

PRESS RELEASE

Lisbon, April 27, 2018

1st Quarter 2018**BRAZILIAN PROJECTS BOOST GROWTH**

- **Production increases 18% and steadies above 100k barrels per day**
- **All seven units in Brazil producing at maximum capacity**
- **Adjusted net income totals €135 million**

Galp's upstream ventures, particularly the Lula and Iracema projects – amongst the fastest-growing oil and natural gas production projects anywhere in the world – were the major drivers of Galp's growth in the first quarter of 2018, largely offsetting the lower contribution from refining, which was affected by declining benchmark margins in Europe.

The average daily production of oil and natural gas increased 18% in the first quarter from a year before, steadying above 100k barrels per day. The main contributor to this growth was the P66, the latest floating production and storage unit to enter into operation in the pre-salt region of the Santos Basin, in Brazil, which this quarter reached its plateau rate of production, less than a year after producing its first barrel.

This means that Galp now has all its seven units in Brazil operating at peak capacity, more than making up for the production decrease in the more mature fields in Angola, which will benefit from the entry into operation this year of a new production unit in the Kaombo North area, in Block 32, followed by a second unit next year. Also in 2018, two additional production units are expected to produce first oil in Brazil's Lula field.

The recovery in oil prices contributed to a €114 million increase in the Exploration and Production adjusted Ebitda (RCA), which totalled €293 million, 63% more than in the first quarter of 2017. Ebit RCA increased €128 million to €210 million.

As it frequently happens when crude prices recover, European refining margins turn lower, which reflects in the results of the Refining and Marketing (R&M) of petroleum products, which this quarter also faced a programmed maintenance stoppage that explains a 4% decline in processed raw materials at the Sines and Matosinhos refineries.

The combined effect of these two forces was a 34% decrease in R&M Ebitda RCA in the first three months of the year, to €122 million. Ebit RCA was €33 million.

The lack of natural gas and LNG international trading opportunities (-13%) was only partially covered by an increase in sales to direct customers (+7%), so that in aggregate terms, natural gas sales declined 2% from the first quarter of 2017.

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Still, Ebitda RCA at the Gas & Power division increased €14 million to €34 million, whilst Ebit stood at €28 million, a €14 million improvement from the first quarter of 2017, which had been affected by supply restrictions.

International growth

The evolution of oil and gas production, coupled with the recovery of oil prices, a focus on operational performance and the disciplined execution of the company's projects boosted Galp's adjusted net income in the first quarter by € 57 million, to €135 million.

Adjusted Ebitda amounted to €455 million, up 17% from the same period last year, while Ebit RCA improved 42% to €278 million. In IFRS accounting terms, net income increased by 15% to € 130 million, Ebitda increased 9% to €497 million and Ebit improved 22% to €319 million.

Total investment amounted to €146 million, of which 80% were allocated to E&P activities. Free cash flow was positive, reaching €29 million. Cash flow from operating activities totalled €245 million. Net debt stood at €1,885 million at the end of March, in line with that at the end of 2017.

Net debt to EBITDA ratio was 1.0x.

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 kilometres under the surface of the sea, 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.

Operational data

	Quarter				
	1Q17	4Q17	1Q18	Var. YoY	% Var. YoY
Average working interest production (kboepd)	88.0	101.2	104.1	16.1	18%
Average net entitlement production (kboepd)	86.2	99.1	102.6	16.4	19%
Oil and gas average sale price (USD/boe)	45.4	53.6	58.2	12.8	28%
Raw materials processed (mmboe)	26.1	28.4	25.0	(1.2)	(4%)
Galp refining margin (USD/boe)	5.1	4.9	3.3	(1.8)	(35%)
Oil sales to direct clients (mton)	2.1	2.2	2.1	0.0	1%
NG sales to direct clients (mm ³)	1,149	1,109	1,225	76	7%
NG/LNG trading sales (mm ³)	857	790	750	(108)	(13%)

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Financial data

€m (IFRS, except otherwise stated)

	Quarter				
	1Q17	4Q17	1Q18	Var. YoY	% Var. YoY
RCA Ebitda	388	476	455	67	17%
Exploration & Production	179	296	293	114	63%
Refining & Marketing	183	144	122	(61)	(34%)
Gas & Power	19	27	34	14	73%
RCA Ebit	196	313	278	82	42%
Exploration & Production	83	239	210	128	n.m.
Refining & Marketing	93	44	33	(59)	(64%)
Gas & Power	15	22	28	14	94%
RCA Net income	77	215	135	57	74%
IFRS Net income	113	255	130	17	15%
Non-recurring items	(18)	(27)	(38)	20	n.m.
Inventory effect	54	67	33	(20)	(38%)
Capex	201	360	146	(54)	(27%)
Cash flow from operations	144	491	245	101	70%
Post-dividend free cash flow	(57)	117	29	86	n.m.
Net debt	1,895	1,886	1,885	(10)	(1%)
Net debt to RCA Ebitda	1.3x	1.1x	1.0x	-	-

For more detailed information and to watch our webcast presentation on the results, please visit the [Investor Relations page](#) on our website.

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