RESULTS
FIRST QUARTER 2018

April 27, 2018
Investor Relations

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Agenda

1Q18 highlights

- Cash flow from operations of €245 m driven by upstream production growth, despite weaker downstream and USD depreciation
- Upstream performance benefiting from higher oil prices and production ramp-up in Brazil
- Downstream impacted by weaker refining margins and maintenance, despite a supportive contribution from marketing activity and G&P business
- Free cash flow of €29 m supported by robust operational performance and lower capex levels
- Reinforcing strategic position in core areas through strong partnerships with the acquisition of block C-M-791 in the Campos basin, in Brazil

Agenda

Brazilian developments driving production growth

Lula and Iracema

- Production up QoQ, benefiting from Lula ramp-up with FPSO #7 now at plateau
- Two additional units to come onstream during 2H18

Other pre-salt projects

- Iara: Start of an EWT in Sururu SW to optimise the development plan of the area
- Carcará: Ongoing appraisal with DST in Carcará NW
- Acquisition of acreage in Campos basin (C-M-791) with pre-salt potential

Kaombo project on track for first oil this year

Angola

- FPSO to develop Kaombo North sailed away from Singapore during 1Q18 and is currently on location
- Drilling campaign proceeding at good pace, with 26 out of 59 wells already drilled
- Production from block 14/14K declining as expected

Downstream impacted by lower refining margins

Refining & Marketing

- Benchmark margins and Sines hydrocracker planned maintenance driving lower refining results
- Iberian oil demand supporting marketing performance

Gas & Power

- Natural gas activity benefited from increased sales to industrial clients and European hubs gas prices
- LNG trading volumes based on structured contracts

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1Q18 Ebitda of €455 m, up 17% YoY

Profit & Loss RCA (€m)

	1Q17	4Q17	1Q18
Turnover	**3,843**	**3,689**	**3,891**
Ebitda	**388**	**476**	**455**
E&P	179	296	293
R&M	183	144	122
G&P	19	27	34
Ebit	**196**	**313**	**278**
Associates	**32**	**37**	**39**
Financial results	**(13)**	**7**	**(9)**
Taxes[1]	**(120)**	**(107)**	**(143)**
Non-controlling interests	**(17)**	**(35)**	**(29)**
Net Income	**77**	**215**	**135**
Net Income (IFRS)	**113**	**255**	**130**

- Upstream Ebitda driven by production growth and higher realisation prices, despite USD depreciation
- Downstream impacted by lower refining results and USD depreciation, despite hedging strategy and supportive marketing and natural gas contribution
- RCA net income up 74% YoY.
  IFRS net income of €130 m considering an inventory effect of €33 m and non-recurring items of €38 m

Note: Starting in 2018, change in accounting of G&G and G&A costs related with the E&P business (Successful Efforts Method). Figures of 2017 were restated for comparison purposes.
[1] Includes corporate income taxes and taxes payable on oil and gas production.

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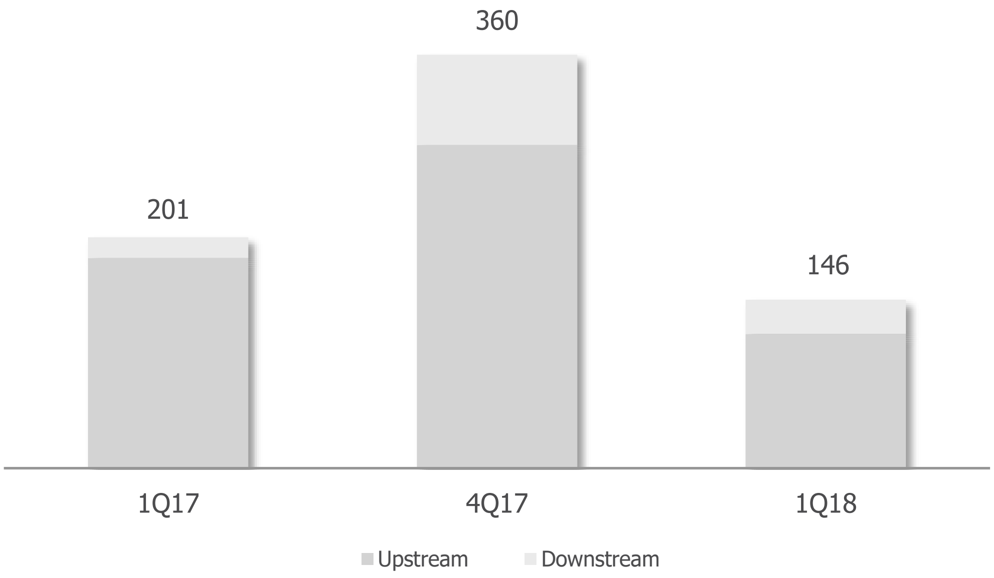
Capex of €146 m in the quarter

Capital Expenditure (€m)



- Around 80% of total investment in 1Q18 allocated to E&P, of which Brazil accounted for c.68%
- Block C-M-791 signature bonus of c.$33 m (net to Galp) to be paid later this year
- Downstream capex mostly allocated to maintenance and energy efficiency improvements in the refineries, as well as retail network renovation

Note: Starting in 2018, change in accounting of G&G and G&A costs related with the E&P business (Successful Efforts Method). Figures of 2017 were restated for comparison purposes.

Positive FCF during 1Q18 despite working capital build

Change in net debt (€m)

	1Q17	4Q17	1Q18
Ebit + DD&A	455	538	496
Taxes paid	(81)	(70)	(92)
Dividends received from Associates	-	35	-
Change in Working Capital	(230)	(12)	(159)
CFFO	**144**	**491**	**245**
Net financial expenses	(21)	(16)	(47)
Net capex[1]	(179)	(358)	(169)
FCF	**(57)**	**117**	**29**
Dividends paid	-	-	-
FCF post-dividends	**(57)**	**117**	**29**
Others[2]	33	(36)	(28)
Change in net debt	**24**	**(81)**	**(1)**

- Working capital investment of €159 m, mainly driven by the increase in commodity prices
- CFFO up YoY driven by upstream performance, while down QoQ mainly due to lower downstream contribution
- Group FCF reflecting a resilient operational contribution and lower investment realised in the beginning of the year

Note: IFRS figures. Starting in 2018, change in accounting of G&G and G&A costs related with the E&P business (Successful Efforts Method). Ebit and net capex of 2017 were restated for comparison purposes.
[1] 2017 figures include the payment of Carcará North signature bonus of c.€150 m and the proceeds of €22 m from the sale of the 25% indirect stake in Âncora project. [2] Includes mainly Sinopec loan partial reimbursement and CTAs (Cumulative Translation Adjustment).

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Strong financial position

Balance Sheet (€m)[1]

	31 Dec., 2017 (reported)	31 Dec., 2017 (restated - SEM)	31 Mar., 2018	*Var. vs 31 Dec., 2017 (restated)*
Net fixed assets	7.565	7.231	7.099	*(132)*
Work in progress	*2.616*	*2.280*	*2.120*	*(160)*
Working capital	584	584	743	*159*
Loan to Sinopec	459	459	449	*(10)*
Other assets (liabilities)	(645)	(612)	(637)	*(25)*
Capital employed	**7.963**	**7.662**	**7.654**	*(8)*
Net debt	1.886	1.886	1.885	*(1)*
Equity	6.078	5.776	5.770	*(7)*
Net Debt + Equity	**7.963**	**7.662**	**7.654**	*(8)*

- Net fixed assets down QoQ driven by US dollar and Brazilian real depreciation against the Euro
- Net debt stable at €1.9 bn, with implicit net debt to Ebitda of 1.0x

Note: IFRS figures. Starting in 2018, change in accounting of G&G and G&A costs related with the E&P business (Successful Efforts Method). Figures of 2017 were restated for comparison purposes.

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Key Highlights

Operational Performance

Financial Performance

Appendix

E&P: Higher realisations partially offset by FX effects

Main E&P data[1]

		1Q17	4Q17	1Q18
Working interest production[2]	kboepd	**88.0**	**101.2**	**104.1**
Oil production	kbpd	76.9	88.6	91.6
Net entitlement production[2]	kboepd	**86.2**	**99.1**	**102.6**
Angola	kbpd	6.9	5.2	5.6
Brazil	kboepd	79.3	93.9	97.1
Oil and gas average sale price	USD/boe	**45.4**	**53.6**	**58.2**
Production costs	USD/boe	8.0	8.0	9.2
DD&A[3]	USD/boe	13.2	7.4	11.0
Ebitda RCA	€ m	**179**	**296**	**293**
Ebit RCA	€ m	**83**	**239**	**210**
Net Income from E&P Associates	€ m	**9**	**13**	**13**
CAPEX	€ m	**183**	**281**	**117**

- Average daily production up 3% QoQ on the back of unit #7 ramp-up and fewer maintenance activities
- Ebitda flat QoQ, with higher oil price partially offset by USD depreciation

Note: Starting in 2018, change in accounting of G&G and G&A costs related with the E&P business (Successful Efforts Method). Figures of 2017 were restated for comparison purposes. Ebitda impact of €16 m in 1Q18, €12 m in 4Q17 and €24 m in 1Q17.
[1] Unit figures based on net entitlement production. [2] Includes natural gas exported, excludes natural gas used or reinjected.
[3] Non-cash costs related to operating activities, includes abandonment provisions and excludes exploration expenses written-off.

R&M: Impacted by macro conditions and maintenance

Main R&M data

		1Q17	4Q17	1Q18
Galp refining margin	USD/boe	**5.1**	**4.9**	**3.3**
Spread over benchmark margin	*USD/boe*	*1.6*	*1.4*	*1.5*
Refining cash cost	USD/boe	1.7	1.9	2.3
Impact of hedging on refining margin[1]	USD/boe	(0.0)	0.1	0.6
Raw materials processed	mmboe	**26.1**	**28.4**	**25.0**
Total oil product sales	mton	**4.4**	**4.5**	**4.1**
Sales to direct clients	mton	2.1	2.2	2.1
Ebitda RCA	€ m	**183**	**144**	**122**
Ebit RCA	€ m	**93**	**44**	**33**
Net Income from R&M Associates	€ m	**(2)**	**2**	**1**
CAPEX	€ m	**16**	**75**	**28**

- Planned maintenance of Sines HC impacting raw materials processed and cash costs
- Robust spread over benchmark, benefiting from gasoline exports to the U.S. and raw materials pricing formulas
- Marketing performance supported by Iberian oil demand
- R&M Ebitda impacted by lower refining margins and USD depreciation, although partly mitigated by hedging strategy

Note: Unit figures based on total raw materials processed.
[1] Impact on Ebitda.

G&P: Benefiting from higher volumes and European hub prices

Main G&P data

		1Q17	4Q17	1Q18
NG/LNG total sales volumes	mm^3	**2,006**	**1,899**	**1,975**
Sales to direct clients	mm^3	1,149	1,109	1,225
Trading	mm^3	857	790	750
Ebitda RCA	€ m	**19**	**27**	**34**
Ebit RCA	€ m	**15**	**22**	**28**
Net Income from G&P Associates	€ m	**25**	**22**	**24**
CAPEX	€ m	**2**	**1**	**1**

- Volumes in line YoY but up QoQ, with higher sales to industrial clients offsetting lower traded volumes
- European hub prices supporting network trading contribution
- Ebitda up YoY as 1Q17 was impacted by sourcing restrictions from Algeria

energy creates energy

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