RESULTS

FOURTH QUARTER 2018

February 11, 2019

Investor Relations

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1. Results highlights and outlook

FY2018 highlights

- **Cash Flow from Operations (CFFO) of €1.6 billion** (bn), with the increasing contribution from the upstream business partially offset by a weaker refining environment and a €230 m working capital build.
- **Free cash flow (FCF) reached €619 m** during 2018, up 11% YoY, and **was €142 m after dividends.**
- **RCA Ebitda up 24% YoY to €2.2 bn**, reflecting a **15% working interest (WI) production growth** and higher oil and natural gas prices, despite lower refining margins and higher concentration of planned maintenance.
- **Capex was €0.9 bn**, including payments for the upstream acquisitions in Brazil.
- At the end of the year, **net debt was €1,737 m**, with **net debt of Ebitda at 0.8x.**
- **Management proposal for 2018 fiscal year dividend of c.€0.63/share, a 15% increase.**

4Q18 highlights

- **CFFO reached €402 m** during the quarter, **down 18% YoY**, driven by a lower contribution from the downstream activity and higher upstream taxes. **FCF reached €120 m**.
- **Consolidated RCA Ebitda was €493 m, up 4% YoY:**
  - **E&P: RCA Ebitda was €339 m, up €44 m YoY,** benefiting from the **increase in production** and **higher oil and natural gas sale prices,** although impacted by the closing of underlifting positions related with previous periods.

    Average WI production reached 113.1 kboepd, up 12% YoY, supported by the contribution at plateau of FPSO #7 and the start of production of FPSO #8, in Brazil, and the start-up of the Kaombo North FPSO in Angola.
  - **R&M: RCA Ebitda was €118 m**, **down €26 m YoY,** impacted by planned maintenance activities and a **$4.3/boe refining margin,** following a weaker refining environment.
  - **G&P: RCA Ebitda reached €25 m**, **down €2 m YoY,** reflecting a slightly lower contribution from the power activity.
- **Group RCA Ebit amounted to €313 m, 9% up YoY**. IFRS Ebit was €225 m.
- **RCA net income was €109 m, down €80 m YoY,** affected by the mark-to-market of G&P derivatives. IFRS net income was €44 m.
- **Capex totalled €301 m,** of which 50% was allocated to the R&M business, mainly driven by the maintenance activities during the period and investments in higher conversion and energy efficiency projects (+$1/boe initiatives).
- On February 1, 2019, **FPSO #9 (P-67) started production in the Lula North area**, in Brazil.

2019/2020 Outlook

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

- Revised assumptions:

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

- **2019 WI production** estimated to **grow 8% - 12%,** while **CAGR 2018-20** expected at **12% - 16%.**
- **Organic CFFO 2018-20 CAGR** expected at **10% - 15%**, with Downstream CFFO estimated at €0.8 - €0.9 bn per year and Upstream CFFO CAGR 2018-20 expected at above 10%.
- **Ebitda** expected at **€2.1 - €2.2 bn in 2019** and **above €3.0 bn from 2020** onwards.
- **Organic capex** expected at **c.€1 bn p.a.**.

- It should be noted that **as from January 1, 2019, Galp will be implementing the IFRS 16** accounting standard. For additional information, please refer to page 25 of this report.

Financial data

€m (IFRS, except otherwise stated)

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

Operational data

Quarter						Year			
4Q17	3Q18	4Q18	Var. YoY	% Var. YoY		2017	2018	Var. YoY	% Var. YoY
101.2	103.8	113.1	12.0	12%	Average working interest production (kboepd)	93.4	107.3	13.9	15%
99.1	102.3	111.7	12.6	13%	Average net entitlement production (kboepd)	91.5	105.9	14.4	16%
53.6	65.3	61.0	7.4	14%	Oil and gas average sale price (USD/boe)	47.6	62.6	15.0	32%
28.4	27.7	19.2	(9.2)	(32%)	Raw materials processed (mmboe)	114.2	100.4	(13.8)	(12%)
4.9	5.8	4.3	(0.5)	(11%)	Galp refining margin (USD/boe)	5.8	5.0	(0.8)	(14%)
2.2	2.4	2.2	0.0	1%	Oil sales to direct clients (mton)	8.9	8.8	(0.1)	(1%)
1,109	1,201	1,181	72	6%	NG sales to direct clients (mm^3)	4,374	4,740	367	8%
790	823	544	(246)	(31%)	NG/LNG trading sales (mm^3)	2,974	2,875	(99)	(3%)

Market indicators

Quarter						Year			
4Q17	3Q18	4Q18	Var. YoY	% Var. YoY		2017	2018	Var. YoY	% Var. YoY
1.18	1.16	1.14	(0.04)	(3%)	Average exchange rate EUR:USD	1.13	1.18	0.05	5%
3.83	4.59	4.35	0.52	14%	Average exchange rate EUR:BRL	3.61	4.31	0.70	19%
61.3	75.2	68.8	7.6	12%	Dated Brent price (USD/bbl)	54.2	71.3	17.1	32%
(1.1)	(1.2)	(0.8)	0.3	28%	Heavy-light crude price spread[1] (USD/bbl)	(1.3)	(1.4)	(0.1)	(5%)
23.7	26.9	26.0	2.3	10%	Iberian MIBGAS natural gas price (EUR/MWh)	20.9	24.4	3.5	17%
19.1	24.6	24.8	5.6	29%	Dutch TTF natural gas price (EUR/MWh)	17.3	23.0	5.6	32%
9.6	10.7	10.0	0.4	4%	Japan/Korea Marker LNG price (USD/mmbtu)	7.1	9.8	2.6	37%
3.5	3.2	2.5	(1.0)	(29%)	Benchmark refining margin (USD/bbl)	4.2	2.5	(1.7)	(41%)
15.9	16.7	16.6	0.7	5%	Iberian oil market (mton)	63.2	65.3	2.1	3%
10,293	7,793	9,732	(561)	(5%)	Iberian natural gas market (mm^3)	36,048	35,502	(545)	(2%)

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 net entitlement production)

Quarter						Year			
4Q17	3Q18	4Q18	Var. YoY	% Var. YoY		2017	2018	Var. YoY	% Var. YoY
101.2	**103.8**	**113.1**	**12.0**	**12%**	**Average working interest production[1] (kboepd)**	**93.4**	**107.3**	**13.9**	**15%**
88.6	93.1	99.8	11.3	13%	Oil production (kbpd)	81.6	94.8	13.2	16%
99.1	**102.3**	**111.7**	**12.6**	**13%**	**Average net entitlement production[1] (kboepd)**	**91.5**	**105.9**	**14.4**	**16%**
5.2	7.4	8.9	3.7	71%	Angola	6.0	6.8	0.8	14%
93.9	94.9	102.9	8.9	10%	Brazil	85.5	99.1	13.6	16%
53.6	**65.3**	**61.0**	**7.4**	**14%**	**Oil and gas average sale price (USD/boe)**	**47.6**	**62.6**	**15.0**	**32%**
5.1	**6.1**	**5.5**	**0.3**	**7%**	**Royalties[2] (USD/boe)**	**4.4**	**5.8**	**1.4**	**31%**
8.0	**9.0**	**7.0**	**(1.0)**	**(13%)**	**Production costs (USD/boe)**	**8.2**	**8.2**	**0.0**	**0%**
10.7	**10.5**	**8.8**	**(1.9)**	**(18%)**	**DD&A[3] (USD/boe)**	**12.5**	**10.1**	**(2.4)**	**(19%)**
296	**396**	**339**	**44**	**15%**	**RCA Ebitda[4]**	**850**	**1,440**	**590**	**69%**
82	85	96	14	17%	Depreciation, Amortisation and Impairments[3]	369	347	(22)	(6%)
-	-	-	-	n.m.	Exploration expenditures written-off[4]	-	-	-	n.m.
1	-	(17)	(18)	n.m.	Provisions	(0)	(17)	(16)	n.m.
213	**311**	**260**	**47**	**22%**	**RCA Ebit**	**481**	**1,109**	**628**	**n.m.**
200	**311**	**279**	**78**	**39%**	**IFRS Ebit**	**467**	**1,128**	**661**	**n.m.**
13	**15**	**12**	**(1)**	**(7%)**	**Net Income from E&P Associates**	**41**	**50**	**9**	**21%**

[1] Includes natural gas exported; excludes natural gas used or reinjected.
[2] Based on total net entitlement production.
[3] Includes abandonment provisions and excludes exploration expenditures written-off.
[4] Effective from 1 January 2018, G&G and G&A costs, mainly related to the exploration activity, started to be accounted as operating costs of the period in which they occur, and ceased to be capitalised. The Successful Efforts Method (SEM) was applied retrospectively and the 2017 figures were restated for comparison purposes.

Operations

Fourth quarter

Working interest production increased 12% YoY to 113.1 kboepd, due to the progress in the Lula field in block BM-S-11, in Brazil, and in 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, and the start-up of FPSO #8 in October, the second replicant unit, which is developing the Lula Extreme South area.

It should be highlighted that, during February 2019, FPSO #9 started production in the Lula North area, completing the first phase of development of the Lula and Iracema projects.

The drilling of the Carcará West well, in the Carcará North area, proceeded during the quarter, with the consortium notifying the National Agency for Petroleum, Natural Gas and Biofuels (ANP) of an oil find. Operations in the well are still ongoing and the consortium will continue to work on the acquired data.

In Angola, WI production was up 42% YoY to 10.2 kbpd, driven by the start-up of the Kaombo North FPSO, in block 32. Net entitlement production increased 71% YoY to 8.9 kbpd.

Full year

During 2018, average WI production was 107.3 kboepd, a 15% increase YoY, driven mainly by the development of the Lula project, considering the ramp-up of FPSO #7 and the start-up of FPSO #8, and also benefiting from the start-up of the first unit in the Kaombo project.

Net entitlement production increased 16% YoY to 105.9 kboepd.

Results

Fourth quarter

RCA Ebitda was €339 m, up 15% YoY, mostly driven by the production increase and higher commodity prices, although impacted by the closing of underlifting positions related to previous periods.

Production costs were stable YoY at €63 m, despite the start-up of FPSO #8 in Brazil. In unit terms, and on a net entitlement basis, production costs were $7.0/boe, down $1.0/boe YoY, benefiting from the higher production.

Amortisation and depreciation charges (including abandonment provisions) decreased €4 m YoY to €79 m, despite the increased asset base, due to the depreciation of the BRL:EUR and to the reversion of abandonment provisions related to block 14 and 14k in Angola. On a net entitlement basis, DD&A decreased from $10.7/boe to $8.8/boe, also benefiting from the higher production.

RCA Ebit was €260 m, up 22% YoY.

Non-recurring items of €19 m were due to a reversal of impairments in Angola.

Full year

RCA Ebitda amounted to €1,440 m, up €590 m YoY, benefiting from the increased average sale prices and production.

Production costs increased €26 m YoY to €268 m, as a result of a higher number of production areas operating in Brazil and Angola, and considering maintenance activities in 2018. In unit terms, and on a net entitlement basis, production costs were stable at $8.2/boe, as the higher production dilution offset increased costs.

Amortisation, depreciation charges and abandonment provisions amounted to €331 m, down €38 m YoY, benefiting from the lower BRL:EUR and from reversions of provisions accounted during the fourth quarter. On a net entitlement basis, unit depreciation charges were $10.1/boe, down $2.4/boe YoY.

RCA Ebit was €1,109 m, up €628 m YoY.

The contribution of associated companies was €50 m in 2018.

Reserves and resources

In 2018, proved and probable (2P) reserves slightly increased 1% YoY to 755 mmboe, as upwards revisions in Brazil, namely in blocks BM-S-11/BM-S-11A, more than offset the production during the period. Natural gas reserves increased YoY and accounted for 21% of total 2P reserves.

The 2C contingent resources increased 23% YoY to 1,659 mmboe, mostly reflecting the revised development plan for the Rovuma LNG project in Mozambique.

Contingent resources also benefited from additions in block BM-S-8, in Brazil, as Galp increased its stake in the block to 20%. Natural gas contingent resources increased 49% YoY and accounted for 51% of the Group's total.

Risked prospective resources at year-end stood at 623 mmboe, up 57 mmboe YoY, mostly driven by the additions from new acquisitions of interests in Brazil which offset the transfer from prospective to contingent resources from new discoveries in Brazil and the relinquishment of Portuguese acreage during the period.

Galp's reserves and resources are subject to an independent evaluation by DeGolyer and MacNaughton (DeMac).

	2017	2018	Chg.
Reserves			
1P	383	389	2%
2P	748	755	1%
3P	965	985	2%
Contingent resources			
1C	296	425	43%
2C	1,352	1,659	23%
3C	3,297	3,671	11%
Prospective resources			
Unrisked	3,835	4,216	10%
Risked	566	623	10%

Unitisation processes in Brazil

In general, when an oil and gas deposit extends beyond their licensed area, there will be an unitisation process with the adjacent areas to determine the proper interest of each participant in the unitised area.

Several of Galp's Brazilian pre-salt discoveries extend beyond its licensed areas. As a consequence, Galp will have its interests in the unitised areas determined once these unitisation processes are concluded. The outcome of such unitisation processes will enable Galp to proportionally maintain, with respect to the unitised area, the same rights and volumes entitlement that it held with respect to the original licensed area.

The unitisation processes should lead to equalizations among the participants in each licensed area, 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.

In Brazil, the unitisation agreements are contingent to the approval of ANP. Therefore the moment for the determination of the partners' interests in the unitised area and the underlying equalization adjustments among the partners will be conditioned to such approval.

All of the Company's operational and financial projections include the likely outcome from unitisation. As of 31 December 2018, Galp's best estimate to the five unitisation agreements submitted to ANP, and expecting approval, is a net receivable position of c.€100 m.

3. Refining & Marketing

€m (RCA, except otherwise stated)

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

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

Operations

Fourth quarter

Raw materials processed were 19.2 mmboe during the quarter, 32% lower YoY due to the planned maintenance in the Sines and Matosinhos refineries. Crude oil accounted for 87% of raw materials processed, of which 81% corresponded to medium and heavy crudes.

Middle distillates (diesel and jet) accounted for 50% of production, gasoline for 22% and fuel oil for 17%. Consumption and losses accounted for 8% of raw materials processed.

Total product sales decreased 19% YoY, driven by fewer exports considering lower product availability. Volumes sold to direct clients stood at 2.2 mton YoY.

Full year

Raw materials processed were 100.4 mmboe, 12% lower YoY, also impacted by the planned maintenance of the hydrocracker (HC) in Sines during the first quarter. Crude oil accounted for 92% of raw materials processed, of which 85% corresponded to medium and heavy crudes.

Middle distillates accounted for 47% of production, gasoline for 23% and fuel oil for 16%. Consumption and losses accounted for 7% of raw materials processed.

Volumes sold to direct clients were 8.8 mton, with volumes sold in Africa accounting for 11%.

Results

Fourth quarter

RCA Ebitda for the R&M business decreased €26 m YoY to €118 m, impacted by a lower contribution from the refining activity.

Galp's refining margin was down YoY to $4.3/boe, mainly due to a weaker gasoline crack, as well as maintenance namely in the fluid catalytic cracking (FCC) unit.

Refining costs were up €26 m YoY to €72 m, or $4.3/boe in unit terms, due to maintenance works performed during the period.

Refining margin hedging operations contributed with €5 m during the quarter.

The marketing activity benefited from robust sales to direct clients and from the lag in pricing formulas.

RCA Ebit was €24 m, while IFRS Ebit was negative by €86 m. The inventory effect was €108 m.

Full year

Ebitda RCA decreased €165 m YoY to €610 m, mainly due to the lower contribution from the refining activity.

Galp's refining margin stood at $5.0/boe, compared to $5.8/boe the previous year, mainly due to a lower gasoline crack as well as fuel oil trading at a higher discount to Brent.

Refining costs were €219 m, up €46 m YoY, mainly due to a higher maintenance activity during the year in both refineries. In unit terms, refining costs were $2.6/boe.

Refining margin hedging operations contributed with €21 m during the period, compared to a loss of €24 m in the previous year.

The marketing activity maintained its positive contribution to results.

RCA Ebit was €265 m and IFRS Ebit decreased to €343 m. The inventory effect was €50 m.

Non-recurring items of €28 m were mainly related to a litigation compensation inflow.

4. Gas & Power

€m (RCA, except otherwise stated)

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

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

Operations

Fourth quarter

Total volumes sold of NG/LNG were 1,725 mm³, down 9% YoY, impacted by the end of the long-term LNG structured contracts in September 2018.

Sales to direct clients were 1,181 mm^3, up 72 mm^3 YoY, supported by an increase in sales to industrial clients.

Sales of electricity were 1,161 GWh, a 15% decrease YoY, due to a lower contribution from sales to direct clients in Portugal as well as from the cogenerations.

Full year

Sales of NG/LNG increased 4% YoY to 7,616 mm³, supported by the increase in network trading volumes but also reflecting higher sales to industrial clients.

Sales of electricity were stable YoY at 5,191 GWh, with the declining sales to the grid compensated by sales to final clients.

Results

Fourth quarter

RCA Ebitda slightly decreased YoY to €25 m, reflecting a lower contribution from the cogenerations, impacted by maintenance activities during the period.

Ebitda for the Supply & Trading activity increased €2 m YoY to €18 m, with a higher contribution from the sales of natural gas and electricity sales to direct clients.

RCA Ebit was €20 m, while IFRS Ebit totalled €24 m.

Full year

RCA Ebitda was €137 m YoY, up €5 m YoY, supported by a higher contribution from the power business, benefiting from the lag between natural gas purchase and electricity sales price.

Ebitda for the Supply & Trading activity decreased €3 m YoY to €91 m, impacted by a decrease in LNG cargoes and by a lower contribution from the sales to direct clients.

RCA Ebit was €116 m, while IFRS Ebit was €132 m.

Results from associated companies stood at €93 m, of which €30 m related to Galp Gás Natural Distribuição, S.A. (GGND).

5. Financial data

5.1. Income statement

€m (RCA, except otherwise stated)

Quarter						Year			
4Q17	3Q18	4Q18	Var. YoY	% Var. YoY		2017	2018	Var. YoY	% Var. YoY
3,689	4,540	4,205	516	14%	Turnover	15,202	17,182	1,980	13%
(2,688)	(3,382)	(3,102)	413	15%	Cost of goods sold	(11,494)	(12,828)	1,334	12%
(433)	(432)	(445)	12	3%	Supply & Services	(1,613)	(1,780)	167	10%
(84)	(87)	(76)	(8)	(10%)	Personnel costs	(317)	(317)	(0)	(0%)
(7)	8	(87)	79	n.m.	Other operating revenues (expenses)	24	(24)	(48)	n.m.
(0)	(5)	(3)	3	n.m.	Impairments on accounts receivable	(15)	(14)	(1)	(6%)
476	**642**	**493**	**17**	**4%**	**RCA Ebitda**	**1,786**	**2,218**	**432**	**24%**
559	**686**	**387**	**(173)**	**(31%)**	**IFRS Ebitda**	**1,898**	**2,311**	**413**	**22%**
(180)	(172)	(190)	9	5%	Depreciation, Amortisation and Impairments	(746)	(709)	(37)	(5%)
(9)	(0)	10	18	n.m.	Provisions	(7)	9	17	n.m.
287	**470**	**313**	**26**	**9%**	**RCA Ebit**	**1,032**	**1,518**	**486**	**47%**
345	**514**	**225**	**(119)**	**(35%)**	**IFRS Ebit**	**1,114**	**1,629**	**516**	**46%**
37	39	24	(13)	(35%)	Net income from associates	150	137	(13)	(8%)
7	(34)	(64)	(71)	n.m.	Financial results	(34)	(70)	(36)	n.m.
(15)	(9)	(8)	(7)	(48%)	Net interests	(74)	(41)	33	45%
14	4	19	5	39%	Capitalised interest	77	49	(29)	(37%)
(9)	(15)	2	12	n.m.	Exchange gain (loss)	(18)	(31)	(13)	(71%)
25	(6)	(71)	(96)	n.m.	Mark-to-market of hedging derivatives	(0)	(28)	(28)	n.m.
(7)	(8)	(6)	0	(4%)	Other financial costs/income	(19)	(19)	0	0%
331	**475**	**273**	**(58)**	**(18%)**	**RCA Net income before taxes and non-controlling interests**	**1,147**	**1,585**	**438**	**38%**
(107)	(221)	(132)	25	24%	Taxes	(483)	(726)	244	50%
(68)	(117)	(120)	52	76%	Taxes on oil and natural gas production[1]	(239)	(449)	210	88%
(35)	(43)	(31)	(4)	(11%)	Non-controlling interests	(88)	(151)	63	72%
189	**212**	**109**	**(80)**	**(42%)**	**RCA Net income**	**577**	**707**	**131**	**23%**
(27)	(10)	7	34	n.m.	Non-recurring items	(76)	(31)	45	59%
162	**201**	**116**	**(46)**	**(28%)**	**RC Net income**	**501**	**676**	**175**	**35%**
67	34	(72)	(139)	n.m.	Inventory effect	96	64	(32)	(33%)
229	**235**	**44**	**(185)**	**(81%)**	**IFRS Net income**	**597**	**741**	**143**	**24%**

[1] Includes SPT payable in Brazil and IRP payable in Angola.

Fourth quarter

RCA Ebitda increased 4% YoY to €493 m, due to a higher contribution from the E&P business, while IFRS Ebitda reached €387 m, considering an inventory effect of €104 m.

RCA Ebit increased €26 m YoY to €313 m, while IFRS Ebit was €225 m.

During the quarter, financial results were negative by €64 m, mostly related to the mark-to-market of derivatives to cover natural gas price risks, within the G&P business, as well as from refining margin hedging. In the case of the G&P derivatives, the positive impact from these economic hedges should be realised as the underlying gas volumes are delivered.

RCA taxes increased from €107 m to €132 m, following higher operating results from the upstream.

Non-controlling interests of €31 m were mainly attributable to Sinopec's stake in Petrogal Brasil.

RCA net income was €109 m, while IFRS net income was €44 m. Non-recurring items of €7 m were mostly related to the reversal of impairments in Angola.

Full year

RCA Ebitda increased 24% YoY to €2,218 m, driven by a stronger upstream performance, following increased production and average sale prices.

RCA Ebit reached €1,518 m, up €486 m YoY, while IFRS Ebit increased to €1,629 m.

Results from associated companies decreased to €137 m.

Financial results of -€70 m were impacted by the mark-to-market of derivatives and FX effects. It is also worth highlighting the YoY decrease in net interests following the reduction in the average cost of funding.

RCA taxes increased €244 m YoY to €726 m, mainly due to higher taxes related to the production of oil and natural gas.

Non-controlling interests of €151 m were mainly attributable to Sinopec's 30% stake in Petrogal Brasil.

RCA net income reached €707 m, while IFRS net income was €741 m.

CESE in Portugal had a negative impact on IFRS results of around €52 m. This provision related to CESE results from the strict applicability of accounting standards. 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						Year			
4Q17	3Q18	4Q18	Var. YoY	% Var. YoY		2017	2018	Var. YoY	% Var. YoY
281	188	141	(140)	(50%)	Exploration & Production	792	622	(170)	(21%)
163	117	27	(136)	(83%)	Exploration and appraisal activities	164	218	55	33%
118	71	114	(4)	(4%)	Development and production activities	628	403	(225)	(36%)
75	44	149	74	98%	Refining & Marketing	145	258	113	77%
1	0	2	1	n.m.	Gas & Power	7	9	1	16%
2	1	9	7	n.m.	Others	4	10	7	n.m.
360	**234**	**301**	**(58)**	**(16%)**	**Capex[1]**	**948**	**899**	**(49)**	**(5%)**

[1] Capex figures based on change in assets during the period.

Fourth quarter

Capex totalled €301 m during the quarter, of which 50% allocated to the R&M business, namely to maintenance activities and higher conversion and energy efficiency projects ("$1/boe initiatives").

Investment in development and production activities reached €114 m, and it was mostly related with the execution of Lula in block BM-S-11 but also in block 32 in Angola. It is also worth highlighting the increased investment in the Coral South FLNG development, in Mozambique.

Capex of €27 m in exploration and appraisal (E&A) activities was mainly allocated to activities in the Greater Carcará area.

Full year

During 2018, capex totalled €899 m, including the €103 m payments related with E&P acquisitions in Brazil during the period.

E&P accounted for c.70% of capex, of which development and production activities accounted for 65%, mostly allocated to Brazil and block 32 in Angola.

Capex in E&A activities was mainly related with the acquisition of new acreage through Brazilian bid rounds and with the increased stake in BM-S-8.

Investment in downstream activities (R&M and G&P) reached €267 m and was mostly allocated to refining maintenance and to the continuing implementation of the $1/boe initiatives, as well as to the renewal of the retail network.

5.3. Cash flow

Indirect Method

€m (IFRS figures)

Quarter				Year	
4Q17	3Q18	4Q18		2017	2018
345	514	225	Ebit	1,114	1,629
193	171	171	Depreciation, Amortisation and Impairments	762	691
(70)	(163)	(195)	Corporate income taxes and oil and gas production taxes	(373)	(613)
35	7	44	Dividends from associates	134	118
(12)	(186)	156	Change in Working Capital	(72)	(230)
491	**343**	**402**	**Cash flow from operations**	**1,565**	**1,594**
(16)	(10)	1	Net financial expenses	(75)	(63)
(358)	(246)	(282)	Net capex[1]	(925)	(896)
-	(11)	(1)	Dividends paid to non-controlling interests	(9)	(16)
117	**76**	**120**	**Free cash flow**	**555**	**619**
-	(228)	-	Dividends paid to shareholders	(414)	(477)
117	**(153)**	**120**	**Post-dividend free cash flow**	**142**	**142**
(37)	(8)	42	Others[2]	(158)	7
(80)	**161**	**(162)**	**Change in net debt**	**16**	**(149)**

[1] Net capex based on cash inflows/outflows during the period. [2] Includes CTAs (Cumulative Translation Adjustment) and partial reimbursement of the loan granted to Sinopec of €52 m during 2018.

Fourth quarter

CFFO was €402 m, down YoY, driven by lower commodity prices, by a lower contribution from downstream and by higher E&P taxes, whilst supported by a normalisation of working capital.

FCF increased to €120 m.

Full year

CFFO stood at €1.6 bn, with the increasing contribution from the upstream business partially offset by a weaker downstream refining environment and a €230 m working capital build.

The full year post-dividend FCF reached €142 m, considering a net capex of €896 m and dividends paid during the year.

Direct Method

€m (IFRS figures)

Quarter				Year	
4Q17	3Q18	4Q18		2017	2018
746	**1,331**	**1,343**	**Cash and equivalents at the beginning of the period[1]**	**923**	**1,096**
4,653	5,333	4,778	Received from customers	17,646	19,450
(2,778)	(3,491)	(2,849)	Paid to suppliers	(11,046)	(12,301)
(103)	(73)	(82)	Staff related costs	(344)	(327)
35	7	44	Dividends from associates	134	118
(816)	(604)	(766)	Taxes on oil products (ISP)	(2,825)	(2,706)
(499)	(665)	(529)	VAT, Royalties, PIS, Cofins, Others	(1,718)	(2,026)
(70)	(163)	(195)	Corporate income taxes and oil and gas production taxes	(373)	(613)
422	**343**	**402**	**Cash flow from operations**	**1,474**	**1,594**
(333)	(246)	(282)	Net capex[2]	(914)	(896)
(20)	(10)	1	Net Financial Expenses	(102)	(63)
-	(239)	(1)	Dividends paid	(423)	(493)
68	**(153)**	**120**	**Post-dividend free cash flow**	**35**	**142**
265	165	(8)	Net new loans	183	232
48	26	-	Sinopec loan reimbursement	90	52
(31)	(26)	49	FX changes on cash and equivalents	(135)	(17)
1,096	**1,343**	**1,504**	**Cash and equivalents at the end of the period[1]**	**1,096**	**1,504**

[1] Cash and equivalents differ from the Balance Sheet amounts due to IAS 7 classification rules. The difference refers to overdrafts which are considered as debt in the Balance Sheet and as a deduction to cash in the Cash Flow Statement.
[2] Net capex based on cash inflows/outflows during the period.

5.4. Financial position and debt

€m (IFRS figures)

	31 Dec. 2017	30 Sep. 2018	31 Dec. 2018	Var. vs 31 Dec. 2017	Var. vs 30 Sep. 2018
Net fixed assets	7,231	7,157	7,340	109	183
Working capital	584	971	814	230	(156)
Loan to Sinopec	459	172	176	(283)	3
Other assets (liabilities)	(609)	(595)	(546)	63	49
Capital employed	**7,665**	**7,705**	**7,784**	**118**	**79**
Short term debt	551	563	559	8	(4)
Medium-Long term debt	2,532	2,686	2,686	154	(0)
Total debt	**3,083**	**3,249**	**3,245**	**162**	**(4)**
Cash and equivalents	1,197	1,350	1,508	311	158
Net debt	**1,886**	**1,899**	**1,737**	**(149)**	**(162)**
Total equity	**5,779**	**5,806**	**6,047**	**268**	**240**
Total equity and net debt	**7,665**	**7,705**	**7,784**	**118**	**79**

On December 31, 2018 net fixed assets were €7,340 m, up €183 m QoQ, with net capex more than offsetting DD&A. Work-in-progress, mainly related to the E&P business, stood at €2,253 m at the end of the year.

Capital employed increased YoY to €7,784 m, reflecting the evolution of net fixed assets and working capital, with a ROACE of 12.6%.

Financial debt

€m (except otherwise stated)

	31 Dec. 2017	30 Sep. 2018	31 Dec. 2018	Var. vs 31 Dec. 2017	Var. vs 30 Sep. 2018
Bonds	1,987	2,141	2,142	155	1
Bank loans and other debt	1,096	1,108	1,103	7	(5)
Cash and equivalents	(1,197)	(1,350)	(1,508)	(311)	(158)
Net debt	**1,886**	**1,899**	**1,737**	**(149)**	**(162)**
Average life (years)	2.5	3.0	2.7	0.2	(0.3)
Average funding cost	3.46%	2.63%	2.53%	(0.93 p.p.)	(0.10 p.p.)
Debt at floating rate	40%	48%	48%	-	-
Net debt to Ebitda RCA	1.1x	0.9x	0.8x	-	-

On December 31, 2018 net debt was €1,737 m, down €162 m QoQ and €149 m YoY. Net debt to Ebitda RCA stood at 0.8x.

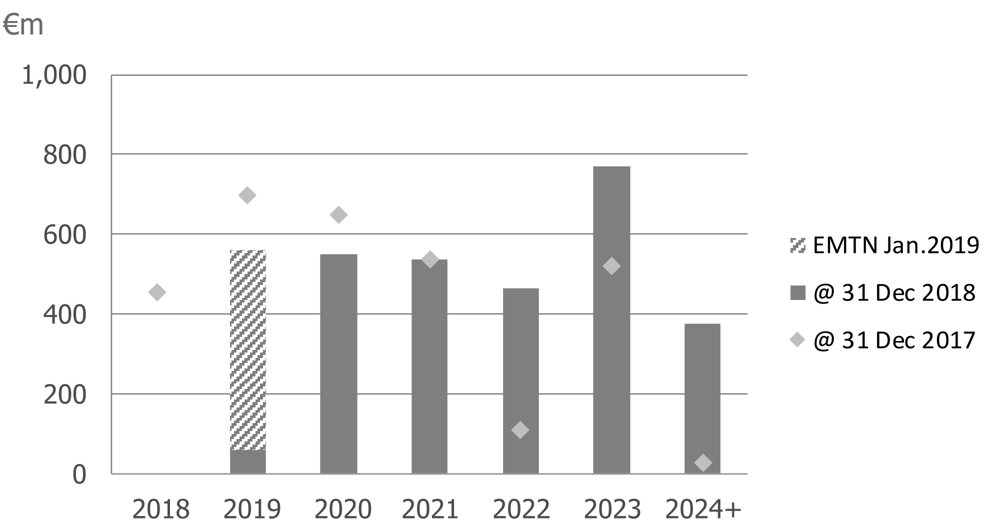
During 2018, the average funding cost decreased to 2.5%, reflecting debt issuances and reimbursements during the period.

The average life at the end of the year was 2.7 years and medium and long term debt accounted for 83% of total debt.

At the end of the year, Galp had unused credit lines of approximately €1.4 bn, of which 75% was contractually guaranteed.

During January 2019, Galp reimbursed its first Euro Medium Term Notes (EMTN) of €500 m, from its available cash position.

Debt maturity profile



5.5. Reconciliation of IFRS and RCA figures

Ebitda by segment

€m

Fourth quarter					2018	Year				
Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA		Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA
387	**104**	**491**	**2**	**493**	**Galp**	**2,311**	**(65)**	**2,245**	**(28)**	**2,218**
339	-	339	-	339	**E&P**	1,440	-	1,440	-	1,440
8	108	116	2	118	**R&M**	687	(50)	637	(28)	610
29	(4)	25	-	25	**G&P**	152	(15)	137	-	137
10	-	10	-	10	**Others**	31	-	31	-	31

€m

Fourth quarter					2017	Year				
Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA		Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA
559	**(85)**	**475**	**1**	**476**	**Galp**	**1,898**	**(116)**	**1,782**	**4**	**1,786**
296	-	296	0	296	**E&P**	850	-	850	0	850
226	(83)	143	1	144	**R&M**	881	(111)	771	4	774
29	(2)	27	(0)	27	**G&P**	137	(5)	132	(0)	132
9	-	9	-	9	**Others**	30	-	30	-	30

Ebit by segment

€m

Fourth quarter					2018	Year				
Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA		Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA
225	**104**	**330**	**(17)**	**313**	**Galp**	**1,629**	**(65)**	**1,564**	**(46)**	**1,518**
279	-	279	(19)	260	**E&P**	1,128	-	1,128	(19)	1,109
(86)	108	22	2	24	**R&M**	343	(50)	293	(28)	265
24	(4)	20	-	20	**G&P**	132	(15)	116	-	116
9	-	9	-	9	**Others**	27	-	27	-	27

€m

Fourth quarter					2017	Year				
Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA		Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA
345	**(85)**	**260**	**27**	**287**	**Galp**	**1,114**	**(116)**	**998**	**34**	**1,032**
200	-	200	12	213	**E&P**	467	-	467	14	481
112	(83)	29	15	44	**R&M**	502	(111)	391	22	413
24	(2)	23	(0)	22	**G&P**	119	(5)	114	(2)	112
8	-	8	-	8	**Others**	25	-	25	-	25

Non-recurring items

€m

Quarter				Year	
4Q17	3Q18	4Q18		2017	2018
0.9	**0.4**	**1.9**	**Non-recurring items impacting Ebitda**	**4.0**	**(27.8)**
(3.0)	-	-	Accidents caused by natural events and insurance compensation	(2.9)	-
(0.4)	-	-	Gains/losses on disposal of assets	(1.1)	-
0.6	-	-	Asset write-offs	0.6	-
3.1	0.4	1.9	Employee restructuring charges	3.1	3.6
0.6	-	-	Litigation costs (revenues)	4.3	(31.4)
26.0	**-**	**(18.6)**	**Non-recurring items impacting non-cash costs**	**30.1**	**(18.6)**
13.2	-	-	Provisions for environmental charges and others	14.4	-
12.8	-	(18.6)	Asset impairments	15.6	(18.6)
(5.3)	**0.3**	**0.4**	**Non-recurring items impacting financial results**	**(16.2)**	**7.9**
(2.5)	0.3	0.4	Gains/losses on financial investments[1]	(13.4)	7.9
(2.8)	-	-	Impairment of financial investments	(2.8)	-
5.2	**9.6**	**9.2**	**Non-recurring items impacting taxes**	**57.3**	**69.4**
(4.9)	(0.0)	(0.5)	Income taxes on non-recurring items	(6.7)	9.0
10.1	9.7	9.7	Energy sector contribution taxes	64.1	60.4
0.1	**(0.0)**	**(0.0)**	**Non-controlling interests**	**0.4**	**(0.1)**
27.0	**10.3**	**(7.1)**	**Total non-recurring items**	**75.6**	**30.9**

[1]Includes CESE impact on GGND.

5.6. IFRS consolidated income statement

€m

Quarter				Year	
4Q17	3Q18	4Q18		2017	2018
3,516	4,386	4,051	Sales	14,574	16,535
172	154	153	Services rendered	628	647
21	21	(17)	Other operating income	105	141
3,709	**4,561**	**4,188**	**Total operating income**	**15,306**	**17,322**
(2,604)	(3,338)	(3,206)	Inventories consumed and sold	(11,379)	(12,763)
(433)	(432)	(445)	Materials and services consumed	(1,617)	(1,780)
(87)	(88)	(78)	Personnel costs	(320)	(321)
(0)	(5)	(3)	Impairments on accounts receivable	(15)	(14)
(25)	(13)	(70)	Other operating costs	(78)	(134)
(3,150)	**(3,875)**	**(3,801)**	**Total operating costs**	**(13,409)**	**(15,012)**
559	**686**	**387**	**Ebitda**	**1,898**	**2,311**
(193)	(172)	(171)	Depreciation, Amortisation and Impairments	(762)	(691)
(22)	(0)	10	Provisions	(22)	9
345	**514**	**225**	**Ebit**	**1,114**	**1,629**
39	39	24	Net income from associates	163	129
10	(34)	(64)	Financial results	(32)	(70)
11	11	11	Interest income	33	42
(26)	(20)	(19)	Interest expenses	(107)	(83)
14	4	19	Capitalised interest	77	49
(9)	(15)	2	Exchange gain (loss)	(18)	(31)
25	(6)	(71)	Mark-to-market of hedging derivatives	(0)	(28)
(4)	(8)	(6)	Other financial costs/income	(17)	(19)
394	**520**	**185**	**Income before taxes**	**1,245**	**1,689**
(120)	(232)	(100)	Taxes[1]	(496)	(736)
(10)	(10)	(10)	Energy sector contribution taxes[2]	(64)	(60)
264	**278**	**75**	**Income before non-controlling interests**	**686**	**892**
(35)	(43)	(31)	Profit attributable to non-controlling interests	(88)	(151)
229	**235**	**44**	**Net income**	**597**	**741**

[1] Includes corporate income taxes and taxes payable on oil and gas production, namely Special Participation Tax (Brazil) and IRP (Angola).
[2] Includes €16.2 m, €35.5 m and €8.7 m related to the CESE I, CESE II and FNEE, respectively, during 2018.

5.7. Consolidated financial position

€m

	31 Dec. 2017	30 Sep. 2018	31 Dec. 2018
Assets			
Tangible fixed assets	5,193	5,115	5,333
Goodwill	84	84	85
Other intangible fixed assets	407	526	547
Investments in associates	1,483	1,309	1,295
Investments in other participated companies	3	3	3
Receivables	254	249	298
Deferred tax assets	350	353	369
Financial investments	32	77	31
Total non-current assets	**7,806**	**7,716**	**7,960**
Inventories[1]	970	1,325	1,171
Trade receivables	1,018	1,178	1,032
Other receivables	531	667	636
Loan to Sinopec	459	172	176
Financial investments	66	271	200
Current Income tax recoverable	4	8	4
Cash and equivalents	1,197	1,350	1,508
Total current assets	**4,245**	**4,971**	**4,726**
Total assets	**12,051**	**12,687**	**12,687**
Equity and liabilities			
Share capital	829	829	829
Share premium	82	82	82
Translation reserve	(151)	(304)	(186)
Other reserves	2,687	2,687	2,024
Hedging reserves	5	13	6
Retained earnings	295	408	1,091
Profit attributable to equity holders of the parent	597	697	741
Equity attributable to equity holders of the parent	**4,344**	**4,412**	**4,587**
Non-controlling interests	1,435	1,394	1,460
Total equity	**5,779**	**5,806**	**6,047**
Liabilities			
Bank loans and overdrafts	937	1,042	1,041
Bonds	1,595	1,644	1,644
Other payables[2]	286	130	126
Retirement and other benefit obligations	326	333	304
Deferred tax liabilities	76	159	196
Other financial instruments	3	30	37
Provisions	619	652	658
Total non-current liabilities	**3,842**	**3,990**	**4,006**
Bank loans and overdrafts	159	66	61
Bonds	392	498	498
Trade payables	889	926	933
Other payables	854	1,122	958
Other financial instruments	21	105	102
Income tax payable	115	174	82
Total current liabilities	**2,430**	**2,891**	**2,634**
Total liabilities	**6,272**	**6,880**	**6,640**
Total equity and liabilities	**12,051**	**12,687**	**12,687**

[1] Includes €53.5 m in inventories from third parties on 31 December 2018.
[2] Includes €7.5 m in advanced payments related to inventory from third parties on 31 December 2018.

6. Basis of reporting

Galp's consolidated financial statements have been prepared in accordance with IFRS. The financial information in the consolidated income statement and in the consolidated financial position is reported for the periods ended on December 31, 2018 and 2017, and September 30, 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

With effect from January 1, 2018, Galp started considering as operating costs all expenditures incurred with G&G and G&A costs in the exploration activities. Other expenses in the exploration stage, including exploratory wells, continue to be capitalised and written-off when dry.

In addition to those costs, the G&A expenses that transferred from the exploration phase to the stage of development were adjusted under equity. This new policy was applied retrospectively and the comparable figures of 2017 were restated.

Effective from 1 January 2018, impairments on account receivables are accounted for at the Ebitda level, providing a better proxy for the cash generation of each business. Figures of 2017 were restated for comparison purposes.

Starting in 2018, Galp adopted IFRS 9, changing the calculation method for impairments on receivables based on expected losses, and taking into account the credit risk assessment from the beginning. This impact was not applied to 2017 figures.

The Company also implemented IFRS 15, which did not impact materially the Group's results. However, it should be noted that under and overlifting positions in the E&P business started to be accounted as other operating costs/income. This change was not applied to 2017 figures.

IFRS 16

Galp will be adopting IFRS 16 as from January 1, 2019. Under this accounting standard, most lease agreements will be recognised in the balance sheet as a right-of-use asset and a financial liability. Subsequently, the right-of-use asset will be depreciated through the shortest of its economic useful life or the lease agreement tenure. The financial liability will consider interest based on the agreement's effective interest rate or the contracting entity's borrowing rate. Lease payments will be reflected as a reduction of lease liabilities.

The adoption of IFRS 16 will not impact the Company's cash generation. For estimation purposes, if the IFRS 16 accounting standard had been adopted in 2018, Ebitda and CFFO would have been c.€170 m higher.

With IFRS 16, net debt is estimated at €2,940 m as of January 1, 2019, while net debt to Ebitda ratio would have been 1.2x.

	31 Dec. 2018	01 Jan. 2019 (IFRS 16)
Net fixed assets	7,340	8,543
Operating leases	-	1,203
Working capital	814	814
Loan to Sinopec	176	176
Other assets (liabilities)	(546)	(546)
Capital employed	**7,784**	**8,987**
Total debt	**3,245**	**4,448**
Operating leases	-	1,203
Cash and equivalents	1,508	1,508
Net debt	**1,737**	**2,940**
Total equity	**6,047**	**6,047**
Total equity and net debt	**7,784**	**8,987**

7. Definitions

Benchmark refining margin
The benchmark refining margin is calculated with the following weighting: 45% hydrocracking margin + 42.5% cracking margin + 7% base oils + 5.5% Aromatics.

Rotterdam hydrocracking margin
The Rotterdam hydrocracking margin has the following profile: -100% Brent dated, +2.2% LPG FOB Seagoing (50% Butane + 50% Propane), +19.1% EuroBob NWE FOB Bg, +8.7% Naphtha NWE FOB Bg, +8.5% Jet NWE CIF, +45.1% ULSD 10 ppm NWE CIF, +9.0% LSFO 1% FOB Cg; C&L: 7.4%; Terminal rate: $1/ton; Ocean loss: 0.15% over Brent; Freight 2018: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat $7.59/ton. Yields in % of weight.

Rotterdam cracking margin
The Rotterdam cracking margin has the following profile: -100% Brent dated, +2.3% LPG FOB Seagoing (50% Butane + 50% Propane), +25.4% EuroBob NWE FOB Bg, +7.5% Naphtha NWE FOB Bg, +8.5% Jet NWE CIF, +33.3% ULSD 10 ppm NWE CIF, +15.3% LSFO 1% FOB Cg; C&L: 7.7%; Terminal rate: $1/ton; Ocean loss: 0.15% over Brent; Freight 2018: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat $7.59/ton. Yields in % of weight.

Rotterdam base oils margin
Base oils refining margin: -100% Arabian Light, +3.5% LGP FOB Seagoing (50% Butane + 50% Propane), +13% Naphtha NWE FOB Bg, +4.4% Jet NWE CIF, 34% ULSD 10 ppm NWE CIF, +4.5% VGO 1.6% NWE FOB Cg,+ 14% Base Oils FOB, +26% HSFO 3.5% NWE Bg; Consumptions: -6.8% LSFO 1% CIF NWE Cg; C&L: 7.4%; Terminal rate: $1/ton; Ocean loss: 0.15% over Arabian Light; Freight 2018: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat $7.59/ton. Yields in % of weight.

Rotterdam aromatics margin
Rotterdam aromatics margin: -60% EuroBob NWE FOB Bg, -40% Naphtha NWE FOB Bg, +37% Naphtha NWE FOB Bg, +16.5% EuroBob NWE FOB Bg, +6.5% Benzene Rotterdam FOB Bg, +18.5% Toluene Rotterdam FOB Bg, +16.6% Paraxylene Rotterdam FOB Bg, +4.9% Ortoxylene Rotterdam FOB Bg; Consumption: -18% LSFO 1% CIF NEW. Yields in % of weight.

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
+: plus
1C, 2C, 3C: Contingent resources
1P: Proved reserves
2P: Proved and probable reserves
3P: Proved, probable and possible reserves
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
Bg: Barges
bn: billion
boe: barrels of oil equivalent
BRL: Brazilian real
c.: circa
CAGR: compounded annual growth rate
CESE: *Contribuição Extraordinária sobre o Sector Energético* (Portuguese Extraordinary Energy Sector Contribution)
CFFO: Cash flow from operations
Cg: Cargoes
Chg.: Change
CIF: Costs, Insurance and Freights
Cofins: *Contribuição para Financiamento da Seguridade Social (Brazil)*
CORES: *Corporación de Reservas Estratégicas de Produtos Petrolíferos* (Spain)
CTA: Cumulative Translation Adjustment
C&L: Consumptions & Losses
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
EWT: Extended Well Test
FCC: Fluid Catalytic Cracking
FCF: Free Cash Flow
FLNG: Floating, liquefied natural gas
FNEE: *Fondo Nacional de Eficiência Energética* (Spain)
FOB: Free on board
FPSO: Floating, production, storage and offloading unit
FX: Foreign exchange
Galp, Company or Group: Galp Energia, SGPS, S.A., subsidiaries and participated companies
G&A: general and administrative
G&G: geology and geophysics
G&P: Gas & Power
GGND: Galp Gás Natural Distribuição, S.A.
GWh Gigawatt per hour
HC: Hydrocracker
IAS: International Accounting Standards
IFRS: International Financial Reporting Standards
IRP: Oil income tax (Oil tax payable in Angola)
ISP: Tax on oil products (Portugal)
k: thousand
kboepd: thousands of barrels of oil equivalent per day
kbpd: thousands of barrels of oil per day
LNG: liquefied natural gas
LSFO: low sulphur fuel oil
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
mm^3: million cubic metres
mton: millions of tonnes
MWh: Megawatt per hour
NE: Net entitlement
NG: natural gas
n.m.: not meaningful
NWE: Northwestern Europe
PIS: *Programas de Integração Social* (Brazil)
p.p.: percentage point
R&M: Refining & Marketing
RC: Replacement Cost
RCA: Replacement Cost Adjusted
ROACE: Return on Average Capital Employed
SEM: Successful Efforts Method
SPT: Special participation tax
ton: tonnes
TTF: Title Transfer Facility
ULSD: Ultra low sulphur diesel
USD/$: Dollar of the United States of America
VAT: value-added tax
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.

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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.

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