International activity drives earnings

- **More than 82% of first-half Ebitda came from international activities**
- **Oil and gas production rose 6% with contributions from added production units in Angola and Brazilian ramp-ups**
- **Cash flow generation rose 17% to €501 million; net debt reduced by 8%**
- **Adjusted first-halp Ebitda rose 2%, to €1.1 billion**

Galp's first-half 2019 results once again benefited from the company's integrated profile, as increased earnings at the Exploration and Production (E&P) unit, as well as in Gas and Power (G&P) offset a decline in Refining and Marketing (R&P), dented by tighter European refining margins and operational constraints.

Earnings before interest, taxes, depreciation and amortization adjusted for extraordinary items (Ebitda RCA) in the first six months of 2019 totaled €1.1 billion, a 2% increase from the same period a year earlier, with 82% originating in the international markets.

E&P Ebitda increased 11% from the same period a year ago, to €782 million, on the back of 5% increase in net entitlement oil and natural gas production. This stood at an average 110.3 thousand barrels per day (kboepd) in the six months, boosted by increased production in Angola, where two FPSO-type floating production units entered service in July of 2018 and in April this year.

Production in Brazil was stable, with the ramp-up of the two most-recent FPSOs offsetting the effects of the dilution of Galp's stake in the Lula field, after its unitization, as well as that of maintenance activities in three other FPSOs. Total working interest production rose 6% to 112.2 kboepd.

Operational earnings at the R&M unit dropped 28% to €212 million, reflecting a decline in European refining margins, as well as operational constraints that limited the volumes of processed raw-materials and, thus, also the availability of oil products for sale, namely on the international markets.

Ebitda at the G&P unit rose 54%, to €105 million, supported by a higher contribution from sales of natural gas and electricity, and also benefitting from network trading in the European natural gas hubs.

Adjusted net income for the first half totaled €303 million, a 23% decline from the same period of 2018. Non-recurring items, including the effects of the Lula field unitization process, totaled €111 million. 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.

Other financial indicators

Cash flow from operations in the first quarter totaled €1.01 billion, in spite of a lower contribution from refining. Free cash flow generated in the semester was €501 million, or €98 million after dividends to shareholders and minorities.

Capex in the first half rose 6% to €385 million, of which 80% were allocated to the E&P businesses, including the payment for the acquisition of an additional stake in the BM-S-8 that brought Galp's stake to 20%, and works in the North of Carcará area. Investments in downstream were mainly focused on the improvement of refining energy efficiency.

On June 30, net debt was €1.6 billion, down €140 million from year-end 2018. Net debt to Ebitda RCA is 0.7x.

Results by business area

Exploration & Production

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

Quarter							First Half				
2Q18	1Q19	2Q19	2Q19 (w/o IFRS16)	Var. YoY			2018	2019	2019 (w/o IFRS16)	Var. YoY	
108.1	**112.6**	**111.7**		**3.6**	**3%**	**Average working interest production[1] (kboepd)**	**106.1**	**112.2**		**6.0**	**6%**
94.6	99.5	99.4		4.8	5%	Oil production (kbpd)	93.1	99.4		6.3	7%
106.7	**110.8**	**109.7**		**3.0**	**3%**	**Average net entitlement production[1] (kboepd)**	**104.7**	**110.3**		**5.6**	**5%**
5.3	8.7	12.1		6.8	n.m.	Angola	5.4	10.4		5.0	92%
101.4	102.1	97.6		(3.8)	(4%)	Brazil	99.3	99.8		0.6	1%
(10.6)	**(8.9)**	**(7.8)**		**(2.9)**	**(27%)**	**Oil and gas realisations - Dif. to Brent (USD/boe)**	**(9.7)**	**(8.0)**		**(1.6)**	**(17%)**
6.1	**5.1**	**5.4**		**(0.7)**	**(12%)**	**Royalties (USD/boe)**	**5.8**	**5.2**		**(0.5)**	**(9%)**
7.7	**3.8**	**4.6**	**8.5**	**(3.0)**	**(40%)**	**Production costs (USD/boe)**	**8.4**	**4.2**	**8.0**	**(4.2)**	**(49%)**
10.2	**13.5**	**14.5**	**12.0**	**4.3**	**42%**	**DD&A[2] (USD/boe)**	**10.6**	**14.0**	**11.5**	**3.4**	**32%**
411	**374**	**408**	**374**	**(4)**	**(1%)**	**RCA Ebitda**	**704**	**782**	**715**	**78**	**11%**
83	119	129	106	46	55%	Depreciation, Amortisation and Impairments[2]	166	248	203	82	49%
-	-	-	-	-	n.m.	Provisions	-	-	-	-	n.m.
328	**256**	**278**	**267**	**(49)**	**(15%)**	**RCA Ebit**	**538**	**534**	**512**	**(4)**	**(1%)**
328	**56**	**281**	**270**	**(46)**	**(14%)**	**IFRS Ebit[3]**	**538**	**337**	**315**	**(201)**	**(37%)**
10	**16**	**17**	**17**	**7**	**68%**	**Net Income from E&P Associates**	**23**	**33**	**33**	**9**	**41%**

[1] Includes natural gas exported; excludes natural gas used or reinjected.
[2] Includes abandonment provisions.
[3] 1Q19 and 1H19 includes unitisation impact.

Refining & Marketing

€m (RCA, except otherwise stated)

Quarter							First Half				
2Q18	1Q19	2Q19	2Q19 (w/o IFRS16)	Var. YoY			2018	2019	2019 (w/o IFRS16)	Var. YoY	
6.0	**2.3**	**3.0**		**(3.0)**	**(50%)**	**Galp refining margin (USD/boe)**	**4.7**	**2.7**		**(2.0)**	**(43%)**
2.2	**2.4**	**2.3**		**0.1**	**2%**	**Refining cost (USD/boe)**	**2.2**	**2.4**		**0.1**	**5%**
0.2	**0.2**	**0.1**		**(0.1)**	**(50%)**	**Refining margin hedging[1] (USD/boe)**	**0.3**	**0.1**		**(0.2)**	**(57%)**
28.9	**22.6**	**26.1**		**(2.8)**	**(10%)**	**Raw materials processed (mmboe)**	**54.1**	**48.7**		**(5.4)**	**(10%)**
26.4	19.9	23.0		(3.4)	(13%)	Crude processed (mmbbl)	49.8	43.0		(6.8)	(14%)
4.6	**3.6**	**4.4**		**(0.2)**	**(4%)**	**Total oil products sales (mton)**	**8.7**	**8.1**		**(0.6)**	**(7%)**
2.1	2.1	2.3		0.2	8%	Sales to direct clients (mton)	4.1	4.4		0.2	6%
174	**70**	**142**	**129**	**(32)**	**(19%)**	**RCA Ebitda**	**296**	**212**	**188**	**(84)**	**(28%)**
81	92	94	84	13	16%	Depreciation, Amortisation and Impairments	169	186	166	16	10%
0	(0)	(0)	(0)	(0)	n.m.	Provisions	0	(0)	(0)	(1)	n.m.
93	**(21)**	**48**	**46**	**(45)**	**(48%)**	**RCA Ebit**	**126**	**27**	**22**	**(100)**	**(79%)**
200	**7**	**101**	**98**	**(100)**	**(50%)**	**IFRS Ebit**	**275**	**108**	**103**	**(167)**	**(61%)**
(0)	**(2)**	**6**	**6**	**6**	**n.m.**	**Net Income from R&M Associates**	**1**	**3**	**3**	**2**	**n.m.**

[1] Impact on Ebitda.

Gas & Power

€m (RCA, except otherwise stated)

Quarter							First Half				
2Q18	1Q19	2Q19	2Q19 (w/o IFRS16)	Var. YoY			2018	2019	2019 (w/o IFRS16)	Var. YoY	
1,892	**1,963**	**1,887**		**(5)**	**(0%)**	**NG/LNG total sales volumes (mm^3)**	**3,866**	**3,851**		**(16)**	**(0%)**
1,133	1,149	1,205		72	6%	Sales to direct clients (mm^3)	2,358	2,354		(4)	(0%)
759	814	682		(76)	(10%)	Trading (mm^3)	1,508	1,497		(11)	(1%)
977	**841**	**788**		**(189)**	**(19%)**	**Sales of electricity to direct clients (GWh)**	**2,054**	**1,629**		**(425)**	**(21%)**
343	**339**	**328**		**(15)**	**(4%)**	**Sales of electricity to the grid (GWh)**	**696**	**667**		**(29)**	**(4%)**
34	**47**	**57**	**57**	**23**	**68%**	**RCA Ebitda**	**68**	**105**	**104**	**37**	**54%**
22	36	46	46	24	n.m.	Supply & Trading	44	82	82	38	87%
12	11	11	11	(0)	(4%)	Power	24	22	22	(1)	(6%)
5	5	5	4	(0)	(8%)	Depreciation, Amortisation and Impairments	10	9	9	(1)	(7%)
0	-	-	-	(0)	n.m.	Provisions	0	-	-	(0)	n.m.
29	**42**	**53**	**53**	**24**	**81%**	**RCA Ebit**	**58**	**95**	**95**	**38**	**65%**
35	**38**	**48**	**48**	**14**	**39%**	**IFRS Ebit**	**64**	**87**	**87**	**23**	**35%**
25	**23**	**24**	**24**	**(0)**	**(1%)**	**Net Income from G&P Associates**	**49**	**47**	**47**	**(2)**	**(4%)**

Financial data

€m (IFRS, except otherwise stated)

Quarter						First Half			
2Q18	1Q19	2Q19	Var. YoY			2018	2019	Var. YoY	
628	**494**	**615**	**(13)**	**(2%)**	**RCA Ebitda**	**1,083**	**1,109**	**26**	**2%**
411	374	408	(4)	(1%)	Exploration & Production	704	782	78	11%
174	70	142	(32)	(19%)	Refining & Marketing	297	212	(84)	(28%)
34	47	57	23	68%	Gas & Power	68	105	37	54%
457	**278**	**386**	**(72)**	**(16%)**	**RCA Ebit**	**735**	**663**	**(72)**	**(10%)**
328	256	278	(49)	(15%)	Exploration & Production	538	534	(4)	(1%)
93	(21)	48	(45)	(48%)	Refining & Marketing	126	27	(100)	(79%)
29	42	53	24	81%	Gas & Power	58	95	38	65%
251	**103**	**200**	**(52)**	**(21%)**	**RCA Net income**	**386**	**303**	**(84)**	**(22%)**
332	**(8)**	**231**	**(101)**	**(30%)**	**IFRS Net income**	**462**	**223**	**(239)**	**(52%)**
11	(126)	14	4	36%	Non-recurring items	(28)	(111)	84	n.m.
70	15	17	(53)	(76%)	Inventory effect	103	32	(71)	(69%)
604	**396**	**613**	**9**	**2%**	**Cash flow from operations**	**849**	**1,010**	**161**	**19%**
217	**149**	**236**	**19**	**9%**	**Capex**	**364**	**385**	**21**	**6%**
398	**159**	**342**	**(56)**	**(14%)**	**Free cash flow**	**427**	**501**	**74**	**17%**
146	**91**	**7**	**(140)**	**(95%)**	**Post-dividend free cash flow**	**175**	**98**	**(77)**	**(44%)**
1,738	**1,603**	**1,598**	**(140)**	**(8%)**	**Net debt**	**1,738**	**1,598**	**(140)**	**(8%)**
0.9x	**0.7x**	**0.7x**	**-**	**-**	**Net debt to RCA Ebitda[1]**	**0.9x**	**0.7x**	**-**	**-**

[1] Ratio considers the LTM Ebitda RCA (€2,151 m at 30 June 2019), adjusted for the impact from the application of the IFRS 16 standard (€93 m at 30 June 2019).

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

Media Relations
Diogo Sousa
Pedro Marques Pereira – twitter @pedrogcmp;
+ (351) 217 242 680
+ (351) 961 773 444 (24 hours)
galp.press@galp.com