years, and decrease in average funding cost to 2.6%.

Cash flow from operations (CFFO) of €343 million was impacted by the working capital increase of €186 million, driven by the build-up in inventories in preparation for refining maintenance activities and E&P in-transit crude cargoes. Dividends paid during the third quarter amounted to €239 million, mainly related to the payment of the interim dividend of the 2018 financial year.

As for the nine months through September 30, CFFO increased 11% to €1,192 million, on the back of a robust performance across all business segments, despite the €387 million build in working capital.

Free cash flow post-dividend was positive by €22 million, despite net capex of €614 m and dividends paid during the period.

Earnings

Adjusted Ebitda (RCA) in the 3rd quarter increased 38% from the same period a year earlier, to €642 million, due to a higher contribution from the E&P business. This unit accounted for almost two thirds of total Ebitda, or €396 million, benefiting from the increased oil and natural gas production, but also from higher international oil and gas prices, which translated into an average sale price of $65.3/boe, compared with $45.3/boe in the third quarter of 2017.

In the opposite direction, the narrowing of European refining margins and its reflex on the decline of Galp's own refining margins contributed to a decline in R&M Ebitda to $195 million.

Ebitda from the G&P division totaled €44 million, 9% more than in the same period a year earlier.

From January to September, Ebitda reached €1.7 billion, from which about 80% resulted from the company's international activities. The value of exports in the nine months through September 30, 2018, rose to €2.66 billion, from €2.4 billion in the same period of 2017.

Adjusted net income for the third quarter totaled €212 million, 35% more than in the same quarter a year before. IFRS net income was €235 m.

In the nine months through September, adjusted net income reached €598 million, a 54% increase from the same period of 2017, and IFRS net income reached €697 million.

About Galp

Galp is a publicly held, Portuguese-based energy company, with an international presence. Our activities cover all stages of the energy sector's value chain, from prospection and extraction of oil and natural gas from reservoirs located kilometers under the sea surface, to the development of efficient and environmentally sustainable energy solutions for our customers – whether large industries that seek to increase their competitiveness, or individual consumers that seek the most flexible solutions for their home and mobility needs. We also contribute to the economic development of the 11 countries where we operate and to the social progress of the communities that welcome us. Galp employs 6,389 people.

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Operational data

Quarter						Nine Months			
3Q17	2Q18	3Q18	Var. YoY	% Var. YoY		2017	2018	Var. YoY	% Var. YoY
94.6	108.1	103.8	9.2	10%	Average working interest production (kboepd)	90.8	105.3	14.5	16%
92.4	106.7	102.3	9.9	11%	Average net entitlement production (kboepd)	88.9	103.9	15.0	17%
45.3	64.3	65.3	20.1	44%	Oil and gas average sale price (USD/boe)	44.4	63.1	18.6	42%
29.7	28.5	27.7	(2.0)	(7%)	Raw materials processed (mmboe)	85.8	81.1	(4.6)	(5%)
7.4	6.1	5.8	(1.6)	(21%)	Galp refining margin (USD/boe)	6.1	5.1	(1.0)	(16%)
2.4	2.2	2.4	(0.0)	(1%)	Oil sales to direct clients (mton)	6.7	6.6	(0.1)	(2%)
1,064	1,133	1,201	138	13%	NG sales to direct clients (mm^3)	3,264	3,559	295	9%
652	759	823	170	26%	NG/LNG trading sales (mm^3)	2,184	2,331	147	7%

Financial data

€m (IFRS, except otherwise stated)

Quarter						Nine Months			
3Q17	2Q18	3Q18	Var. YoY	% Var. YoY		2017	2018	Var. YoY	% Var. YoY
466	**628**	**642**	**175**	**38%**	**RCA Ebitda**	**1,310**	**1,725**	**415**	**32%**
204	411	396	192	94%	Exploration & Production	554	1,100	546	99%
215	174	195	(20)	(9%)	Refining & Marketing	630	491	(139)	(22%)
40	34	44	4	9%	Gas & Power	105	112	7	7%
289	**457**	**470**	**182**	**63%**	**RCA Ebit**	**745**	**1,205**	**460**	**62%**
115	328	311	196	n.m.	Exploration & Production	269	849	580	n.m.
132	93	115	(17)	(13%)	Refining & Marketing	369	242	(127)	(35%)
36	29	39	3	9%	Gas & Power	90	96	6	7%
156	**251**	**212**	**55**	**35%**	**RCA Net income**	**387**	**598**	**210**	**54%**
154	**330**	**235**	**81**	**53%**	**IFRS Net income**	**368**	**697**	**328**	**89%**
(14)	11	(10)	(4)	(26%)	Non-recurring items	(49)	(38)	(11)	(22%)
12	68	34	22	n.m.	Inventory effect	30	137	107	n.m.
398	**604**	**343**	**(55)**	**(14%)**	**Cash flow from operations**	**1,074**	**1,192**	**119**	**11%**
217	**217**	**234**	**17**	**8%**	**Capex**	**589**	**597**	**9**	**2%**
164	**398**	**87**	**(77)**	**(47%)**	**Free cash flow**	**448**	**514**	**66**	**15%**
(44)	**146**	**(153)**	**108**	**n.m.**	**Post-dividend free cash flow**	**25**	**22**	**(2)**	**(9%)**
1,967	**1,737**	**1,899**	**(68)**	**(3%)**	**Net debt**	**1,967**	**1,899**	**(68)**	**(3%)**
1.2x	**0.9x**	**0.9x**	**-**	**-**	**Net debt to RCA Ebitda**	**1.2x**	**0.9x**	**-**	**-**

Galp

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