First quarter 2019

Results and consolidated information

May 2019

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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	1Q19	Var. YoY	% Var. YoY
RCA Ebitda	**455**	**494**	**39**	**9%**
Exploration & Production	293	374	81	28%
Refining & Marketing	122	70	(52)	(42%)
Gas & Power	34	47	14	40%
RCA Ebit	**278**	**278**	**(0)**	**(0%)**
Exploration & Production	210	256	45	21%
Refining & Marketing	33	(21)	(55)	n.m.
Gas & Power	28	42	14	49%
RCA Net income	**135**	**103**	**(32)**	**(24%)**
IFRS Net income	**130**	**(8)**	**(137)**	**n.m.**
Non-recurring items	(38)	(126)	88	n.m.
Inventory effect	33	15	(18)	(54%)
Cash flow from operations	**245**	**396**	**151**	**62%**
Capex	**146**	**149**	**2**	**2%**
Free cash flow	**29**	**159**	**131**	**n.m.**
Post-dividend free cash flow	**29**	**91**	**62**	**n.m.**
Net debt	**1,885**	**1,603**	**(281)**	**(15%)**
Net debt to RCA Ebitda[1]	**1.0x**	**0.7x**	**-**	**-**

[1] 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).

Operational data

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

Market indicators

	Quarter			
	1Q18	1Q19	Var. YoY	% Var. YoY
Average exchange rate EUR:USD	1.23	1.14	(0.09)	(8%)
Average exchange rate EUR:BRL	3.99	4.28	0.29	7%
Dated Brent price (USD/bbl)	66.8	63.1	(3.7)	(6%)
Heavy-light crude price spread[1] (USD/bbl)	(1.5)	(0.2)	(1.3)	(86%)
Iberian MIBGAS natural gas price (EUR/MWh)	22.2	21.3	(0.9)	(4%)
Dutch TTF natural gas price (EUR/MWh)	21.4	18.4	(2.9)	(14%)
Japan/Korea Marker LNG price (USD/mmbtu)	9.4	6.6	(2.8)	(30%)
Iberian oil market (mton)	15.6	16.7	1.1	7%
Iberian natural gas market (mm^3)	10,079	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	1Q19	1Q19 (w/o IFRS16)	Var. YoY	% Var. YoY
Average working interest production[1] (kboepd)	104.1	112.6		8.5	8%
Oil production (kbpd)	91.6	99.5		7.8	9%
Average net entitlement production[1] (kboepd)	102.6	110.8		8.1	8%
Angola	5.6	8.7		3.1	56%
Brazil	97.1	102.1		5.0	5%
Oil and gas realisations - Dif. to Brent (USD/boe)	(8.7)	(8.9)		0.3	3%
Royalties (USD/boe)	5.4	5.1		(0.3)	(6%)
Production costs (USD/boe)	9.2	3.8	7.6	(5.4)	(59%)
DD&A[2] (USD/boe)	11.0	13.5	11.0	2.5	23%
RCA Ebitda	293	374	341	81	28%
Depreciation, Amortisation and Impairments[2]	83	119	97	36	44%
Exploration expenditures written-off	-	-	-	-	n.m.
Provisions	-	-	-	-	n.m.
RCA Ebit	210	256	244	45	21%
IFRS Ebit[3]	210	56	44	(155)	(74%)
Net Income from E&P Associates	13	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	1Q19	1Q19 (w/o IFRS16)	Var. YoY	% Var. YoY
Galp refining margin (USD/boe)	3.3	2.3		(1.0)	(30%)
Refining cost (USD/boe)	2.2	2.4		0.2	8%
Refining margin hedging[1] (USD/boe)	0.6	0.2		(0.3)	(60%)
Raw materials processed (mmboe)	25.2	22.6		(2.6)	(10%)
Crude processed (mmbbl)	23.4	19.9		(3.5)	(15%)
Total oil products sales (mton)	4.1	3.6		(0.4)	(11%)
Sales to direct clients (mton)	2.0	2.1		0.1	4%
RCA Ebitda	122	70	59	(52)	(42%)
Depreciation, Amortisation and Impairments	88	92	82	3	4%
Provisions	0	(0)	(0)	(0)	n.m.
RCA Ebit	33	(21)	(23)	(55)	n.m.
IFRS Ebit	74	7	5	(67)	(91%)
Net Income from R&M Associates	1	(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	1Q19	1Q19 (w/o IFRS16)	Var. YoY	% Var. YoY
NG/LNG total sales volumes (mm^3)	1,975	1,971		(3)	(0%)
Sales to direct clients (mm^3)	1,225	1,157		(68)	(6%)
Trading (mm^3)	750	814		65	9%
Sales of electricity to direct clients (GWh)	1,077	841		(236)	(22%)
Sales of electricity to the grid (GWh)	353	339		(14)	(4%)
RCA Ebitda	34	47	47	14	40%
Supply & Trading	22	36	36	14	67%
Power	12	11	11	(1)	(8%)
Depreciation, Amortisation and Impairments	5	5	5	(0)	(6%)
Provisions	-	-	-	-	n.m.
RCA Ebit	28	42	42	14	49%
IFRS Ebit	29	38	38	9	30%
Net Income from G&P Associates	24	23	23	(1)	(6%)

Operations

Total volumes sold of NG/LNG were 1,971 mm^3, 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 mm^3 YoY to 1,157 mm^3, 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	1Q19	1Q19 (w/o IFRS16)	Var. YoY	% Var. YoY
Turnover	3,891	3,558	3,558	(332)	(9%)
Cost of goods sold	(2,950)	(2,698)	(2,698)	(252)	(9%)
Supply & Services	(445)	(393)	(437)	(52)	(12%)
Personnel costs	(82)	(82)	(82)	0	0%
Other operating revenues (expenses)	45	107	107	61	n.m.
Impairments on accounts receivable	(4)	2	2	6	n.m.
RCA Ebitda	**455**	**494**	**450**	**39**	**9%**
IFRS Ebitda	**497**	**314**	**270**	**(183)**	**(37%)**
Depreciation, Amortisation and Impairments	(177)	(216)	(186)	39	22%
Provisions	(0)	0	0	0	n.m.
RCA Ebit	**278**	**278**	**264**	**(0)**	**(0%)**
IFRS Ebit	**319**	**102**	**89**	**(217)**	**(68%)**
Net income from associates	39	36	36	(2)	(6%)
Financial results	(9)	1	37	10	n.m.
Net interests	(16)	(2)	(2)	(15)	(90%)
Capitalised interest	13	6	6	(7)	(53%)
Exchange gain (loss)	(13)	(6)	8	(7)	(54%)
Mark-to-market of hedging derivatives	13	31	31	18	n.m.
Operating leases interest (IFRS 16)	-	(22)	0	22	n.m.
Other financial costs/income	(5)	(7)	(7)	2	36%
RCA Net income before taxes and minority interests	**307**	**315**	**337**	**7**	**2%**
Taxes	(143)	(173)	(181)	30	21%
Taxes on oil and natural gas production[1]	(88)	(110)	(110)	23	26%
Non-controlling interests	(29)	(39)	(43)	10	33%
RCA Net income	**135**	**103**	**114**	**(32)**	**(24%)**
Non-recurring items	(38)	(126)	(126)	88	n.m.
RC Net income	**97**	**(23)**	**(12)**	**(119)**	**n.m.**
Inventory effect	33	15	15	(18)	(54%)
IFRS Net income	**130**	**(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	1Q19	Var. YoY	% Var. YoY
Exploration & Production	117	132	16	14%
Exploration and appraisal activities	4	29	25	n.m.
Development and production activities	112	103	(9)	(8%)
Refining & Marketing	28	15	(13)	(47%)
Gas & Power	1	1	(1)	(39%)
Others	0	0	0	n.m.
Capex[1]	**146**	**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	1Q19	1Q19 (w/o IFRS 16)
Ebit[1]	319	302	289
Dividends from associates	-	10	10
Depreciation, Amortisation and Impairments	177	216	186
Change in Working Capital	(159)	3	3
Corporate income taxes and oil and gas production taxes	(92)	(135)	(135)
Cash flow from operations	**245**	**396**	**353**
Net capex	(169)	(152)	(152)
Net financial expenses	(47)	(42)	(42)
Operating leases payments (IFRS 16)[2]	-	(44)	-
Free cash flow	**29**	**159**	**159**
Dividends paid to non-controlling interests[3]	-	(68)	(68)
Dividends paid to shareholders	-	-	-
Post-dividend free cash flow	**29**	**91**	**91**
Others	(27)	43	43
Change in net debt	**(2)**	**(134)**	**(134)**

[1] 1Q19 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).

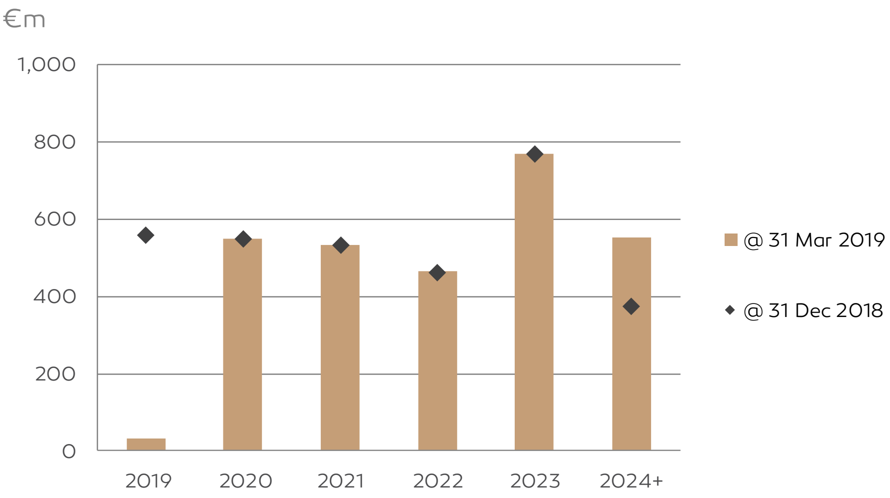
On March 31, 2019 net debt was €1,603 m, down €134 m QoQ reflecting the cash generation during the period. Liabilities associated with operating leases were €1,230 m. Net debt to Ebitda RCA was 0.7x, with Ebitda RCA adjusted for the impact from the application of the IFRS 16 standard.

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



5.5. 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	1Q19
Non-recurring items impacting Ebitda	**-**	**204.3**
Margin (Change in production) - Lula unitisation	-	204.3
Employee restructuring charges	-	-
Non-recurring items impacting non-cash costs	**-**	**(4.4)**
Depreciations and Amortisations - Lula unitisation	-	(4.4)
Asset impairments	-	-
Non-recurring items impacting financial results	**6.9**	**19.3**
Gains/losses on financial investments	6.9	6.9
Financial costs - Lula unitisation	-	12.4
Non-recurring items impacting taxes	**31.4**	**(51.2)**
Income taxes on non-recurring items	-	(72.2)
Energy sector contribution taxes	31.4	21.0
Non-controlling interests	**-**	**(42.1)**
Total non-recurring items	**38.3**	**125.9**

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. Consolidated accounts

Consolidated Statement of Financial Position

Galp Energia, SGPS, S.A.

Consolidated Statement of Financial Position as at 31 March 2019 and 31 December 2018

(Amounts stated in million Euros - € m)

Assets	Notes	March 2019	December 2018
Non-current assets:			
Tangible assets	4	5,280	5,333
Intangible assets and goodwill	5	631	632
Right-of-use of assets	6	1,209	-
Investments in associates and joint ventures	7	1,354	1,295
Deferred tax assets	14.1	451	369
Other receivables	9.2	313	298
Other financial assets	10	57	33
Total non-current assets:		9,294	7,960
Current assets:			
Inventories	8	1,397	1,171
Other financial investments	10	97	200
Trade receivables	9.1	959	1,032
Other receivables	9.2	652	640
Loans to Sinopec	9.4	-	176
Cash and cash equivalents	11	1,303	1,508
Total current assets:		4,406	4,726
Total assets:		13,701	12,687

Equity and Liabilities	Notes	March 2019	December 2018
Equity:			
Share capital and share premium		911	911
Reserves		1,419	1,843
Retained earnings		2,313	1,832
Total equity attributable to shareholders:		4,643	4,587
Non-controlling interests	18	1,219	1,460
Total equity:		5,862	6,047
Liabilities:			
Non-current liabilities:			
Financial debt	12	2,690	2,686
Lease liabilities	6	1,057	-
Other payables	13	124	126
Post-employment and other employee benefits l	15	303	304
Deferred tax liabilities	14.1	223	196
Other financial instruments	17	21	37
Provisions	16	698	658
Total non-current liabilities:		5,115	4,006
Current liabilities:			
Financial debt	12	216	559
Lease liabilities	6	173	-
Trade payables		818	933
Other payables	13	1,299	958
Other financial instruments	17	121	102
Current income tax payable		96	82
Total current liabilities:		2,723	2,634
Total liabilities:		7,838	6,640
Total equity and liabilities:		13,701	12,687

The accompanying notes form an integral part of the consolidated statement of financial position.

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Galp Energia, SGPS, S.A.

Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the three-month periods ended 31 March 2019 and 31 March 2018

(Amounts stated in million Euros - € m)

	Notes	March 2019	March 2018
Sales		3,400	3,719
Services rendered		159	173
Other operating income		128	59
Financial income	20	42	22
Earnings from associates and joint ventures	7	29	31
Total revenue and income:		3,758	4,004
Cost of sales	19	(2,878)	(2,909)
Supplies and external services	19	(393)	(448)
Employee costs	19	(82)	(80)
Amortisation, depreciation and impairment losses on fixed assets	19	(212)	(177)
Impairment losses on receivables	19	2	(4)
Other operating costs	19	(21)	(16)
Financial expenses	20	(53)	(28)
Total costs and expenditure:		(3,638)	(3,662)
Profit before taxes and energy sector extraordinary contribution:		120	342
Income taxes	14.1	(101)	(151)
Energy sector extraordinary contribution	14.2	(30)	(32)
Consolidated net (loss)/income for the period		(11)	159
(Loss)/income attributable to:			
Galp Energia, SGPS, S.A. Shareholders		(8)	130
Non-controlling interests	18	(3)	29
Basic and Diluted Earnings per share (in Euros)		(0,01)	0,16

Consolidated net (loss)/income for the period	(11)	159
Items which may be recycled in the future through net income:		
Currency translation adjustments	94	(183)
Hedging reserves	(18)	-
Income taxes related to the items above	7	20
Total Comprehensive income/(loss) for the period, attributable to:	73	(4)
Galp Energia, SGPS, S.A. Shareholders	56	7
Non-controlling interests	17	(11)

The accompanying notes form an integral part of the consolidated income statement and consolidated statement of comprehensive income.

Consolidated Statement of Changes in Equity

Galp Energia, SGPS, S.A

Consolidated Statement of Changes in Equity for the three-month periods ended 31 March 2019 and 31 March 2018

(Amounts stated in million Euros - € m)

		Share Capital and Share Premium		Reserves						
	Notes	Share Capital	Share Premium	Currency Translation Reserves	Hedging Reserves	Other Reserves	Retained earnings	Sub-Total	Non-controlling interests	Total
As at 1 January 2018		829	82	(151)	4	2,688	889	4,341	1,435	5,776
Consolidated net income for the period		-	-	-	-	-	130	130	29	159
Other gains and losses recognised in Equity		-	-	(123)	-	-	-	(123)	(40)	(163)
Comprehensive income for the period		-	-	(123)	-	-	130	7	(11)	(4)
Increase in share capital of Joint ventures		-	-	-	-	-	(2)	(2)	-	(2)
As at 31 March 2018		829	82	(274)	4	2,688	1,017	4,346	1,424	5,770
As at 1 January 2019		829	82	(186)	6	2,024	1,832	4,587	1,460	6,047
Consolidated net loss for the period		-	-	-	-	-	(8)	(8)	(3)	(11)
Other gains and losses recognised in Equity		-	-	78	(14)	-	-	64	20	84
Comprehensive income for the period		-	-	78	(14)	-	(8)	56	17	73
Dividends distributed		-	-	-	-	-	-	-	(14)	(14)
Increase in share capital of Joint ventures		-	-	-	-	(489)	489	-	(244)	(244)
As at 31 March 2019		829	82	(108)	(8)	1,535	2,313	4,643	1,219	5,862

The accompanying notes form an integral part of the consolidated statement of changes in equity.

Consolidated Statement of Cash Flow

Galp Energia, SGPS, S.A.

Consolidated Statement of Cash Flow for the three month periods ended 31 March 2019 and 31 March 2018

(Amounts stated in million Euros - € m)

	Notes	March 2019	March 2018
Operating activities:			
Cash received from customers		4.324	4.288
Cash (payments) to suppliers		(2.897)	(2.852)
(Payments) relating to Tax on oil products ("ISP")		(521)	(645)
(Payments) relating to VAT		(353)	(385)
(Payments) relating to Royalties, levies, "PIS", "COFINS" and Others		(42)	(39)
(Payments) relating to salaries, contributions to the pension fund and other benefits		(72)	(75)
Other receipts relating to operating activities		82	47
(Payments) of income taxes (income tax "IRC", oil income tax "IRP", special participation)		(135)	(92)
Cash receipts relating to dividends	7	10	-
Cash flow from operating activities (1)		**396**	**245**
Investing activities:			
Cash (payments) for the acquisition of tangible and intangible assets		(125)	(144)
Cash receipts relating to financial investments		5	-
Cash (payments) relating to financial investments		(18)	(25)
Cash receipts from loans granted		220	-
Cash (payments) relating to loans granted		(22)	(5)
Cash receipts from interest and similar income		10	3
Cash flow from investing activities (2)		**70**	**(172)**
Financing activities:			
Cash receipts from loans obtained	12	877	550
Cash (payments) relating to loans obtained	12	(1.228)	(598)
Cash (payments) relating to interest and similar costs		(51)	(51)
Cash (payments) relating to leasing (IFRS16)	6	(22)	-
Cash (payments) relating to interest expenses on leases (IFRS16)	6	(22)	-
Share capital/reserves reduction and other equity instruments	9.4	(244)	-
Cash flow from financing activities (3)		**(690)**	**(98)**
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		(224)	(24)
Effect of foreign exchange rate changes in cash and cash equivalents		10	(24)
Cash and cash equivalents at the beginning of the period		1.504	1.096
Cash and cash equivalents at the end of the period	11	**1.290**	**1.048**

The accompanying notes form an integral part of the consolidated statement of cash flow.

Notes to the consolidated financial statements

Galp Energia SGPS, S.A. (the Company) has its Head Office in Lisbon, Portugal and is listed on the Portuguese stock exchange (Euronext Lisbon).

1. Significant accounting policies

The consolidated financial statements for the three-month period ended 31 March 2019 were prepared under IAS 34 - Interim Financial Reporting. These financial statements do not include all the notes normally prepared as part of the annual financial statements. In addition, only the material changes required by IFRS 7 and IFRS 13 were disclosed. In this context, these financial statements must be read in conjunction with the consolidated financial statements of the Galp Group for the year ended 31 December 2018.

Based on the results of the Galp Group and its business units, as well as on the macroeconomic conditions in the countries and segments in which each business unit operates, there were no indications, as at 31 March 2019, that would lead us to alter the conclusions reached during the preparation of the annual financial statements as at 31 December 2018 regarding the recoverability of tangible and intangible assets, goodwill and financial investments in associates and joint ventures.

These consolidated financial statements have been prepared in millions of Euros, except where expressly indicated otherwise. Due to rounding, the totals and sub-totals of the presented tables may not be equal to the sum of the figures presented.

2. Impact of new international financial reporting standards

2.1. Changes in accounting policies following the application of IFRS 16

Accounting policies

Recognition

The Group has applied IFRS 16 using the modified retrospective approach, and therefore the comparative information has not been restated and continues to be reported in accordance with IAS 17 and IFRIC 4.

The accounting policy adopted from 1 January 2019 is in accordance with IFRS 16.

The Group recognises both a right-of-use asset and a lease liability as at the lease commencement date. The right-of-use asset is initially measured at cost, which represents the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred, plus an estimate of the costs required to dismantle and remove the underlying asset or restore the site on which it is located (if applicable), less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot readily be determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The types of lease payments included in the measurement of the lease liability are as follow:

- Fixed payments, including in-kind fixed payments;

- Variable lease payments that are pegged to an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to be able to exercise, lease payments over an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for the early termination of a lease, unless the Group is reasonably certain not to terminate it early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there are changes in the amounts of future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or it is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities in a separate line in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have lease terms of 12 months or less, and leases of low-value assets. The Group recognises the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

Amortisation

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those used for the property and equipment items.

Impairment

The right-of-use assets are periodically reduced by the amounts of impairment losses and adjusted to reflect certain remeasurements of the respective lease liabilities.

Accounting estimates and judgments

Useful lives, residual values of intangible assets and discount rates

The calculation of the assets' residual values, the estimation of the useful lives, and the discount rates used are based on the premises of the lease contracts (or for similar assets) and are set based on Management's judgment, as well as the practices of its peers in the industry.

Impairment of Right-of-use Assets

Identifying impairment indicators, estimating future cash flow and determining the fair value of assets requires Management to use significant judgment in terms of the identification and evaluation of the different impairment indicators, the expected cash flow, the applicable discount rates, useful lives and residual amounts.

For quantitative information, please see Note 6.

3. Segment reporting

The Group operates across three different business segments based on the types of products sold and services rendered: Exploration & Production, Refining & Marketing and Gas & Power.

The Exploration & Production segment is Galp's presence in the upstream sector of the oil and gas industry, which involves the management of all activities relating to the exploration, development and production of hydrocarbons, mainly focused in Brazil, Mozambique and Angola.

The Refining & Marketing segment owns two refineries in Portugal, and also covers all activities relating to the retail and wholesale marketing of oil products (including LPG). This segment also comprises the storage and transportation infrastructure for oil products in Portugal and Spain, both for export and import, and for the marketing of its products to the main consumer centres. This retail marketing activity using the Galp brand also includes some specific countries in Africa.

The Gas & Power segment encompasses the areas of procurement, supply, distribution and storage of natural gas, electric and thermal power generation.

Besides the three business segments, the Group included within the category "Others" the holding company Galp Energia, SGPS, S.A. and companies with various activities including Tagus Re, S.A. and Galp Energia, S.A., a reinsurance company and a provider of shared services at the corporate level.

The segment reporting is presented based on a replacement cost (RC) basis, which is the earnings measure used by the Chief Operating Decision Maker to make decisions regarding the allocation of resources and to assess performance. Under the RC method, the current cost of sales measured under IFRS (the weighted average cost) is replaced by the crude reference price (i.e. Brent-dated) as at the balance sheet date, as though the cost of sales had been measured at the replacement cost of the inventory sold.

The financial information for the previously identified segments, for the three-month periods ended 31 March 2019 and 2018 is presented as follows:

Unit: € m

	Consolidated		Exploration and Production		Refining and Marketing		Gas and Power		Others		Consolidation adjustments	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Sales and services rendered	3,558	3,892	295	386	2,702	2,814	733	724	34	33	(205)	(65)
Cost of sales	(2,903)	(2,950)	(67)	49	(2,424)	(2,495)	(561)	(523)	-	-	148	19
of which Variations in Production	18	(17)	(59)	(64)	76	47	-	-	-	-	-	-
Other revenue & expenses	(366)	(489)	(58)	(142)	(208)	(199)	(125)	(167)	(32)	(27)	56	46
of which Under- and Overlifting	106	38	106	38	-	-	-	-	-	-	-	-
EBITDA replacement cost	289	453	170	293	70	120	47	34	2	6	-	-
Amortization, depreciation and impairment losses on fixed assets	(212)	(177)	(114)	(83)	(92)	(88)	(5)	(5)	(1)	(1)	-	-
EBIT replacement cost	78	276	56	210	(21)	32	42	28	1	5	-	-
Earnings from associates and joint ventures	29	31	16	12	(2)	1	16	17	-	-	-	-
Other financial results	(11)	(6)										
Taxes RC	(92)	(143)										
Energy Sector Extraordinary Contribution	(30)	(32)	-	-	(19)	(22)	(11)	(10)	-	-	-	-
Consolidated net (loss)/income at Replacement Cost, of which:	(26)	126										
Attributable to non-controlling interests	3	(29)										
Attributable to shareholders of Galp Energia SGPS SA	(23)	97										
OTHER INFORMATION												
Segment Assets (1)												
Financial investments (2)	1,357	1,297	957	918	95	97	304	282	-	-	-	-
Other assets	12,344	11,389	6,721	5,871	5,079	4,566	1,168	1,086	2,821	2,441	(3,445)	(2,575)
Segment Assets	13,701	12,687	7,678	6,789	5,175	4,663	1,471	1,367	2,822	2,442	(3,445)	(2,575)
of which Rights of use of assets	1.209	-	816	-	388	-	1	-	4	-	-	-
Investment in tangible and intangible assets	129	129	120	107	8	21	1	1	-	-	-	-

1) Net amount
2) Recorded based on the equity method

The detailed information on sales and services rendered, tangible and intangible assets and financial investments for each geographic region in which Galp operates is as follows:

Unit: € m

	Sales and services rendered [1]		Tangible and intangible assets		Financial investments	
	2019	2018	2019	2018	2019	2018
	3,558	3,892	5,911	5,965	1,357	1,297
Africa	119	103	1,040	1,207	58	58
Latin America	155	370	2,555	2,561	967	928
Europe	3,285	3,419	2,315	2,197	331	311

[1] Net consolidation operations

All line items present in the segment report can be reconciled with the consolidated income statement. Exceptions are noted for the replacement cost adjustments of € (24) m and € (42) m as at 31 March 2019 and 2018, respectively.

4. Tangible assets

Unit: € m

	Land, natural resources and buildings	Plant and machinery	Other equipment	Assets under construction	Total
As at 31 March 2019					
Acquisition cost	1,227	9,113	482	2,115	12,936
Impairments	(31)	(97)	(4)	(93)	(224)
Accumulated depreciation and depletion	(742)	(6,254)	(436)	-	(7,433)
	454	2,762	42	2,023	5,280
Balance as at 31 December 2018	458	2,614	39	2,221	5,333
Additions	-	18	-	127	146
Depreciation, depletion and impairment	(6)	(163)	(2)	-	(172)
Transfers	1	276	6	(283)	-
Currency exchange differences and other adjustments	-	17	-	(43)	(26)
Balance as at 31 March 2019	454	2,762	42	2,023	5,280

During the period under review and in line with its strategy, the Group made investments in the E&P business unit, mainly related to projects in Brazil (€87 m), Angola (€33 m) and Mozambique (€17 m). During this period, the R&M segment made investments in the amount of €8 m. The additions to tangible assets for the three-month period ended 31 March 2019 also include the capitalization of financial charges in the amount of €6 m (Note 20).

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, an unitisation process was required, according to the Brazilian legislation.

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

The Group participation was 10%, and with the unitisation agreement the participation is 9,209%.

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 lead to reimbursements among partners as per the terms and conditions agreed between themselves.

Galp recognised in its financial statements its best estimate, as of March 31, 2019, for the impacts from the stake dilution in the Lula accumulation. These include a negative €98 m in net income and a €133 m decrease in other assets/liabilities resulting from the past revenues 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 recognised, and should lead to a net equalisation payable position of c. €90 m.

Galp is present in four other areas involved in unitisation processes, expected to be concluded soon, and which should lead to a net receivable of c. €200 m.

5. Intangible assets and goodwill

Unit: € m

	Industrial properties and other rights	Intangible assets in progress	Goodwill	Total
As at 31 March 2019				
Acquisition cost	946	53	88	1,087
Impairment	(19)	(24)	(2)	(45)
Accumulated amortization	(411)	-	-	(411)
	516	29	86	631
Balance as at 31 December 2018	516	31	85	632
Additions	-	2	-	2
Amortisation and impairment	(9)	-	-	(9)
Transfers	5	(5)	-	-
Currency exchange differences and other adjustments	4	-	1	5
Balance as at 31 March 2019	516	29	86	631

6. Leases

Right-of-use assets are detailed as follows:

Unit: € m

	FPSOs	Buildings	Service stations	Vessels	Other usage rights	Total
As at 31 March 2019						
Acquisition cost	665	85	113	166	211	1,239
Accumulated amortization	(12)	(1)	(3)	(10)	(4)	(31)
	653	83	110	156	207	1,209
Adoption of IFRS 16 as at 1 January 2019	657	83	118	166	208	1,233
Additions	-	1	3	-	1	5
Amortisation	(12)	(1)	(3)	(10)	(4)	(31)
Write-offs/Disposals	-	-	(1)	-	-	(1)
Currency exchange differences and other adjustments	9	-	(7)	-	1	3
Balance as at 31 March 2019	653	83	110	156	207	1,209

Lease liabilities are as follow:

Unit: € m

Maturity analysis – contractual undiscounted cash flow	March 2019
Less than one year	185
One to five years	634
More than five years	1,185
Total undiscounted lease liabilities	2,004
Lease liabilities included in the statement of financial position	1,230
Current	173
Non-current	1,057

The amounts recognised in profit or loss are as follow:

Unit: € m

	March 2019
Interest on lease liabilities	22
Expenses related to operational leases not within the scope of IFRS 16	10

Amounts recognised in the statement of cash flow:

Unit: € m

	March 2019
	44
Cash (payments) relating to leasing (IFRS16)	22
Cash (payments) relating to leasing (IFRS16) interests	22

7. Investments in associates and joint ventures

Financial investments in associates and joint ventures are as follow:

Unit: € m

	March 2019	December 2018
	1,354	1,295
Joint ventures	1,257	1,220
Associates	97	75

7.1. *Investments in joint ventures*

Unit: € m

	As at 31 December 2018	Share capital increase/ decrease (1)	Equity Method	Foreign exchange rate differences	Dividends	As at 31 March 2019
	1,220	13	11	19	(6)	1,257
Tupi B.V.	648	(4)	16	13	-	672
Iara B.V.	229	10	-	4	-	243
Galp Gás Natural Distribuição, S.A.	220	-	-	-	-	220
Belem Bioenergia Brasil, S.A.	51	6	(5)	1	-	52
Coral FLNG, S.A.	41	-	-	1	-	42
Other joint ventures	31	2	1	-	(6)	28

(1) During the period, Tupi BV and Iara BV, repaid share premium contributions to their shareholders in the amount of €5 m (€4 m and €1 m, respectively) as a result of sale of equipment to E&P operations in Brazil.

During the three-month period under review, were assigned dividends in the amount of €6 m.

7.2. *Investments in associates*

Unit: € m

	As at 31 December 2018	Equity Method	Foreign exchange rate differences	As at 31 March 2019
	75	18	4	97
EMPL - Europe Magreb Pipeline, Ltd	35	14	4	53
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	13	1	-	14
Gasoduto Al-Andaluz, S.A.	11	1	-	12
Other associates	16	1	-	17

During the quarter, €10 m was received from other associates related to dividends assigned in 2018.

8. Inventories

Inventories as at 31 March 2019 and 31 December 2018 was as follows:

Unit: € m

	March 2019	December 2018
	1,397	1,171
Raw, subsidiary and consumable materials	588	439
Crude oil	227	198
Other raw materials	54	59
Raw materials in transit	306	181
Finished and semi-finished products	632	561
Goods	193	222
Impairment	(17)	(51)

The movements in the impairment balance for the three-month period ended 31 March 2019 are as follow:

Unit: € m

	Raw, subsidiary and consumable materials	Finished and semi-finished products	Goods	Total
Write-downs at the beginning of the year	24	26	2	51
Net reductions (Note 19)	(10)	(25)	-	(34)
Write-downs at the end of the period	14	1	2	17

The net movement in the amount of €34 m was recorded in the income statement as part of cost of sales. The impairment is mainly related to adjustments due to expected market price movements, necessary to bring inventories to their net realizable value.

9. Trade and other receivables

9.1. Trade receivables

Trade receivables as at 31 March 2019 and 31 December 2018 are detailed as follows:

Unit: € m

	Notes	March 2019	December 2018
		959	1,032
Trade receivables		1,121	1,206
Allowance for doubtful amounts	9.3	(162)	(173)

9.2. Other receivables

The details of other receivables were as follow as at 31 March 2019 and 31 December 2018:

Unit: € m

	Notes	March 2019 Current	March 2019 Non-current	December 2018 Current	December 2018 Non-current
Other receivables (net)		652	313	640	298
State and other public entities		16	44	11	43
Other debtors		217	-	259	-
Non-operated blocks		78	-	191	-
Underlifting		112	-	40	-
Other receivables		27	-	29	-
Related parties		56	74	61	60
Share capital subscribers		43	-	42	-
Loans to associates, join ventures and other related parties		-	74	-	60
Other receivables from associates, joint ventures and other related parties		13	-	19	-
Other accounts receivables		45	36	43	34
Accrued income		225	67	198	67
Sales and services rendered not yet invoiced		160	-	138	-
Adjustment to tariff deviation - "pass through"		15	-	16	-
Other accrued income		51	67	45	67
Deferred charges		99	91	74	94
Energy sector extraordinary contribution	14.2	23	58	24	61
Prepaid rent relating to service station concession contracts		3	23	3	22
Other deferred charges		73	10	47	11
Impairment	9.3	(6)	-	(6)	-

The amount of €78 m recorded under “Other debtors - Non-operated blocks” includes €73 m related to the receivables from partners regarding payments made on their behalf that will be recovered from these partners during the production period.

The amount of €112 m recorded under “Other debtors – Underlifting” corresponds to the amounts receivable by the Group from the lifting of barrels of crude oil below the production quota, and is valued at the lower of the market price at the date of sale and the market price as at 31 March 2019.

The amount of €43 m refers to the right to receive held by Petrogal Brasil SA to Winland International Petroleum (Sinopec) for the capital subscribed but not yet paid in during the period.

Other deferred charges include the amount of €10 m relating to post-employment benefits (Note 15).

9.3. Impairment of Trade Receivables and Other Receivables

The movements noted in Impairment of trade receivables and other receivables, for the three-month period ended 31 March 2019, were as follow:

Unit: € m

	Initial balance	Increase in allowance	Decrease in allowance	Utilisation of allowance	Ending balance
	179	3	(5)	(9)	168
Trade receivables	173	3	(5)	(9)	162
Other receivables	6	-	-	-	6

9.4. Loan to Sinopec

During the period, Galp Sinopec Brazil Services (GSBV) carried out a share premium reduction in the amount of €813 m, of which €244 m is the Sinopec share in the share premium reduction (Note 18). Part of such share premium reduction (€176 m) was funded by Sinopec reimbursement of the entirety of the outstanding loan it had received from GSBV.

10. Other financial assets

As at 31 March 2019 and 31 December 2018, Other financial investments are as follow:

Unit: € m

	March 2019		December 2018	
	Current	Non-current	Current	Non-current
Other financial assets	97	57	200	33
Financial assets at fair value through profit & loss	95	32	200	7
Financial assets at fair value through comprehensive income	-	3	-	3
Others	2	22	-	23

11. Cash and cash equivalents

For the periods ended 31 March 2019 and 31 December 2018, Cash and cash equivalents are detailed as follow:

Unit: € m

	Notes	March 2019	December 2018
		1,290	1,504
Cash in banks		1,303	1,508
Bank overdrafts	12	(13)	(4)

12. Financial debt

Details of financial debt as at 31 March 2019 and 31 December 2018 are as follow:

Unit: € m

		March 2019		December 2018	
	Notes	Current	Non-current	Current	Non-current
Financial debt		216	2,690	559	2,686
Bank loans:		216	870	61	1,042
Origination fees		(1)	(1)	(1)	(1)
Loans and commercial paper		204	871	59	1,044
Bank overdrafts	11	13	-	4	-
Bonds and notes:		-	1,820	498	1,644
Origination fees		-	(8)	(2)	(6)
Bonds		-	828	-	650
Notes		-	1,000	500	1,000

Changes in financial debt during the period from 31 December 2018 to 31 March 2019 were as follow:

Unit: € m

	Initial balance	Increase	Principal repayment	Changes in Overdrafts	Foreign exchange rate differences	Ending balance
Financial debt	3,246	877	(1,228)	9	3	2,907
Bank loans:	1,104	700	(728)	9	2	1,086
Origination fees	(2)	-	-	-	-	(2)
Loans and commercial paper	1,102	700	(728)	-	2	1,076
Bank overdrafts	4	-	-	9	-	13
Bonds and notes:	2,142	177	(500)	-	1	1,820
Origination fees	(8)	-	-	-	-	(8)
Bonds	650	177	-	-	1	828
Notes	1,500	-	(500)	-	-	1,000

The average cost of financial debt for the period under review, including charges for overdrafts, amounted to 1.76%.

During the first three months of 2019, the Group contracted new bonds as detailed below:

Unit: € m

Issuance	Due amount	Interest Rate	Maturity	Reimbursement
	178			
GALP ENERGIA/2019 - USD 100 M DUE MARCH 2024	89	USD LIBOR 6M + spread	March 2024	March ´24
GALP ENERGIA/2019 - USD 100 M DUE 2024	89	USD LIBOR 6M + spread	March 2024	March ´24

During this period, the Group issued €700 m through commercial paper programs that it has contracted. As at March 31, 2019, €150 m are classified as current liabilities.

During the first three months of 2019, the following notes were repaid:

Unit: € m

Issuance	Due amount	Interest Rate	Maturity	Reimbursement
	500			
Galp 4.125% 01.2019	500	Flat rate 4.125%	January 2019	January 2019

During the period, €28 m of other bank loans and project finance were repaid.

Financial debt, excluding origination fees and bank overdrafts, presents the following repayment plan as at 31 March 2019:

Unit: € m

	Loans		
Maturity	Total	Current	Non-current
	2,903	204	2,699
2019	31	31	-
2020	549	173	376
2021	535	-	535
2022	465	-	465
2023	770	-	770
2024	548	-	548
2025 and subsequent years	5	-	5

13. Other payables

As at 31 March 2019 and 31 December 2018, the details of Other payables were as follow:

Unit: € m

	March 2019		December 2018	
	Current	Non-current	Current	Non-current
	1,299	124	958	126
State and other public entities	**445**		**348**	
Payable VAT	247	-	219	-
"ISP" - Tax on oil products	150	-	94	-
Other taxes	47		35	
Other payables	**333**	**73**	**259**	**74**
Suppliers for tangible and intangible assets	95	73	154	74
Advances on sales	7	-	7	-
Overlifting	5	-	35	-
Other creditors	227	-	63	-
Related parties	**19**	**-**	**8**	**-**
Other accounts payables	**35**	**5**	**33**	**5**
Accrued costs	**427**	**30**	**302**	**30**
External supplies and services	287	-	153	-
Holiday, holiday subsidy and corresponding contributions	62	4	51	4
Other accrued costs	76	27	97	27
Deferred income	**40**	**16**	**8**	**16**

The balance of Other creditors includes the amount of €223 m related to advances from customers.

The balance of accrued costs – external supplies and services, include €133 m related to the unitization process in Brazil (Note 4).

14. Income tax and energy sector extraordinary contribution

14.1. Income tax

The Group's operations take place in several regions and are carried out by various legal entities, subject to locally established income tax rates, varying between 25% in Spain and the Netherlands, 31.5% in Portugal and 34% for companies based in Brazil.

The Group companies headquartered in Portugal in which the Group has an interest equal to or greater than 75%, if such participation ensures more than 50% of voting rights, are taxed in accordance with the special regime for the taxation of groups of companies, with the taxable income being determined at Galp Energia, SGPS, S.A.

Spanish tax resident companies, in which the percentage held by the Group exceeds 75%, have been taxed on a consolidated basis in Spain from 2005 onwards. Currently, the fiscal consolidation in Spain is performed by Galp Energia España S.A.

The Company and its subsidiaries' income tax estimates are recorded based on the taxable income.

The income tax recognised in the consolidated income statement for the three month periods ended 31 March 2019 and 2018 are as follow:

Unit: € m

	March 2019			March 2018		
	Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
Taxes for the period	151	(50)	101	107	44	151
Current income tax	40	(50)	(10)	10	54	64
"IRP" - Oil Income Tax	2	4	6	-	2	2
"SPT" - Special Participation Tax	108	(4)	104	97	(12)	85

As at 31 March 2019, the movements in deferred tax assets and liabilities are as follow:

Unit: € m

	As at 31 December 2018	Impact on the income statement	Impact on equity	Foreign exchange rate changes	As at 31 March 2019
Deferred Taxes – Assets	369	78	4	-	451
Adjustments to tangible and intangible assets	13	(1)	-	-	12
Retirement benefits and other benefits	87	(1)	-	-	87
Tax losses carried forward	80	1	-	1	82
Regulated revenue	7	-	-	-	7
Temporarily non-deductible provisions	85	79	-	(1)	163
Potential foreign exchange rate differences in Brazil	24	4	-	-	27
Others	73	(5)	4	-	73
Deferred Taxes – Liabilities	(196)	(27)	3	(3)	(223)
Adjustments to tangible and intangible assets	(170)	(29)	-	(2)	(200)
Adjustments to tangible and intangible assets at fair value	(7)	-	-	-	(7)
Regulated revenue	(13)	-	-	-	(13)
Potential foreign exchange rate differences in Brazil	-	(2)	3	(1)	-
Others	(6)	3	-	-	(3)

The amount of €79 m related to temporarily non-deductible provisions included €70 m related to the unitization process in Brazil (Note 4).

14.2. Energy sector extraordinary contribution

As at 31 March 2019, the details of the Energy Sector Extraordinary Contribution balances are as follow:

Unit: € m

	Statement of financial position				Income statement
	Provisions (Note 16)		"CESE II" Deferred Charges (Note 9.2)		Energy Sector Extraordinary Contribution
	CESE I	CESE II	Current	Non-current	
As at December 2018	(86)	(211)	24	61	-
"CESE I" Increase	(13)	-	-	-	13
"CESE II" Increase	-	(2)	(1)	(3)	8
"Fondo Nacional de Eficiencia Energética (FNEE)"	-	-	-	-	9
As at March 2019	(99)	(213)	23	58	30

15. Post employment benefits

During the period under review there were no significant changes compared to 31 December 2018.

Unit: € m

	March 2019	December 2018
Asset within the line item "Other Receivables"	10	10
Liability	(303)	(304)
Net responsibilities	**(292)**	**(294)**
Obligations, of which:	(536)	(541)
Past service liability related to pension fund	(234)	(238)
Other employee benefit liabilities	(302)	(303)
Assets	244	247

16. Provisions

During the three-month period ended 31 March 2019, the movements in Provisions were as follow:

Unit: €m

	March 2019				December 2018
	Decommissioning / environmental provisions	CESE (I and II)	Other provisions	Total	Total
At the beginning of the period	315	297	46	658	619
Additional provisions and increases in existing provisions	16	15	-	31	77
Decreases in existing provisions	-	-	-	-	(39)
Amounts used during the period	-	-	-	-	(11)
Adjustments during the period	8	-	1	9	12
At the end of the period	339	312	47	698	658

17. Other financial instruments

The financial position of the balance of derivative financial instruments as at 31 March 2019 and 31 December 2018 is detailed as follows:

Unit: € m

	March 2019					December 2018				
	Assets (Note 11)		Liabilities		Equity	Assets (Note 11)		Liabilities		Equity
	Current	Non-current	Current	Non-current		Current	Non-current	Current	Non-current	
	95	32	(121)	(21)	7	200	7	(102)	(37)	8
Commodity swaps	53	24	(111)	(20)	1	130	1	(83)	(33)	3
Commodity futures	26	-	-	-	6	50	-	-	-	5
Forwards	16	8	(10)	(1)	-	20	6	(19)	(4)	-

The accounting impact in the income statement and comprehensive income as at 31 March 2019 and 31 March 2018 related to the gains and losses on derivative financial instruments are presented as follows:

Unit: € m

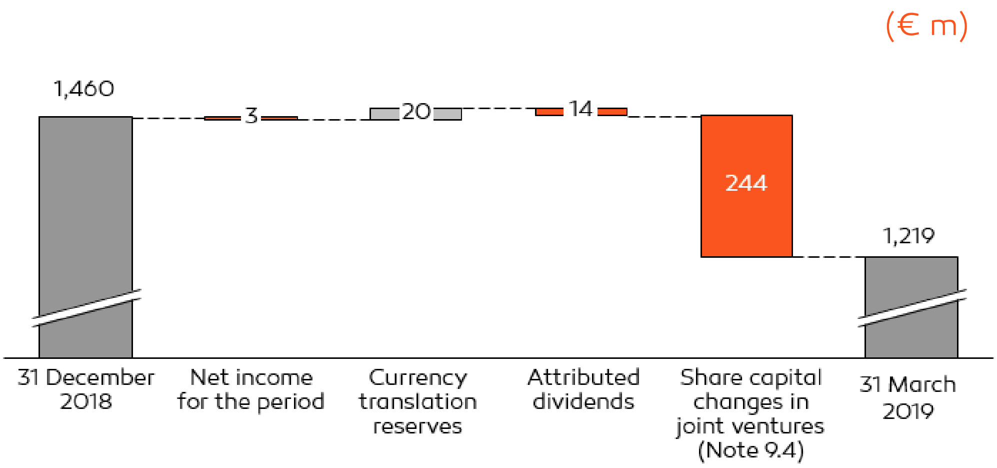
	March 2019			March 2018		
	Income statement		Equity	Income statement		Equity
	MTM	Real	MTM + Real	MTM	Real	MTM + Real
	(3)	4	1	18	14	32
Commodities	**(13)**	**4**	**1**	**18**	**13**	**31**
Swaps	(127)	6	(1)	13	14	27
Swaps - Fair value hedge	47	-	-	1	-	1
Futures	67	(2)	2	4	(1)	3
Currency	**10**	**-**	**-**	**-**	**1**	**1**
Forwards	10	-	-	-	1	1

Income from Financial Instruments is as follows:

Unit: € m

	March 2019	March 2018
	31	15
Commodity swaps	(80)	15
Commodity futures	67	4
Other trading operations	44	(4)

18. Non-controlling interests



19. Costs and expenditures

Costs and expenditures, for the three-month periods ended 31 March 2019 and 2018 are detailed as follow:

Unit: € m

	Notes	March 2019	March 2018
Total costs and expenditures:		3,638	3,662
Cost of sales		2,878	2,909
Raw and subsidiary materials		1,269	1,324
Goods		1,014	920
Tax on oil products		632	661
Variations in production		(18)	17
Write downs of inventories	8	(34)	2
Financial derivatives and exchange differences	17	14	(16)
External supplies and services		393	448
Subcontracts - network use		103	134
Transportation of goods		71	46
E&P production costs		45	69
Royalties		45	41
E&P exploration costs		15	16
Other costs		115	143
Employee costs		82	80
Amortisation, depreciation and impairment losses on fixed assets	4/5/6	212	177
Provision and impairment losses on receivables	9.3	(2)	4
Other costs		21	16
Other taxes		6	5
CO_2 licenses		6	1
Overlifting costs		1	(1)
Other operating costs		9	10
Financial expenses	20	53	28

The variation of production includes the negative amount of €204 m related to the unitization process in Brazil (Note 4).

20. Financial results

The details of financial income and costs for the three-month periods ended 31 March 2019 and 2018 are as follow:

Unit: € m

	Notes	March 2019	March 2018
		(11)	(6)
Financial income		42	22
Interest on bank deposits		11	5
Interest and other income from related companies		-	2
Results from derivative financial instruments	17	31	15
Financial expenses		(53)	(28)
Interest on bank loans, bonds, overdrafts and others		(13)	(21)
Interest from related parties		-	(2)
Interest capitalised in fixed assets	4	6	13
Interest on lease liabilities	6	(22)	-
Exchange (losses)		(6)	(13)
Other financial costs		(20)	(5)

Other financial costs include the amount of €12 m related to the unitization process in Brazil (Note 4).

21. Approval of the financial statements

The consolidated financial statements were approved by the Board of Directors on 24 April 2019.

Chairman:
Paula Amorim

Vice-chair and Lead Independent Director:
Miguel Athayde Marques

Vice-chair:
Carlos Gomes da Silva

Members:
Filipe Crisóstomo Silva
Thore E. Kristiansen
Carlos Costa Pina
José Carlos da Silva
Sofia Tenreiro
Susana Quintana- Plaza
Marta Amorim
Francisco Rêgo
Carlos Pinto
Luís Todo Bom
Jorge Seabra de Freitas
Rui Paulo Gonçalves
Diogo Tavares
Edmar de Almeida
Cristina Neves Fonseca
Adolfo Mesquita Nunes

Accountant:
Carlos Alberto Nunes Barata

22. Explanation regarding translation

These financial statements are a translation of the financial statements originally issued in Portuguese in accordance with IAS 34 – Interim Financial Reporting and with the International Financial Reporting Standards adopted by the European Union, some of which may not comply with the generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version shall prevail.

8. 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 Produtos 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 Eficiência 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
mmboe: 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.

The information, opinions and forward-looking statements contained in this report speak only as at the date of this report, and are subject to change without notice. Galp and its respective representatives, agents, employees or advisors do not intend to, and expressly disclaim any duty, undertaking or obligation to, make or disseminate any supplement, amendment, update or revision to any of the information, opinions or forward-looking statements contained in this report to reflect any change in events, conditions or circumstances.

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