Galp set for new growth cycle, boosts investment on projects for the energy transition

- **About 85% of nine-month Ebitda generated in international markets**
- **€573 million capex focused on large exploration projects, but also on the energy efficiency of the company's refining system**
- **Average annual capex up to 2022 increased to between €1.0 and € 1.2 billion of which more than €400 million earmarked for energy transition projects**
- **Adjusted Ebitda at the end of September was in line with the same period of 2018; adjusted net income decreased to € 403 million**

Galp's earnings in the nine months through the end of September remained stable compared with the same period of 2018, as an increase in the production of oil and natural gas, as well as gas and electricity marketing activities, offset the effects of a challenging macro context and the impact of operating restrictions on Galp's refining system.

Adjusted earnings before interest, taxes, depreciation and amortization (Ebitda RCA) at the end of September totaled €1.73 billion, or €3 million more than in the same period a year before. More than 85% of Galp's Ebitda originated in international markets.

Exploration & Production (E&P) Ebitda rose by €151 million, supported by an 11% increase in oil and gas production, to which operations in both Brazil and Angola contributed positively, offsetting the 10% average drop in Brent price, somewhat dampened by the dollar's appreciation against the euro.

Production benefitted from the ramp-up of the most recent units that started producing in the Lula field, in Brazil, as well as the unit allocated to Block 32's Kaombo South project, in Angola. An additional unit, the first one in Brazil's Iara field, is already on location and expected to start producing before year-end.

The E&P unit has contributed to balance Galp's operational results at a period in which Galp's refining system operated with constraints, particularly during the third quarter, namely with the implementation of energy efficiency projects and programmed maintenance works. The drop in refining margins, from $5.1 to $3 per barrel, also contributed to a drop in Refining and Marketing operational earnings in the first nine months of 2019 from a year earlier to €317 million.

Galp's refining system is currently operating in full, ready to face the challenges ahead, namely the supply of IMO-compliant low-sulphur marine fuel oil.

Gas and Power's contribution to the company's nine-month earnings was also positive, with the area's Ebitda totaling €141 million, 27% more than in the same period of a year before, reflecting improved conditions in the Iberian market.

Financial indicators

Adjusted net income (RCA) in the first nine months of 2019 declined 33% from a year earlier, to €403 million. Non-recurring events totaling €128 million include the impact of recent unitization processes in Brazil. Net income by international accounting standards, known as IFRS, was €283 million.

Nine-month Capex marginally declined to €573 million when compared with the same period of 2018, with 73% allocated to E&P projects. Downstream Capex focused mainly on energy efficiency improvements in the refineries, as well as on maintenance works.

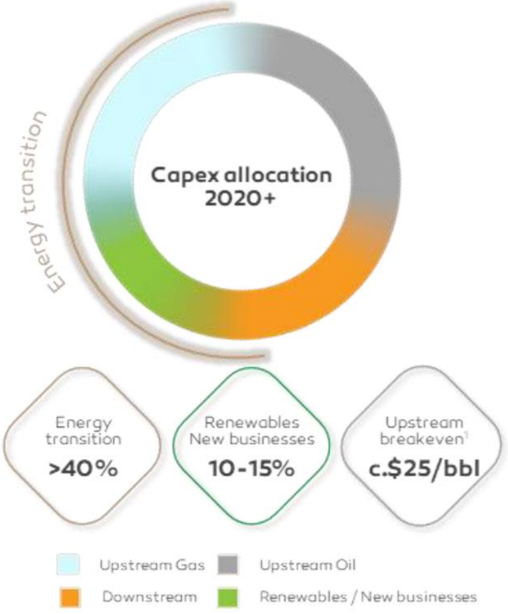
As of September 30, net debt stood at €1.645 billion, €92 million below year-end, reflecting the company's positive cash generation during the three quarters. Net debt to Ebitda is 0.8x.

Strategy: €400 million for the energy transition

Galp has also put forth a strategy update for the upcoming years, strengthening the amounts available to advance projects that will promote a smooth transition to a lower carbon intensive energy model.

In practical terms, net investments are expected to average €1.0 billion to €1.2 billion per year until 2022, of which more than 40% are aimed at capturing opportunities within the energy transition context. This includes increasing the weight of natural gas in the company's production mix and developing a competitive renewable power generation business.

"We are preparing Galp for a new growth cycle in which we will contribute very actively to the energy transition," said Chief Executive Officer Carlos Gomes da Silva. "We will promote economically and environmentally sustainable solutions, maintaining, as always, the commitment towards acting in a socially responsible manner that will not cease to ensure the company's long-term growth, its financial discipline and shareholder return," he added.



Average capital spending in renewable energy and in new business models is likely to represent between 10% and 15% of total capex allocation.

The company's upstream investments remain focused in the development of its high-potential world-class projects, with the portfolio's average breakeven standing at around $25 per barrel. The current Capex commitment covers both the development of Galp's current projects as well as others that may arise and bring in high-quality growth in years to come.

On the downstream, Galp intends to optimise and reinforce its refining and commercial asset base and selectively exploring new value enhancing opportunities to increase the portfolio's competitiveness.

All capital allocation moves will comply with a commitment to remain below 2x Net Debt to Ebitda, while aiming a 15% ROACE for the Group during the next decade.

Progressive dividend policy

Considering the current cycle of the company, Galp's management is targeting a dividend per share increase of 10% per year over the next three years (2019-21). This dividend increase reiterates Galp's confidence on its financial plan and the commitment to balance high quality investments focused on long-term value creation with growth in shareholder distributions.

Results by business area

Exploration & Production

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

Quarter							Nine Months				
3Q18	2Q19	3Q19	3Q19 (w/o IFRS16)	Var. YoY			2018	2019	2019 (w/o IFRS16)	Var. YoY	
103.8	**111.8**	**125.5**		**21.8**	**21%**	**Average working interest production[1] (kboepd)**	**105.3**	**116.7**		**11.4**	**11%**
93.1	99.5	111.0		17.9	19%	Oil production (kbpd)	93.1	103.3		10.2	11%
102.3	**109.8**	**124.0**		**21.6**	**21%**	**Average net entitlement production[1] (kboepd)**	**103.9**	**114.9**		**11.0**	**11%**
7.4	12.2	12.7		5.3	72%	Angola	6.1	11.2		5.1	84%
94.9	97.6	111.3		16.3	17%	Brazil	97.8	103.7		5.9	6%
(9.8)	**(7.8)**	**(7.3)**		**(2.5)**	**(26%)**	**Oil and gas realisations - Dif. to Brent (USD/boe)**	**(9.1)**	**(7.8)**		**(1.3)**	**(14%)**
6.1	**5.4**	**4.8**		**(1.4)**	**(22%)**	**Royalties (USD/boe)**	**3.8**	**3.3**		**(0.5)**	**(13%)**
9.0	**4.6**	**3.3**	**6.7**	**(5.8)**	**(64%)**	**Production costs (USD/boe)**	**8.6**	**3.9**	**7.5**	**(4.7)**	**(55%)**
10.5	**14.5**	**14.2**	**12.0**	**3.7**	**35%**	**DD&A[2] (USD/boe)**	**10.6**	**14.1**	**11.7**	**3.5**	**33%**
396	**408**	**469**	**434**	**73**	**18%**	**RCA Ebitda**	**1,100**	**1,251**	**1,149**	**151**	**14%**
85	129	146	123	60	71%	Depreciation, Amortisation and Impairments[2]	251	394	326	142	57%
311	**278**	**324**	**311**	**13**	**4%**	**RCA Ebit**	**849**	**857**	**823**	**8**	**1%**
311	**281**	**324**	**312**	**13**	**4%**	**IFRS Ebit[3]**	**849**	**661**	**627**	**(188)**	**(22%)**
15	**17**	**3**	**3**	**(12)**	**(78%)**	**Net Income from E&P Associates**	**39**	**36**	**36**	**(3)**	**(7%)**

[1] Includes natural gas exported; excludes natural gas used or reinjected.
[2] Includes abandonment provisions.
[3] Includes unitisation impacts.

Refining & Marketing

€m (RCA, except otherwise stated)

Quarter							Nine Months				
3Q18	2Q19	3Q19	3Q19 (w/o IFRS16)	Var. YoY			2018	2019	2019 (w/o IFRS16)	Var. YoY	
5.8	**3.0**	**3.9**		**(1.9)**	**(33%)**	**Galp refining margin (USD/boe)**	**5.1**	**3.0**		**(2.0)**	**(40%)**
1.9	**2.3**	**3.0**		**1.1**	**57%**	**Refining cost (USD/boe)**	**2.1**	**2.6**		**0.4**	**20%**
0.0	**0.1**	**(0.4)**		**(0.5)**	**n.m.**	**Refining margin hedging[1] (USD/boe)**	**0.2**	**(0.0)**		**(0.3)**	**n.m.**
28.0	**26.1**	**20.6**		**(7.4)**	**(26%)**	**Raw materials processed (mmboe)**	**82.1**	**69.3**		**(12.8)**	**(16%)**
25.6	23.0	15.3		(10.3)	(40%)	Crude processed (mmbbl)	75.4	58.3		(17.1)	(23%)
4.5	**4.4**	**3.9**		**(0.6)**	**(13%)**	**Total oil products sales (mton)**	**13.2**	**12.0**		**(1.2)**	**(9%)**
2.3	2.3	2.3		(0.0)	(2%)	Sales to direct clients (mton)	6.4	6.6		0.2	3%
195	**142**	**104**	**92**	**(91)**	**(47%)**	**RCA Ebitda**	**492**	**317**	**279**	**(175)**	**(36%)**
80	94	97	87	17	21%	Depreciation, Amortisation and Impairments	250	283	252	33	13%
115	**48**	**7**	**5**	**(108)**	**(94%)**	**RCA Ebit**	**242**	**34**	**27**	**(208)**	**(86%)**
154	**101**	**(23)**	**(25)**	**(178)**	**n.m.**	**IFRS Ebit**	**429**	**84**	**78**	**(345)**	**(80%)**
1	**6**	**3**	**3**	**2**	**n.m.**	**Net Income from R&M Associates**	**2**	**7**	**7**	**4**	**n.m.**

[1] Impact on Ebitda.

Gas & Power

€m (RCA, except otherwise stated)

Quarter							Nine Months				
3Q18	2Q19	3Q19	3Q19 (w/o IFRS16)	Var. YoY			2018	2019	2019 (w/o IFRS16)	Var. YoY	
2,024	**1,887**	**1,803**		**(221)**	**(11%)**	**NG/LNG total sales volumes (mm^3)**	**5,891**	**5,654**		**(237)**	**(4%)**
1,201	1,205	1,131		(70)	(6%)	Sales to direct clients (mm^3)	3,559	3,485		(75)	(2%)
823	682	673		(150)	(18%)	Trading (mm^3)	2,331	2,169		(162)	(7%)
931	**788**	**762**		**(170)**	**(18%)**	**Sales of electricity to direct clients (GWh)**	**2,986**	**2,391**		**(595)**	**(20%)**
328	**328**	**304**		**(23)**	**(7%)**	**Sales of electricity to the grid (GWh)**	**1,023**	**972**		**(52)**	**(5%)**
44	**57**	**37**	**37**	**(7)**	**(16%)**	**RCA Ebitda**	**112**	**141**	**141**	**30**	**27%**
30	46	26	26	(4)	(14%)	Supply & Trading	74	108	108	34	46%
14	11	11	11	(3)	(21%)	Power	38	33	33	(4)	(12%)
5	5	5	5	(0)	(9%)	Depreciation, Amortisation and Impairments	15	14	14	(1)	(8%)
39	**53**	**32**	**32**	**(7)**	**(17%)**	**RCA Ebit**	**96**	**127**	**127**	**31**	**32%**
44	**48**	**32**	**32**	**(12)**	**(27%)**	**IFRS Ebit**	**108**	**119**	**119**	**11**	**10%**
24	**24**	**24**	**24**	**1**	**4%**	**Net Income from G&P Associates**	**73**	**72**	**72**	**(1)**	**(1%)**

Financial data

€m (IFRS, except otherwise stated)

Quarter						Nine Months			
3Q18	2Q19	3Q19	Var. YoY			2018	2019	Var. YoY	
642	**615**	**619**	**(23)**	**(4%)**	**RCA Ebitda**	**1,725**	**1,728**	**3**	**0%**
396	408	469	73	18%	Exploration & Production	1,100	1,251	151	14%
195	142	104	(91)	(47%)	Refining & Marketing	492	317	(175)	(36%)
44	57	37	(7)	(16%)	Gas & Power	112	141	30	27%
470	**386**	**370**	**(100)**	**(21%)**	**RCA Ebit**	**1,205**	**1,033**	**(172)**	**(14%)**
311	278	324	13	4%	Exploration & Production	849	857	8	1%
115	48	7	(108)	(94%)	Refining & Marketing	242	34	(208)	(86%)
39	53	32	(7)	(17%)	Gas & Power	96	127	31	32%
212	**200**	**101**	**(111)**	**(52%)**	**RCA Net income**	**598**	**403**	**(195)**	**(33%)**
235	**231**	**60**	**(175)**	**(74%)**	**IFRS Net income**	**697**	**283**	**(413)**	**(59%)**
(10)	14	(17)	6	62%	Non-recurring items	(38)	(128)	90	n.m.
34	17	(24)	(58)	n.m.	Inventory effect	137	8	(129)	(94%)
343	**613**	**435**	**92**	**27%**	**Cash flow from operations**	**1,192**	**1,445**	**253**	**21%**
234	**236**	**188**	**(45)**	**(19%)**	**Capex**	**597**	**573**	**(24)**	**(4%)**
87	**342**	**192**	**106**	**n.m.**	**Free cash flow**	**514**	**694**	**180**	**35%**
(153)	**7**	**(70)**	**(83)**	**(54%)**	**Post-dividend free cash flow**	**22**	**28**	**6**	**25%**
1,899	**1,598**	**1,645**	**(254)**	**(13%)**	**Net debt**	**1,899**	**1,645**	**(254)**	**(13%)**
0.9x	**0.7x**	**0.8x**	**-**	**-**	**Net debt to RCA Ebitda[1]**	**0.9x**	**0.8x**	**-**	**-**

[1]Ratio considers the LTM Ebitda RCA (€2,080 m on 30 September 2019), adjusted for the impact from the application of IFRS 16 (€140 m on 30 September 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.

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