

International projects boost growth

- **More than 80% of 2018 Ebitda came from international activities**
- **Oil and gas production rose 15% with contributions from added production units in both Brazil and Angola**
- **Ebitda rose 4% to €493 million in the 4th quarter from a year earlier and increased 24% to €2.2 billion for the full year**
- **Capex of €300 million in the last quarter of 2018 brings total capex for the year close to €900 million**
- **Adjusted quarterly net income slips to €109 million while full-year net income rose 23%, to €707 million**
- **Proposed dividend of €0.63 per share**

The start-up of new offshore production platforms associated with the large oil and natural gas exploration and production projects in Brazil boosted Galp's 2018 earnings to a level in which international activities accounted for more than 80% of operating results.

Earnings before interest, taxes, depreciation and amortization (Ebitda) for the 12 months of 2018 increased 24% from 2017, to €2.2 billion, of which almost two-thirds came from Exploration & Production (E&P), which in the previous year accounted for less than half of the group's total Ebitda.

This growth stemmed from a 15% increase in total oil and gas production (working interest), which reached a daily average of 107.3 thousand barrels (kboepd). Net entitlement production increased 16% to 105.9 kboepd, with positive contributions from both Brazil and Angola.

This progression reflects the start-up and consequent increase in production of the FPSO-type units installed in the ultra-deepwater pre-salt fields of the Santos Basin in Brazil, in which Galp participates, and where there are currently nine units in production. The entry of a new unit of the same type in Block 32's Kaombo North project, allowed Angola's contribution to Galp's total production to increase once again, making up for the decline in block 14.

The average sale price of each barrel in 2018 was \$62.6, against \$47.6 in 2017, which also contributed to the positive evolution of E&P's Ebitda.

Refining & Marketing (R&M) full-year Ebitda decreased 21% to €610 million, in a year marked by scheduled stoppages at both refineries, for maintenance and equipment upgrades, involving a total investment that, combined with the amount invested in the renewal of the retail network, totaled €258 million. That compares with €145 million in 2017. The European macroeconomic environment effected a decrease in the refining margin of each processed barrel, to \$5.0 from \$5.8.

Sales of natural gas increased 4%, as sales to industrial customers made up for the decline in trading in international markets. Sales of electricity remained stable. The Gas & Power (G&P) business unit thus, recorded a 4% increase in adjusted Ebitda, which stood at €137 million.

FULL-YEAR 2018 RESULTS

Lisbon, February 11, 2019



4th-quarter adjusted Ebitda increased 4% compared with the same quarter of 2017, to €493 million, driven by the increase in oil and gas production, which stood at an average daily 113.1 kboepd in the three months. Quarterly adjusted Ebitda of the E&P division increased €44 million to €339 million. R&M Ebitda decreased €26 million to €118 million, while G&P closed the quarter with an adjusted Ebitda of €25 million, or €2 million less than on the same period last year.

Adjusted net income for the year totalled €707 million, 23% more than in 2017. In international accounting standards (IFRS), yearly net income increased 24% to €741 million. Net income for the 4th quarter decreased by €80 million year-on-year, to €109 million. Net income for the quarter under IFRS was €44 million.

Other financial indicators

Cash flow from operating activities (CFFO) was €1.6 billion, with the contribution of the upstream business more than offsetting the weaker international refining margins and the €230 million working capital build. Free cash flow (FCF) totaled €619 million in 2018, an 11% year-on-year increase, and €142 m after dividends.

Net debt was €1.7 billion at the end of 2018, €162 million less than at the end of September, with the net debt to Ebitda ratio standing at 0.8x. The proposed dividend for fiscal year 2018 is €0.63 per share, a 15% increase from the year before.

Capex in 2018 totaled €899 million, including payments of €103 million related to the acquisition of new assets in Brazil during the period. E&P accounted for about 70% of total investment, of which 65% were allocated to development and production activities, mainly in Brazil and in block 32 in Angola. Investment in downstream activities (R&M and G&P) amounted to €267 million.

2019/2020 Outlook

According to the macro and operational update, the Company's financial update for 2019 and 2020 is as follows:

Revised assumptions

	2019E	2020E
Dated Brent price (USD/bbl)	60	65
Galp refining margin (USD/boe)	5.0 - 6.0	6.0 - 7.0
Average exchange rate EUR:USD	1.20	1.20

Working interest production will grow between an estimated 8% and 12% in 2019, while CAGR from 2018 to 2020 is expected to rise at 12% to 16%.

Organic CFFO 2018-20 CAGR is expected to increase between 10% and 15%, with downstream CFFO estimated at between €800 million and €900 million per year and upstream CFFO CAGR 2018-20 expected at above 10%.

Ebitda is set to reach €2.1 to €2.2 billion in 2019 and to rise above €3.0 billion from 2020 onwards, as international activities continue to drive growth. Organic yearly capex will expectedly stand at about €1 billion.

Results by business area

Exploration & Production

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

Quarter						Year			
4Q17	3Q18	4Q18	Var. YoY	% Var. YoY		2017	2018	Var. YoY	% Var. YoY
101.2	103.8	113.1	12.0	12%	Average working interest production¹ (kboepd)	93.4	107.3	13.9	15%
88.6	93.1	99.8	11.3	13%	Oil production (kbpd)	81.6	94.8	13.2	16%
99.1	102.3	111.7	12.6	13%	Average net entitlement production¹ (kboepd)	91.5	105.9	14.4	16%
5.2	7.4	8.9	3.7	71%	Angola	6.0	6.8	0.8	14%
93.9	94.9	102.9	8.9	10%	Brazil	85.5	99.1	13.6	16%
53.6	65.3	61.0	7.4	14%	Oil and gas average sale price (USD/boe)	47.6	62.6	15.0	32%
5.1	6.1	5.5	0.3	7%	Royalties² (USD/boe)	4.4	5.8	1.4	31%
8.0	9.0	7.0	(1.0)	(13%)	Production costs (USD/boe)	8.2	8.2	0.0	0%
10.7	10.5	8.8	(1.9)	(18%)	DD&A³ (USD/boe)	12.5	10.1	(2.4)	(19%)
296	396	339	44	15%	RCA Ebitda⁴	850	1,440	590	69%
82	85	96	14	17%	Depreciation, Amortisation and Impairments ³	369	347	(22)	(6%)
-	-	-	-	n.m.	Exploration expenditures written-off ⁴	-	-	-	n.m.
1	-	(17)	(18)	n.m.	Provisions	(0)	(17)	(16)	n.m.
213	311	260	47	22%	RCA Ebit	481	1,109	628	n.m.
200	311	279	78	39%	IFRS Ebit	467	1,128	661	n.m.
13	15	12	(1)	(7%)	Net Income from E&P Associates	41	50	9	21%

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.

⁴ Effective from 1 January 2018, G&G and G&A costs, mainly related to the exploration activity, started to be accounted as operating costs of the period in which they occur, and ceased to be capitalised. The Successful Efforts Method (SEM) was applied retrospectively and the 2017 figures were restated for comparison purposes.

Refining & Marketing

€m (RCA, except otherwise stated)

Quarter					Year				
4Q17	3Q18	4Q18	Var. YoY	% Var. YoY		2017	2018	Var. YoY	% Var. YoY
4.9	5.8	4.3	(0.5)	(11%)	Galp refining margin (USD/boe)	5.8	5.0	(0.8)	(14%)
1.9	2.0	4.3	2.4	n.m.	Refining cost (USD/boe)	1.7	2.6	0.9	50%
0.1	0.0	0.3	0.2	n.m.	Impact of refining margin hedging ¹ (USD/boe)	(0.2)	0.2	0.5	n.m.
28.4	27.7	19.2	(9.2)	(32%)	Raw materials processed (mmbob)	114.2	100.4	(13.8)	(12%)
26.5	25.6	16.8	(9.8)	(37%)	Crude processed (mmbbl)	103.6	92.1	(11.5)	(11%)
4.5	4.5	3.7	(0.9)	(19%)	Total oil products sales (mton)	18.5	17.1	(1.4)	(8%)
2.2	2.4	2.2	0.0	1%	Sales to direct clients (mton)	8.9	8.8	(0.1)	(1%)
144	195	118	(26)	(18%)	RCA Ebitda	774	610	(165)	(21%)
93	80	88	(5)	(6%)	Depreciation, Amortisation and Impairments ²	355	337	(17)	(5%)
7	0	7	(0)	(3%)	Provisions	7	7	0	6%
44	115	24	(20)	(46%)	RCA Ebit	413	265	(148)	(36%)
112	154	(86)	(198)	n.m.	IFRS Ebit	502	343	(159)	(32%)
2	1	(8)	(10)	n.m.	Net Income from R&M Associates	11	(6)	(16)	n.m.

¹ Impact on Ebitda.

² Excludes impairments on accounts receivables, which started to be accounted in Ebitda in 2018.

Gas & Power

€m (RCA, except otherwise stated)

Quarter					Year				
4Q17	3Q18	4Q18	Var. YoY	% Var. YoY		2017	2018	Var. YoY	% Var. YoY
1,899	2,024	1,725	(174)	(9%)	NG/LNG total sales volumes (mm ³)	7,348	7,616	268	4%
1,109	1,201	1,181	72	6%	Sales to direct clients (mm ³)	4,374	4,740	367	8%
790	823	544	(246)	(31%)	Trading (mm ³)	2,974	2,875	(99)	(3%)
1,361	1,262	1,161	(200)	(15%)	Sales of electricity (GWh)	5,172	5,191	19	0%
356	331	282	(74)	(21%)	Sales of electricity to the grid (GWh)	1,548	1,326	(222)	(14%)
27	44	25	(2)	(7%)	RCA Ebitda	132	137	5	4%
16	30	18	2	10%	Supply & Trading	94	91	(3)	(3%)
11	14	8	(4)	(32%)	Power	37	45	8	21%
5	5	5	0	7%	Depreciation, Amortisation and Impairments ¹	19	21	2	10%
-	-	-	-	n.m.	Provisions	1	0	(1)	(99%)
22	39	20	(2)	(10%)	RCA Ebit	112	116	4	3%
15	29	16	1	6%	Supply & Trading	90	85	(5)	(6%)
7	10	4	(3)	(45%)	Power	22	31	9	41%
24	44	24	(1)	(3%)	IFRS Ebit	119	132	12	10%
22	24	20	(2)	(8%)	Net Income from G&P Associates	98	93	(5)	(5%)

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

Financial data

€m (IFRS, except otherwise stated)

Quarter					Year				
4Q17	3Q18	4Q18	Var. YoY	% Var. YoY		2017	2018	Var. YoY	% Var. YoY
476	642	493	17	4%	RCA Ebitda	1,786	2,218	432	24%
296	396	339	44	15%	Exploration & Production	850	1,440	590	69%
144	195	118	(26)	(18%)	Refining & Marketing	774	610	(165)	(21%)
27	44	25	(2)	(7%)	Gas & Power	132	137	5	4%
287	470	313	26	9%	RCA Ebit	1,032	1,518	486	47%
213	311	260	47	22%	Exploration & Production	481	1,109	628	n.m.
44	115	24	(20)	(46%)	Refining & Marketing	413	265	(148)	(36%)
22	39	20	(2)	(10%)	Gas & Power	112	116	4	3%
189	212	109	(80)	(42%)	RCA Net income	577	707	131	23%
229	235	44	(185)	(81%)	IFRS Net income	597	741	143	24%
(27)	(10)	7	34	n.m.	Non-recurring items	(76)	(31)	45	59%
67	34	(72)	(139)	n.m.	Inventory effect	96	64	(32)	(33%)
491	343	402	(89)	(18%)	Cash flow from operations	1,565	1,594	30	2%
360	234	301	(58)	(16%)	Capex	948	899	(49)	(5%)
117	76	120	3	2%	Free cash flow	555	619	64	11%
117	(153)	120	3	2%	Post-dividend free cash flow	142	142	0	0%
1,886	1,899	1,737	(149)	(8%)	Net debt	1,886	1,737	(149)	(8%)
1.1x	0.9x	0.8x	-	-	Net debt to RCA Ebitda	1.1x	0.8x	-	-

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 6,389 people. For more information, visit www.galp.com.

Galp

Media Relations

Diogo Sousa

Pedro Marques Pereira – twitter @pedrocmp;

+ (351) 217 242 680

+ (351) 961 773 444 (24 hours)

galp.press@galp.com