



1st Quarter 2019 Results

April 29, 2019



1. First Quarter 2019 highlights

- CFFO was €396 m, up 62% YoY, already considering the €44 m positive impact from the application of the IFRS 16 standard, supported on a higher upstream contribution and despite a lower refining performance. FCF was €159 m, or €91 m after dividend payment to non-controlling interests.
- Consolidated RCA Ebitda increased 9% YoY to €494 m, considering the positive impact from the application of IFRS 16 (€44 m). Excluding this effect, RCA Ebitda would have been in line YoY.
 - E&P: RCA Ebitda was €374 m, including the €33 m positive impact from the application of IFRS 16, up 28% YoY with the higher production and a stronger U.S. Dollar offsetting lower commodity prices.
 - Working interest production increased 8% YoY to 112.6 kboepd, driven by higher production from Brazil, namely from FPSO #7, the ramp-up of FPSO #8, and the start-up in February of FPSO #9, all in the Lula field. In Angola, production increased due to the contribution from the Kaombo North FPSO, in block 32.
 - R&M: RCA Ebitda was €70 m, already considering the €12 m positive impact from the application of the IFRS 16 standard. Results were nonetheless impacted by lower refining margins and operational constraints.
 - G&P: RCA Ebitda increased €14 m YoY to €47 m, mostly reflecting a better performance from the natural gas and electricity commercial activity in Iberia.
- RCA Ebit stood in line YoY at €278 m, considering a negative €31 m impact in depreciation charges from the application of the IFRS 16 standard.
- RCA net income was €103 m. IFRS net income was negative by €8 m, with non-recurring items of €126 m, which include the impact from the unitisation of the Lula field in Brazil.
- Capex totalled €149 m during the quarter, of which 89% allocated to the E&P business, mostly related with the execution of Lula, block 32 and the LNG project in Mozambique.
- ANP informed in March about the approval of the unitisation agreement related with the Lula accumulation. Galp's stake through Petrogal Brasil was adjusted from 10% to 9.209%, which became effective as of April 1, 2019. Galp recognised an impact of €98 m at the net income level as a non-recurring item related to previous periods earnings adjustments.
- On April 2, 2019, Kaombo South FPSO started production in block 32, in Angola.

Note: As of January 1, 2019 Galp adopted the IFRS 16 accounting standard. 2018 figures were not restated according to this accounting standard. For comparison purposes, the report also includes 2019 adjusted figures excluding the IFRS 16 impacts.

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 Ebitda¹	1.0x	0.8x	0.7x	-	-

¹Ratio considers the LTM Ebitda RCA of €2,213 m, adjusted for the impact from the application of the IFRS 16 standard (€44 m in 1Q19).

Operational data

	Quarter				
	1Q18	4Q18	1Q19	Var. YoY	% Var. YoY
Average working interest production (kboepd)	104.1	113.1	112.6	8.5	8%
Average net entitlement production (kboepd)	102.6	111.7	110.8	8.1	8%
Oil and gas realisations - Dif. to Brent (USD/boe)	(8.7)	(7.8)	(8.9)	0.3	3%
Raw materials processed (mmboe)	25.2	19.3	22.6	(2.6)	(10%)
Galp refining margin (USD/boe)	3.3	4.3	2.3	(1.0)	(30%)
Oil sales to direct clients (mton)	2.0	2.2	2.1	0.1	4%
NG sales to direct clients (mm ³)	1,225	1,181	1,157	(68)	(6%)
NG/LNG trading sales (mm ³)	750	544	814	65	9%

Market indicators

	Quarter				
	1Q18	4Q18	1Q19	Var. YoY	% Var. YoY
Average exchange rate EUR:USD	1.23	1.14	1.14	(0.09)	(8%)
Average exchange rate EUR:BRL	3.99	4.35	4.28	0.29	7%
Dated Brent price (USD/bbl)	66.8	68.8	63.1	(3.7)	(6%)
Heavy-light crude price spread ¹ (USD/bbl)	(1.5)	(0.8)	(0.2)	(1.3)	(86%)
Iberian MIBGAS natural gas price (EUR/MWh)	22.2	26.0	21.3	(0.9)	(4%)
Dutch TTF natural gas price (EUR/MWh)	21.4	24.8	18.4	(2.9)	(14%)
Japan/Korea Marker LNG price (USD/mmbtu)	9.4	10.0	6.6	(2.8)	(30%)
Iberian oil market (mton)	15.6	16.6	16.7	1.1	7%
Iberian natural gas market (mm ³)	10,079	9,732	10,194	115	1%

Source: Platts for commodities prices; MIBGAS for Iberian natural gas price; APETRO and CORES for Iberian oil market; Galp and Enagás for Iberian natural gas market.

¹ Urals NWE dated for heavy crude; dated Brent for light crude.



2. Exploration & Production

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

	Quarter					
	1Q18	4Q18	1Q19	1Q19 (w/o IFRS16)	Var. YoY	% Var. YoY
Average working interest production¹ (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 production¹ (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 (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&A² (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 ²	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 Ebit³	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 Includes abandonment provisions and excludes exploration expenditures written-off. ³ 1Q19 includes unitisation impact.

Operations

Working interest production increased 8% YoY to 112.6 kboepd, due to the progress of the Lula field, and of Kaombo in Angola. Natural gas amounted to 12% of the Group's total production.

In Brazil, the higher production was supported by FPSO #7, which contributed at oil plateau levels during the period, by the ramp-up of FPSO #8, and the start-up in February of FPSO #9 in the Lula North area. This is the third replicant unit and the last one expected to be deployed on the initial development phase of BM-S-11.

During the quarter, planned maintenance was performed in FPSO #3.

In Angola, WI production was up 49% YoY to 10.5 kbpd, driven by the contribution from Kaombo North FPSO, in block 32. Net entitlement production increased 56% YoY to 8.7 kbpd.

On April 2, Galp announced the start-up of the Kaombo South FPSO, the second unit to develop block 32.

Results

RCA Ebitda was €374 m, with the production increase and a stronger U.S. Dollar offsetting lower commodity prices. The 28% YoY increase mostly reflects the application of IFRS 16.

Production costs were €34 m, now excluding costs related with operating leases of €34 m. In unit terms, and on a net entitlement basis, production costs were \$3.8/boe (or \$7.6/boe on a comparable YoY basis, without considering the impacts from accounting changes).

Amortisation and depreciation charges (including abandonment provisions) increased €36 m YoY to €119 m, reflecting the higher operating asset base as well as the €22 m impact from IFRS 16. On a net entitlement basis, DD&A was \$13.5/boe, or \$11.0/boe on a comparable YoY basis.

RCA Ebit was €256 m, up 21% YoY.

Lula unitisation process in Brazil

Galp, through its subsidiary Petrogal Brasil, owns a 10% stake in the BM-S-11 consortium, which holds the Lula accumulation, currently under development.

As the Lula accumulation extends outside the BM-S-11 licence towards the adjacent areas of South of Tupi, a Transfer of Rights area, and to an open area, a unitisation process was required, according to the Brazilian legislation.

ANP informed the consortium in March about the approval of the unitisation agreement related with the Lula accumulation, which became effective as of April 1, 2019. The agreement establishes the tract participation which each party now holds in the unitised area, as well as the terms and conditions for the shared development of the project.

The interests in the unitised area are as follows:

	Lula (BM-S-11)	Lula Unitised (BM-S-11 + ToR + Open Area)
Galp	10%	9.209%
Petrobras (operator)	65%	67.216%
Shell Brasil Petróleo Ltda.	25%	23.024%
PPSA	0%	0.551%

Unitisation processes require equalisations among the parties, based on past capital expenditures carried by partners for their original interest and the net profits received thereunder. These equalisations should therefore lead to reimbursements among partners as per the terms and conditions agreed between themselves.

Galp recognised in its financial statements the best estimate, as of March 31, 2019, for the impacts on its Brazilian subsidiary from the stake dilution in the Lula accumulation. These include a negative €98 m non-recurring item in net income and a €133 m decrease in the other assets/liabilities caption resulting from the past income and net investments from the BM-S-11 consortium and the Transfer of Rights area. Additional amounts related with associated companies are still to be recognized. Total net equalisation payable position is estimated at c.€90 m.

Galp is present in four other areas involved in unitisation processes, expected to be concluded this year. Galp expects a net receivable position of c.€100 m considering Lula and the remaining ongoing unitisation processes.



3. 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	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.

Operations

Raw materials processed were 22.6 mmboe during the quarter, 10% lower YoY due to operational restrictions in the refining system. Crude oil accounted for 88% of raw materials processed, of which 83% corresponded to medium and heavy crudes.

Middle distillates (diesel and jet) accounted for 44% of production, gasoline for 24% and fuel oil for 17%. Consumption and losses accounted for 8% of raw materials processed.

Total product sales decreased 11% YoY, driven by fewer exports considering lower refining throughput. Volumes sold to direct clients increased 4% YoY to 2.1 mton following the positive demand evolution in core markets.

Results

RCA Ebitda for the R&M business was €70 m, already considering the application of the IFRS 16 standard, with a positive impact in Ebitda during the quarter of €12 m. Results were impacted by a lower contribution from the refining activity.

Galp's refining margin was down YoY to \$2.3/boe, mainly due to weaker gasoline cracks, as well as lower operational efficiencies resulting from the restrictions during the quarter.

Refining costs stood in line at €48 m, or \$2.4/boe in unit terms, while refining margin hedging operations contributed with €5 m during the quarter.

Excluding the impact from the application of IFRS 16, the contribution from the oil products marketing activity followed the increase in volumes sold to direct clients.

RCA Ebit was -€21 m, already considering the negative impact of €9 m in depreciation charges from the application of the IFRS 16 standard. IFRS Ebit was €7 m, with a positive inventory effect of €28 m.

4. Gas & Power

€m (RCA, except otherwise stated)

	Quarter					
	1Q18	4Q18	1Q19	1Q19 (w/o IFRS16)	Var. YoY	% Var. YoY
NG/LNG total sales volumes (mm³)	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)	353	272	339		(14)	(4%)
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	5	5	5	5	(0)	(6%)
Provisions	-	-	-	-	-	n.m.
RCA Ebit	28	20	42	42	14	49%
IFRS Ebit	29	24	38	38	9	30%
Net Income from G&P Associates	24	20	23	23	(1)	(6%)

Operations

Total volumes sold of NG/LNG were 1,971 mm³, in line YoY, with the increase in trading volumes, mostly network, offsetting the decrease in sales to direct clients. Sales to direct clients decreased 68 mm³ YoY to 1,157 mm³, following lower sales to the electric segment. Sales to the conventional segment increased 16% YoY, supported on a better performance from the industrial clients in Iberia.

Sales of electricity to direct clients were 841 GWh, down 22% YoY, due to the lower volumes sold in Portugal.

Sales of electricity to the grid stood at normalised levels, of 339 GWh in the period.

Results

RCA Ebitda increased €14 m YoY to €47 m, reflecting a better performance from the natural gas and electricity commercial activity in Iberia, and lower impairments on receivables during the period.

Ebitda for the Power activity was stable at €11 m.

RCA Ebit was €42 m, while IFRS Ebit was €38 m.

Results from associated companies were €23 m, of which €5 m related to Galp Gás Natural Distribuição, S.A. (GGND). On April 26, GGND entered into an agreement to increase its stake in Tagusgas by 58.03%, for an amount of €32 m, holding a 99.36% stake after the closing of this transaction.



5. Financial Data

5.1. Income Statement

€m (RCA, except otherwise stated)

	Quarter					
	1Q18	4Q18	1Q19	1Q19 (w/o IFRS16)	Var. YoY	% Var. YoY
Turnover	3,891	4,205	3,558	3,558	(332)	(9%)
Cost of goods sold	(2,950)	(3,102)	(2,698)	(2,698)	(252)	(9%)
Supply & Services	(445)	(445)	(393)	(437)	(52)	(12%)
Personnel costs	(82)	(76)	(82)	(82)	0	0%
Other operating revenues (expenses)	45	(87)	107	107	61	n.m.
Impairments on accounts receivable	(4)	(3)	2	2	6	n.m.
RCA Ebitda	455	493	494	450	39	9%
IFRS Ebitda	497	387	314	270	(183)	(37%)
Depreciation, Amortisation and Impairments	(177)	(190)	(216)	(186)	39	22%
Provisions	(0)	10	0	0	0	n.m.
RCA Ebit	278	313	278	264	(0)	(0%)
IFRS Ebit	319	225	102	89	(217)	(68%)
Net income from associates	39	24	36	36	(2)	(6%)
Financial results	(9)	(64)	1	37	10	n.m.
Net interests	(16)	(8)	(2)	(2)	(15)	(90%)
Capitalised interest	13	19	6	6	(7)	(53%)
Exchange gain (loss)	(13)	2	(6)	8	(7)	(54%)
Mark-to-market of hedging derivatives	13	(71)	31	31	18	n.m.
Operating leases interest (IFRS 16)	-	-	(22)	0	22	n.m.
Other financial costs/income	(5)	(6)	(7)	(7)	2	36%
RCA Net income before taxes and minority interests	307	273	315	337	7	2%
Taxes	(143)	(132)	(173)	(181)	30	21%
Taxes on oil and natural gas production ¹	(88)	(120)	(110)	(110)	23	26%
Non-controlling interests	(29)	(31)	(39)	(43)	10	33%
RCA Net income	135	109	103	114	(32)	(24%)
Non-recurring items	(38)	7	(126)	(126)	88	n.m.
RC Net income	97	116	(23)	(12)	(119)	n.m.
Inventory effect	33	(72)	15	15	(18)	(54%)
IFRS Net income	130	44	(8)	3	(137)	n.m.

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

RCA Ebitda increased 9% YoY to €494 m, considering the application of the IFRS 16 standard, which had a positive impact in Ebitda during the quarter of €44 m. Excluding this effect, Ebitda would have been in line YoY, with the higher contribution from the E&P business offset by a lower contribution from R&M. IFRS Ebitda was €314 m, considering an inventory effect of €24 m.

RCA Ebit stood in line YoY at €278 m, considering a €31 m impact in depreciation charges from the application of the IFRS 16 standard. Excluding the application of this standard, Ebit would have decreased €13 m. IFRS Ebit was €102 m.

During the quarter, financial results were positive by €1 m, considering €31 m related to the mark-to-market of derivatives. Interest charges related to operating leases from the application of IFRS 16 standard were €22 m.

RCA taxes increased from €143 m to €173 m, following higher operating results from the upstream.

Non-controlling interests of €39 m were mainly attributable to Sinopec's stake in Petrogal Brasil.

RCA net income was €103 m, while IFRS net income was negative by €8 m. Non-recurring items of €126 m consider the impact of €98 m from the unitisation of the Lula field, as well as €21 m related to extraordinary energy sector taxes (CESE) in Portugal.

The provision related to CESE results from the strict applicability of accounting standard. However, in Galp's opinion, based on the opinion of renowned legal experts, the laws regarding CESE have no legal grounds and, accordingly, such amounts are not due.

5.2. Capital Expenditure

€m

	Quarter				
	1Q18	4Q18	1Q19	Var. YoY	% Var. YoY
Exploration & Production	117	141	132	16	14%
Exploration and appraisal activities	4	27	29	25	n.m.
Development and production activities	112	114	103	(9)	(8%)
Refining & Marketing	28	149	15	(13)	(47%)
Gas & Power	1	2	1	(1)	(39%)
Others	0	9	0	0	n.m.
Capex¹	146	301	149	2	2%

¹ Capex figures based on change in assets during the period.

Capex totalled €149 m during the quarter, of which 89% allocated to the E&P business.

Investment in development and production activities reached €103 m, and it was mostly related with the execution of Lula in block BM-S-11, block 32 in Angola and the LNG project in Mozambique. Capex of €29 m in exploration and appraisal (E&A) activities were mainly related to works in North of Carcará.

Regarding investment in the downstream, this was mainly related to the maintenance and improvement of refining energy efficiency, as well as investments in downstream associated companies.

5.3. Cash flow

Indirect Method

€m (IFRS figures)

	Quarter			
	1Q18	4Q18	1Q19	1Q19 (w/o IFRS 16)
Ebit ¹	319	225	302	289
Dividends from associates	-	44	10	10
Depreciation, Amortisation and Impairments	177	171	216	186
Change in Working Capital	(159)	156	3	3
Corporate income taxes and oil and gas production taxes	(92)	(195)	(135)	(135)
Cash flow from operations	245	402	396	353
Net capex	(169)	(282)	(152)	(152)
Net financial expenses	(47)	1	(42)	(42)
Operating leases payments (IFRS 16) ²	-	-	(44)	-
Free cash flow	29	121	159	159
Dividends paid to non-controlling interests ³	-	(1)	(68)	(68)
Dividends paid to shareholders	-	-	-	-
Post-dividend free cash flow	29	120	91	91
Others	(27)	42	43	43
Change in net debt	(2)	(162)	(134)	(134)

¹1Q19 was adjusted for the non-cash Lula unitisation non-recurring item.

² Includes both interest (€22 m) and capital (€22 m) payments.

³ Dividends paid to Sinopec. In addition Sinopec reimbursed its loan of €176 m to Galp/Sinopec JV, the proceeds of which were used to fund a share premium reduction in Galp/Sinopec JV.

CFFO was €396 m, already considering the €44 m effect from the application of the IFRS 16 standard, reflecting the increased upstream contribution while impacted by lower refining activity.

FCF was €159 m, considering a net capex of €152 m.

5.4. Financial position and debt

€m (IFRS figures)

	31 Dec. 2018	31 Mar. 2019	Var. vs 31 Dec. 2018
Net fixed assets	7,340	7,380	41
Rights of use (IFRS 16)	-	1,209	1,209
Working capital	814	811	(3)
Loan to Sinopec	176	-	(176)
Other assets/liabilities	(546)	(704)	(159)
Capital employed	7,784	8,696	912
Short term debt	559	216	(344)
Medium-Long term debt	2,686	2,690	4
Total debt	3,245	2,906	(339)
Cash and equivalents	1,508	1,303	(205)
Net debt	1,737	1,603	(134)
Operating leases (IFRS 16)	-	1,230	1,230
Equity	6,047	5,862	(184)
Equity, net debt and operating leases	7,784	8,696	912

On March 31, 2019, net fixed assets were €7,380 m, up €41 m QoQ.

Note that assets and liabilities were adjusted to incorporate impacts from IFRS 16.

During the quarter, the outstanding €176 m loan to Sinopec was fully reimbursed, against a capital reduction in the Galp/Sinopec JV.

Net fixed assets includes a €74 m reduction from the Lula unitisation estimated impact, which also originated a €133 m estimated payable on the other assets/liabilities caption.

Financial debt

€m (except otherwise stated)

	31 Dec. 2018	31 Mar. 2019	Var. vs 31 Dec. 2018
Bonds	2,142	1,820	(322)
Bank loans and other debt	1,103	1,086	(17)
Cash and equivalents	(1,508)	(1,303)	205
Net debt	1,737	1,603	(134)
Operating leases (IFRS 16)	-	1,230	1,230
Average life (years) ¹	2.7	3.1	0.4
Average funding cost ¹	2.53%	1.76%	(0.77 p.p.)
Debt at floating rate ¹	48%	60%	12 p.p.
Net debt to Ebitda RCA ²	0.8x	0.7x	-

¹ Debt does not include operating leases.² Ratio considers the LTM Ebitda RCA of €2,213 m, adjusted for the impact from the application of the IFRS 16 standard (€44 m in 1Q19).

On March 31, 2019 net debt was €1,603 m, down €134 m QoQ reflecting the cash generation during the period. Liabilities associated with operating leases were €1,230 m. Net debt to Ebitda RCA was 0.7x, with Ebitda RCA adjusted for the impact from the application of the IFRS 16 standard.

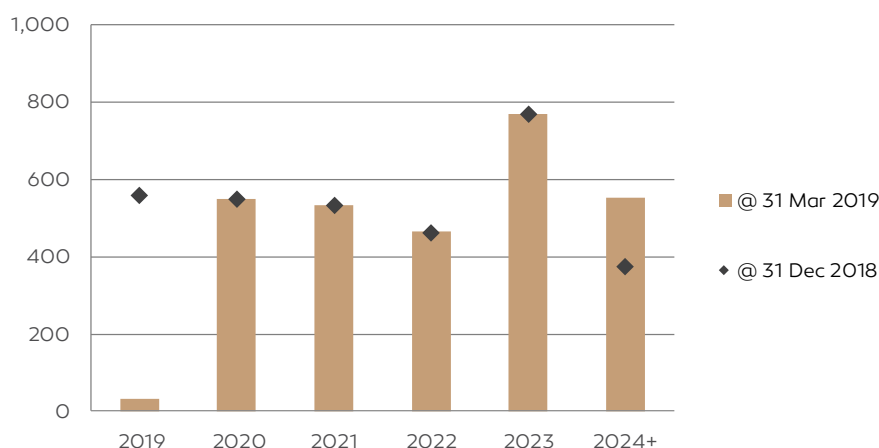
During the first quarter, the average funding cost decreased to 1.8%, reflecting debt issuances during 2018 at a competitive rate and the reimbursement in January of Galp's first Euro Medium Term Notes (EMTN) of €500 m.

The average life was 3.1 years and medium and long term debt accounted for 93% of total debt.

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

Debt maturity profile

€m



Reconciliation of IFRS and RCA figures

Ebitda by segment

€m

2019	First Quarter				
	Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA
Galp	314	(24)	289	204	494
E&P	170	-	170	204	374
R&M	98	(28)	70	-	70
G&P	43	4	47	-	47
Others	2	-	2	-	2

€m

2018	First Quarter				
	Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA
Galp	497	(42)	455	-	455
E&P	293	-	293	-	293
R&M	162	(41)	122	-	122
G&P	35	(1)	34	-	34
Others	6	-	6	-	6

Ebit by segment

€m

2019	First Quarter				
	Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA
Galp	102	(24)	78	200	278
E&P	56	-	56	200	256
R&M	7	(28)	(21)	-	(21)
G&P	38	4	42	-	42
Others	1	-	1	-	1

€m

2018	First Quarter				
	Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA
Galp	319	(42)	278	-	278
E&P	210	-	210	-	210
R&M	74	(41)	33	-	33
G&P	29	(1)	28	-	28
Others	5	-	5	-	5

Non-recurring items

€m

	Quarter		
	1Q18	4Q18	1Q19
Non-recurring items impacting Ebitda	-	1.9	204.3
Margin (Change in production) - Lula unitisation	-	-	204.3
Employee restructuring charges	-	1.9	-
Non-recurring items impacting non-cash costs	-	(18.6)	(4.4)
Depreciations and Amortisations - Lula unitisation	-	-	(4.4)
Asset impairments	-	(18.6)	-
Non-recurring items impacting financial results	6.9	0.4	19.3
Gains/losses on financial investments	6.9	0.4	6.9
Financial costs - Lula unitisation	-	-	12.4
Non-recurring items impacting taxes	31.4	9.2	(51.2)
Income taxes on non-recurring items	-	(0.5)	(72.2)
Energy sector contribution taxes	31.4	9.7	21.0
Non-controlling interests	-	(0.0)	(42.1)
Total non-recurring items	38.3	(7.1)	125.9

5.5. IFRS consolidated income statement

€m

	Quarter		
	1Q18	4Q18	1Q19
Sales	3,718	4,051	3,400
Services rendered	173	153	159
Other operating income	60	(17)	128
Total operating income	3,951	4,188	3,686
Inventories consumed and sold	(2,908)	(3,206)	(2,878)
Materials and services consumed	(445)	(445)	(393)
Personnel costs	(82)	(78)	(82)
Impairments on accounts receivable	(4)	(3)	2
Other operating costs	(15)	(70)	(21)
Total operating costs	(3,454)	(3,801)	(3,373)
Ebitda	497	387	314
Depreciation, Amortisation and Impairments	(177)	(171)	(212)
Provisions	(0)	10	0
Ebit	319	225	102
Net income from associates	32	24	29
Financial results	(9)	(64)	(11)
Interest income	7	11	11
Interest expenses	(23)	(19)	(13)
Capitalised interest	13	19	6
Operating leases interest (IFRS 16)	-	-	(22)
Exchange gain (loss)	(13)	2	(6)
Mark-to-market of hedging derivatives	13	(71)	31
Other financial costs/income	(5)	(6)	(19)
Income before taxes	342	185	120
Taxes ¹	(152)	(100)	(101)
Energy sector contribution taxes ²	(31)	(10)	(30)
Income before non-controlling interests	159	75	(11)
Income attributable to non-controlling interests	(29)	(31)	3
Net income	130	44	(8)

¹ Includes SPT payable in Brazil and IRP payable in Angola.² Includes €12.6 m, €8.4 m and €9.0 m related to CESE I, CESE II and FNEE, respectively, during the first quarter of 2019.

5.6. Consolidated financial position

€m

	31 Dec. 2018	31 Mar. 2019
Assets		
Tangible fixed assets	5,333	5,280
Goodwill	85	86
Other intangible fixed assets	547	545
Rights of use (IFRS 16)	-	1,209
Investments in associates	1,295	1,354
Financial investments held for sale	3	3
Receivables	298	313
Deferred tax assets	369	451
Financial investments	31	54
Total non-current assets	7,960	9,294
Inventories ¹	1,171	1,397
Trade receivables	1,032	959
Other receivables	636	647
Loan to Sinopec	176	-
Financial investments	200	97
Current Income tax recoverable	4	5
Cash and equivalents	1,508	1,303
Total current assets	4,726	4,406
Total assets	12,687	13,701
Equity		
Share capital	829	829
Share premium	82	82
Reserves	1,843	1,419
Retained earnings	1,091	2,321
Net income	741	(8)
Total equity attributable to equity holders of the parent	4,587	4,643
Non-controlling interests	1,460	1,219
Total equity	6,047	5,862
Liabilities		
Bank loans and overdrafts	1,041	870
Bonds	1,644	1,820
Operating leases (IFRS 16)	-	1,057
Other payables	126	124
Retirement and other benefit obligations	304	303
Deferred tax liabilities	196	223
Other financial instruments	37	21
Provisions	658	698
Total non-current liabilities	4,006	5,115
Bank loans and overdrafts	61	216
Bonds	498	-
Operating leases (IFRS 16)	-	173
Trade payables	933	818
Other payables	958	1,299
Other financial instruments	102	121
Income tax payable	82	96
Total current liabilities	2,634	2,723
Total liabilities	6,640	7,838
Total equity and liabilities	12,687	13,701

¹ Includes €86.8 m in stocks made by third parties as of 31 March 2019.

6. Basis of reporting

Galp's consolidated financial statements have been prepared in accordance with IFRS. The financial information in the consolidated income statement is reported for the quarters ended on March 31, 2019 and 2018, and December 31, 2018. The information in the consolidated financial position is reported as of 31 March 2019 and as of 31 December 2018.

Galp's financial statements are prepared in accordance with IFRS, and the cost of goods sold is valued at weighted-average cost. When goods and commodity prices fluctuate, the use of this valuation method may cause volatility in results through gains or losses in inventories, which do not reflect the Company's operating performance. This is called the inventory effect.

Another factor that may affect the Company's results, without being an indicator of its true performance, is the set of non-recurring material items considering the Group's activities.

For the purpose of evaluating Galp's operating performance, RCA profitability measures exclude non-recurring items and the inventory effect, the latter because the cost of goods sold and materials consumed has been calculated according to the Replacement Cost (RC) valuation method.

Recent changes

Galp started adopting IFRS 16 as of January 1, 2019. Under this accounting standard, most lease agreements were recognised in the balance sheet as a right-of-use asset and a financial liability. Subsequently, the right-of-use asset is depreciated through the shortest of its economic useful life or the lease agreement tenure. The financial liability considers interest based on the agreement's effective interest rate or the contracting entity's borrowing rate. Lease payments are reflected as a reduction of lease liabilities.

The adoption of IFRS 16 will not impact the Company's cash generation.

7. Definitions

Replacement cost (RC)

According to this method of valuing inventories, the cost of goods sold is valued at the cost of replacement, i.e. at the average cost of raw materials of 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 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-recurrent events such as capital gains or losses on the disposal of assets, extraordinary taxes, 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 operational performance.

Acronyms

%: Percentage

ANP: Brazil's National Agency for Petroleum, Natural Gas and Biofuels

APETRO: Associação Portuguesa de Empresas Petrolíferas (Portuguese association of oil companies)

bbl: barrel of oil

bn: billion

boe: barrels of oil equivalent

BRL: Brazilian real

c.: circa

CESE: Contribuição Extraordinária sobre o Sector Energético (Portuguese Extraordinary Energy Sector Contribution)

CFFO: Cash flow from operations

Chg.: Change

CORES: Corporación de Reservas Estratégicas de Productos Petrolíferos (Spain)

DD&A: Depreciation, Depletion and Amortisation

E&A: Exploration & Appraisal

E&P: Exploration & Production

Ebit: Earnings before interest and taxes

Ebitda: Ebit plus depreciation, amortisation and provisions

EMTN: Euro Medium Term Notes

EUR/€: Euro

FCF: Free Cash Flow

FNEE: Fondo Nacional de Eficiencia Energética (Spain)

FPSO: Floating, production, storage and offloading unit

FX: Foreign exchange

Galp, Company or Group: Galp Energia, SGPS, S.A., subsidiaries and participated companies

G&P: Gas & Power

GGND: Galp Gás Natural Distribuição, S.A.

GWh: Gigawatt per hour

IAS: International Accounting Standards

IFRS: International Financial Reporting Standards

IRP: Oil income tax (Oil tax payable in Angola)

k: thousand

kboepd: thousands of barrels of oil equivalent per day

kbpd: thousands of barrels of oil per day

LNG: liquefied natural gas

LTM: last twelve months

m: million

MIBGAS: Iberian Market of Natural Gas

mmbbl: million barrels of oil

mmbse: millions of barrels of oil equivalent

mmbtu: million British thermal units

mm³: million cubic metres

mton: millions of tonnes

NE: Net entitlement

NG: natural gas

n.m.: not meaningful

NWE: Northwestern Europe

p.p.: percentage point

R&M: Refining & Marketing

RC: Replacement Cost

RCA: Replacement Cost Adjusted

SPT: Special participation tax

ton: tonnes

ToR: Transfer of Rights

TTF: Title Transfer Facility

USD/\$: Dollar of the United States of America

WI: working interest

YoY: year-on-year

Cautionary Statement

This report has been prepared by Galp Energia SGPS, S.A. ("Galp" or the "Company") and may be amended and supplemented.

This report does not constitute or form part of and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or otherwise acquire securities of the Company or any of its subsidiaries or affiliates in any jurisdiction or an inducement to enter into investment activity in any jurisdiction. Neither this report nor any part thereof, nor the fact of its distribution, shall form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever in any jurisdiction.

This report may include forward-looking statements. Forward-looking statements are statements other than in respect of historical facts. The words "believe", "expect", "anticipate", "intends", "estimate", "will", "may", "continue", "should" and similar expressions usually identify forward-looking statements. Forward-looking statements may include statements regarding: objectives, goals, strategies, outlook and growth prospects; future plans, events or performance and potential for future growth; liquidity, capital resources and capital expenditures; economic outlook and industry trends; energy demand and supply; developments of Galp's markets; the impact of regulatory initiatives; and the strength of Galp's competitors.

The forward-looking statements in this report are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties. Although Galp believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and are beyond its control. No assurance, however, can be given that such expectations will prove to have been correct. Important factors that may lead to significant differences between the actual results and the statements of expectations about future events or results include the Company's business strategy, industry developments, financial market conditions, uncertainty of the results of future projects and operations, plans, objectives, expectations and intentions, among others. Such risks, uncertainties, contingencies and other important factors could cause the actual results of Galp or the industry to differ materially from those results expressed or implied in this report by such forward-looking statements.

Real future income, both financial and operating; an increase in demand and change to the energy mix; an increase in production and changes to Galp's portfolio; the amount and various costs of capital, future distributions; increased resources and recoveries; project plans, timing, costs and capacities; efficiency gains; cost reductions; integration benefits; ranges and sale of products; production rates; and the impact of technology can differ substantially due to a number of factors. These factors may include changes in oil or gas prices or other market conditions affecting the oil, gas, and petrochemical industries; reservoir performance; timely completion of development projects; war and other political or security disturbances; changes in law or government regulation, including environmental regulations and political sanctions; the outcome of commercial negotiations; the actions of competitors and customers; unexpected technological developments; general economic conditions, including the occurrence and duration of economic recessions; unforeseen technical difficulties; and other factors.

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