

International projects support earnings

- **More than 86% of first-quarter Ebitda came from international activities**
- **Oil and gas production rose 8% with contributions from added production units in Brazil and Angola**
- **Ebitda rose 9% to €494 million in the first quarter from a year earlier**
- **Adjusted net income declined to €103 million as tax costs increase**

The continued execution of Galp's Exploration and Production (E&P) projects in Brazil, and the resulting added production of oil and natural gas, offset a decline in Refining & Marketing (R&M) in a quarter affected by the introduction of new accounting norms (IFRS 16).

Earnings before interest, taxes, depreciation and amortization adjusted for extraordinary items (Ebitda RCA) rose 9% in the first quarter compared with a year before, to €494 million, of which 86% generated from the company's international activities – and more than 75% directly from the E&P unit. Introduction of the new IFRS 16 had a positive Ebitda impact of €44 million.

Ebita from E&P activities increased 28% from the same period a year ago, to €374 million, on the back of an 8% increase in total oil and natural gas production, which averaged 112.6 thousand barrels of oil equivalent per day (kboepd) in the quarter. Production was boosted by the start of production and ramp-up throughout the year of two FPSO-type floating units in the Santos Basin, in Brazil, and another one in Angola. Ebitda at the E&P unit had a €33 million gain from the new IFRS 16 norm.

Earnings at the R&M unit dropped 42% to €70 million, reflecting a decline in international refining margins, as well as operational constraints that limited the availability of products, particularly to the international markets.

An increase in sales at the European hubs made up for a decline in sales to direct clients, which effected a 40% increase in the Gas & Power unit's Ebitda from the same quarter a year earlier, to €47 million.

Adjusted net income for the first quarter totaled €103 million, 24% below the first quarter of 2018. According to IFRS standards, Galp has posted a first-quarter loss of €8 million due to a €126 million increase in negative one-time items that in essence reflect the impact of the Lula field unitization process, in Brazil. Galp's economic position in this block, held through its subsidiary Petrogal Brasil, has declined from 10% to 9,2%, effective on April 1, 2019. Galp has recognized a one-time €98 million negative impact from this process.

Other financial indicators

Cash flow from operations in the first quarter rose 62% to €396 million from the same period of 2018, already accounting for the €44 million euro gain from the introduction of the IFRS 16 rules, and in spite of the lower contribution from Refining and Marketing. Free cash flow totaled €159 million, dropping to €91 million after dividend-distribution to minority interests.

Capex in the first quarter was in line with the same period from a year before, at €149 million, of which 89% were allocated to the E&P businesses, led by the Lula project, in Brasil, block 32 in Angola, which saw a second FPSO unit coming online in April, and the Mozambique LNG project.

On March 31, net debt was €1.6 billion, down €134 million from the year-end, reflecting cash generation during the period. Liabilities associated with operating leases were €1.23 billion. Net debt to Ebitda RCA was 0.7x, with Ebitda RCA adjusted for the impact from the new IFRS 16 standard.

Results by business area

Exploration & Production

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

	Quarter					
	1Q18	4Q18	1Q19	1Q19 (w/o IFRS16)	Var. YoY	% Var. YoY
Average working interest production ¹ (kboepd)	104.1	113.1	112.6		8.5	8%
Oil production (kbpd)	91.6	99.8	99.5		7.8	9%
Average net entitlement production ¹ (kboepd)	102.6	111.7	110.8		8.1	8%
Angola	5.6	8.9	8.7		3.1	56%
Brazil	97.1	102.9	102.1		5.0	5%
Oil and gas realisations - Dif. to Brent (USD/boe)	(8.7)	(7.8)	(8.9)		0.3	3%
Royalties ² (USD/boe)	5.4	5.5	5.1		(0.3)	(6%)
Production costs (USD/boe)	9.2	7.0	3.8	7.6	(5.4)	(59%)
DD&A ³ (USD/boe)	11.0	8.8	13.5	11.0	2.5	23%
RCA Ebitda	293	339	374	341	81	28%
Depreciation, Amortisation and Impairments ³	83	96	119	97	36	44%
Exploration expenditures written-off	-	-	-	-	-	n.m.
Provisions	-	(17)	-	-	-	n.m.
RCA Ebit	210	260	256	244	45	21%
IFRS Ebit	210	279	56	44	(155)	(74%)
Net Income from E&P Associates	13	12	16	16	2	19%

¹ Includes natural gas exported; excludes natural gas used or reinjected. ² Based on total net entitlement production. ³ Includes abandonment provisions and excludes exploration expenditures written-off.

Refining & Marketing

€m (RCA, except otherwise stated)

	Quarter					
	1Q18	4Q18	1Q19	1Q19 (w/o IFRS16)	Var. YoY	% Var. YoY
Galp refining margin (USD/boe)	3.3	4.3	2.3		(1.0)	(30%)
Refining cost (USD/boe)	2.2	4.3	2.4		0.2	8%
Refining margin hedging ¹ (USD/boe)	0.6	0.3	0.2		(0.3)	(60%)
Raw materials processed (mmboe)	25.2	19.3	22.6		(2.6)	(10%)
Crude processed (mmbbl)	23.4	16.8	19.9		(3.5)	(15%)
Total oil products sales (mton)	4.1	3.6	3.6		(0.4)	(11%)
Sales to direct clients (mton)	2.0	2.2	2.1		0.1	4%
RCA Ebitda	122	118	70	59	(52)	(42%)
Depreciation, Amortisation and Impairments ²	88	88	92	82	3	4%
Provisions	0	7	(0)	(0)	(0)	n.m.
RCA Ebit	33	24	(21)	(23)	(55)	n.m.
IFRS Ebit	74	(86)	7	5	(67)	(91%)
Net Income from R&M Associates	1	(8)	(2)	(2)	(4)	n.m.

¹ Impact on Ebitda.

² Excludes impairments on exploration assets, and includes abandonment provisions.

Gas & Power

€m (RCA, except otherwise stated)

	Quarter					
	1Q18	4Q18	1Q19	1Q19 (w/o IFRS16)	Var. YoY	% Var. YoY
NG/LNG total sales volumes (mm ³)	1,975	1,725	1,971		(3)	(0%)
Sales to direct clients (mm ³)	1,225	1,181	1,157		(68)	(6%)
Trading (mm ³)	750	544	814		65	9%
Sales of electricity to direct clients (GWh)	1,077	879	841		(236)	(22%)
Sales of electricity to the grid (GWh)	364	282	348		(17)	(5%)
RCA Ebitda	34	25	47	47	14	40%
Supply & Trading	22	18	36	36	14	67%
Power	12	8	11	11	(1)	(8%)
Depreciation, Amortisation and Impairments ¹	5	5	5	5	(0)	(6%)
Provisions	-	-	-	-	-	n.m.
RCA Ebit	28	20	42	42	14	49%
Supply & Trading	20	16	35	35	15	74%
Power	8	4	7	7	(1)	(11%)
IFRS Ebit	29	24	38	38	9	30%
Net Income from G&P Associates	24	20	23	23	(1)	(6%)

¹ Excludes impairments on accounts receivables, which started to be accounted in Ebitda in 2018.

Financial data

€m (IFRS, except otherwise stated)

	Quarter				
	1Q18	4Q18	1Q19	Var. YoY	% Var. YoY
RCA Ebitda	455	493	494	39	9%
Exploration & Production	293	339	374	81	28%
Refining & Marketing	122	118	70	(52)	(42%)
Gas & Power	34	25	47	14	40%
RCA Ebit	278	313	278	(0)	(0%)
Exploration & Production	210	260	256	45	21%
Refining & Marketing	33	24	(21)	(55)	n.m.
Gas & Power	28	20	42	14	49%
RCA Net income	135	109	103	(32)	(24%)
IFRS Net income	130	44	(8)	(137)	n.m.
Non-recurring items	(38)	7	(126)	88	n.m.
Inventory effect	33	(72)	15	(18)	(54%)
Cash flow from operations	245	402	396	151	62%
Capex	146	301	149	2	2%
Free cash flow	29	121	159	131	n.m.
Post-dividend free cash flow	29	120	91	62	n.m.
Net debt	1,885	1,737	1,603	(281)	(15%)
Net debt to RCA Ebitda	1.0x	0.8x	0.7x	-	-

¹ Ratio considers the Ebitda RCA LTM of €2,213 m, adjusted for the impact from the application of the IFRS 16 standard, including all costs related to financial leaseings, in the amount of €44 m in 1Q19.

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. We help large industries to increase their competitiveness, or individual consumers looking for the most flexible solutions for their home and mobility needs. Our offerings combine all types of energy, from electricity to gas and liquid fuels. 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 6,360 people. For more information, visit www.galp.com.

Galp

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