4th Quarter 2019

Results

February, 2020

Table of Contents

1. Results highlights and outlook

Full year of 2019

- Strong financial performance, supported by upstream and downstream results, despite the challenging refining conditions.
- Cash Flow from Operations (CFFO) of c.€1.9 bn, up 19% YoY, considering the positive impact from the application of the IFRS 16 standard (€189 m), of which 72% generated outside Iberia. Excluding this effect, CFFO would have increased 7% YoY.
- Free Cash Flow (FCF) reached €922 m, up 45% YoY, or €232 m, after the payment of full year dividends to non-controlling interests and shareholders.
- RCA Ebitda was c.€2.4 bn, up YoY, considering the application of the IFRS 16 standard, and above the initial guidance (€2.1 bn - €2.2 bn, considering the IFRS 16 application). On a comparable basis, excluding the IFRS 16 effect, RCA Ebitda would have been in line YoY, despite the lower oil prices.
- Capex reached €856 m, with E&P accounting for 70% and the remaining mainly focused on maintenance and energy efficiency improvements in the refining system, as well as upgrades in the retail network. Net of divestments, capex was €734 m.
- At the end of the year, net debt was €1,435 m, down €302 m YoY. Net debt to RCA Ebitda was 0.7x.

Fourth quarter 2019

- CFFO amounted to €446 m and FCF to €229 m.
- Consolidated RCA Ebitda of €653 m:
    - E&P: RCA Ebitda was €500 m, up 47% YoY, driven by production increase, offsetting a lower oil price environment in the period (-8% YoY).

      Working interest (WI) production was up 21% YoY to 136.9 kboepd, supported by the ramp-up of FPSOs #8 and #9 located in Lula, the start-up of the unit allocated to the Berbigão/Sururu area during the period, as well as the increased contribution from the Kaombo project in block 32, in Angola.
    - R&M: RCA Ebitda was €99 m, a 17% decrease YoY, mainly impacted by the weaker refining margins environment and costs related with the planned maintenance activities performed during the third quarter of 2019.
    - G&P: RCA Ebitda was up 91% YoY to €48 m, supported by a stronger network trading activity and a better performance from the commercial activity.
- RCA Ebit was up YoY to €354 m, despite increased DD&A from the new units in the upstream and from higher provisions.
- RCA net income was €157 m. IFRS net income was €106 m, with non-recurring items of -€49 m and an inventory effect of -€2 m.

- Capex totalled €282 m in the quarter, of which 65% allocated to the E&P business, mostly focused on BM-S-11 and Mozambique execution. Investments in downstream activities were mainly directed to energy efficiency improvements in the refining system, part of the “$1/boe” initiatives.

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.

Subsequent events

- In January 2020, Galp agreed to acquire solar photovoltaic (PV) projects in Spain comprising a total generation capacity of c.2.9 GW. The agreement includes over 900 MW of power generation capacity recently commissioned and a pipeline of projects at different stages of development to be installed until 2023.

- During 2019, Galp reorganised its business units, and from 2020 the Company will be reporting according to the updated business segments. The new reporting structure will consist of four business units: an Upstream division (unchanged), a Refining & Midstream unit, incorporating the refining and logistics business as well the Group’s oil, gas and power supply and trading activities, a Commercial unit which will integrate all the offer to Galp’s clients, and a new unit embedding the Group’s Renewables & New Businesses.

Financial data

€m (IFRS, except otherwise stated)

Quarter						Year			
4Q18	3Q19	4Q19	Var. YoY			2018	2019	Var. YoY	
493	619	653	160	32%	RCA Ebitda	2,218	2,381	163	7%
339	469	500	161	47%	Exploration & Production	1,440	1,751	311	22%
118	104	99	(20)	(17%)	Refining & Marketing	610	415	(195)	(32%)
25	37	48	23	91%	Gas & Power	137	189	53	39%
313	370	354	41	13%	RCA Ebit	1,518	1,387	(131)	(9%)
260	324	332	72	28%	Exploration & Production	1,109	1,189	80	7%
24	7	(26)	(50)	n.m.	Refining & Marketing	265	8	(258)	(97%)
20	32	43	23	n.m.	Gas & Power	116	171	54	47%
109	101	157	48	44%	RCA Net income	707	560	(147)	(21%)
44	60	106	62	n.m.	IFRS Net income	741	389	(352)	(47%)
7	(17)	(49)	(56)	n.m.	Non-recurring items	(31)	(177)	147	n.m.
(72)	(24)	(2)	(70)	(97%)	Inventory effect	64	6	(58)	(91%)
402	435	446	44	11%	Cash flow from operations	1,594	1,890	296	19%
301	188	282	(19)	(6%)	Capex	899	856	(43)	(5%)
121	192	229	108	89%	Free cash flow	635	922	287	45%
120	(70)	204	84	70%	Post-dividend free cash flow	142	232	89	63%
1,737	1,645	1,435	(302)	(17%)	Net debt	1,737	1,435	(302)	(17%)
0.8x	0.8x	0.7x	-	-	Net debt to RCA Ebitda[1]	0.8x	0.7x	-	-

[1] Ratio considers the LTM Ebitda RCA (€2,381 m on 31 December 2019), adjusted for the impact from the application of IFRS 16 (€189 m on 31 December 2019).

Operational data

Quarter						Year			
4Q18	3Q19	4Q19	Var. YoY			2018	2019	Var. YoY	
113.1	125.5	136.9	23.8	21%	Average working interest production (kboepd)	107.3	121.8	14.5	14%
111.7	124.0	135.1	23.3	21%	Average net entitlement production (kboepd)	105.9	120.0	14.1	13%
(7.8)	(7.3)	(6.3)	(1.5)	(19%)	Oil & gas realisations - Dif. to Brent (USD/boe)	(8.7)	(7.3)	(1.4)	(16%)
19.3	20.6	26.5	7.2	38%	Raw materials processed (mmboe)	100.7	96.0	(4.7)	(5%)
4.3	3.9	3.3	(1.0)	(24%)	Galp refining margin (USD/boe)	5.0	3.1	(1.9)	(38%)
3.6	3.9	4.2	0.6	18%	Total oil products sales (mton)	16.8	16.2	(0.6)	(3%)
1,181	1,131	1,224	44	4%	NG sales to direct clients (mm^3)	4,740	4,709	(31)	(1%)
544	673	768	224	41%	NG/LNG trading sales (mm^3)	2,875	2,937	62	2%

Market indicators

Quarter						Year			
4Q18	3Q19	4Q19	Var. YoY			2018	2019	Var. YoY	
1.14	1.11	1.11	(0.03)	(3%)	Average exchange rate EUR:USD	1.18	1.12	(0.1)	(5%)
4.35	4.41	4.56	0.21	5%	Average exchange rate EUR:BRL	4.31	4.41	0.11	2%
68.8	62.0	63.1	(5.7)	(8%)	Dated Brent price (USD/bbl)	71.3	64.2	(7.1)	(10%)
(0.8)	(1.0)	(1.2)	0.4	54%	Heavy-light crude price spread[1] (USD/bbl)	(1.4)	(0.6)	(0.8)	(56%)
26.1	12.6	12.8	(13.2)	(51%)	Iberian MIBGAS natural gas price (EUR/MWh)	24.3	15.4	(8.9)	(37%)
24.7	10.2	12.6	(12.0)	(49%)	Dutch TTF natural gas price (EUR/MWh)	22.8	13.6	(9.2)	(40%)
10.0	4.7	5.8	(4.2)	(42%)	Japan/Korea Marker LNG price (USD/mmbtu)	9.8	5.5	(4.3)	(44%)
16.0	16.8	16.3	0.3	2%	Iberian oil market (mton)	64.7	65.7	1.1	2%
9,732	10,042	10,423	691	7%	Iberian natural gas market (mm^3)	35,502	39,954	4,452	13%

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							Year				
4Q18	3Q19	4Q19	4Q19 (w/o IFRS16)	Var. YoY			2018	2019	2019 (w/o IFRS16)	Var. YoY	
113.1	125.5	136.9		23.8	21%	Average working interest production[1] (kboepd)	107.3	121.8		14.5	14%
99.8	111.0	121.8		21.9	22%	Oil production (kbpd)	94.8	108.0		13.2	14%
111.7	124.0	135.1		23.3	21%	Average net entitlement production[1] (kboepd)	105.9	120.0		14.1	13%
8.9	12.7	13.3		4.4	50%	Angola	6.8	11.7		4.9	72%
102.9	111.3	121.8		18.9	18%	Brazil	99.1	108.3		9.2	9%
(7.8)	(7.3)	(6.3)		(1.5)	(19%)	Oil and gas realisations - Dif. to Brent (USD/boe)	(8.7)	(7.3)		(1.4)	(16%)
5.5	4.8	4.8		(0.7)	(13%)	Royalties (USD/boe)	5.8	5.0		(0.8)	(14%)
7.1	3.3	2.7	5.8	(4.4)	(61%)	Production costs (USD/boe)	8.2	3.6	7.0	(4.6)	(57%)
8.9	14.2	15.2	13.1	6.3	71%	DD&A[2] (USD/boe)	10.1	14.4	12.1	4.3	42%
339	469	500	467	161	47%	RCA Ebitda	1,440	1,751	1,616	311	22%
96	146	168	146	72	75%	Depreciation, Amortisation and Impairments[2]	347	561	471	214	62%
(17)	-	1	-	18	n.m.	Provisions	(17)	1	-	18	n.m.
260	324	332	321	72	28%	RCA Ebit	1,109	1,189	1,144	80	7%
279	324	333	321	54	19%	IFRS Ebit[3]	1,128	994	948	(134)	(12%)
12	3	(0)	(0)	(12)	n.m.	Net Income from E&P Associates	50	36	36	(15)	(29%)

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

Fourth quarter

Operations

WI production increased 21% YoY to 136.9 kboepd, mainly driven by the continued development of the Lula and Iracema and Berbigão/Sururu projects, as well as the higher contribution from the Kaombo project, in Angola. Natural gas amounted to 11% of Galp's production.

In Brazil, production was higher YoY, benefiting from FPSO #8 performance, which produced at plateau levels after concluding its ramp-up process in just 10 months, and the ongoing ramp-up of FPSO #9, which started operations on February 2019. No relevant maintenance activities were performed during the quarter.

FPSO #10, located in the Berbigão/Sururu area, initiated operations in November 2019 and is currently in its ramp-up phase.

In Angola, WI production increased 4.9 kbpd YoY to 15.1 kbpd, supported by the Kaombo project in block 32, namely with the ramp-up of the Kaombo South FPSO, which reached plateau production in December 2019, nine months after its start.

Group's net entitlement production increased YoY to 135.1 kboepd.

Results

RCA Ebitda was €500 m, up 47% YoY, mainly supported by the higher production, which more than offset the lower oil prices environment in the period.

Production costs were €31 m, now excluding the €34 m costs related with operating leases following the IFRS 16 application. In unit terms, and on a net entitlement basis, production costs were $2.7/boe. Excluding IFRS 16 effects, production costs decreased YoY to $5.8/boe, reflecting a higher production dilution from the projects' ramp-up in Brazil and Angola.

Amortisation and depreciation charges (including abandonment provisions) increased €72 m YoY to €168 m, reflecting the higher operating asset base, both in Brazil and Angola, as well as a €22 m impact from IFRS 16. On a net entitlement basis, DD&A was $15.2/boe, or $13.1/boe on a comparable YoY basis.

Full year

Operations

Average WI production during 2019 was 121.8 kboepd, 14% higher YoY, mainly supported by the continued ramp-up of the Lula project in Brazil, and block 32 in Angola. The strong execution led the WI production to stand above the 8-12% expected increase.

Results

RCA Ebitda was €1,751 m, up 22% YoY, driven by higher production, a stronger U.S. Dollar against the Euro and the application of IFRS 16, more than offsetting lower Brent prices.

Production costs were €139 m, excluding costs related with operating leases of €135 m. In unit terms, and on a net entitlement basis, production costs were $3.6/boe, or $7.0/boe on a pre-IFRS 16 basis.

Amortisation and depreciation charges (including abandonment provisions) amounted to €561 m, an increase of €214 m YoY, impacted by the increased asset base and IFRS 16 effects of €90 m. On a net entitlement basis, DD&A was $14.4/boe, (or $12.1/boe on a comparable YoY basis).

Other E&P highlights

During the year, the ANP (Brazilian National Agency of Petroleum, Natural Gas and Biofuels) approved the Unitisation Agreements (UA) related with the accumulations of Lula, Atapu and Sépia.

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. The agreement, effective from April 1, 2019, establishes that the licence represents 92.09% of the unitised area (BM-S-11 consortium + Transfer of Rights area + Open area), with Galp now holding a 9.209% interest, though its 10% stake in BM-S-11.

The Atapu accumulation extends towards the BM-S-11A licence. The agreement, effective from September 1, 2019, establishes that the licence represents 17.03% of the unitised area (BM-S-11A + ToR + Open Area), with Galp now holding a 1.703% interest through its 10% stake in BM-S-11A. It should be highlighted that the BM-S-11A licence holds two additional accumulations, Berbigão and Sururu, which are still subject to unitisation processes. These agreements have been submitted to ANP in 2018 and are pending approval from the regulator.

The Sépia discovery extends towards the Sépia East area, within the BM-S-24 licence. The agreement, effective from September 1, 2019, establishes that the licence represents 12.07% of the unitised area (BM-S-24 + ToR), with Galp now holding a 2.414% interest through its 20% stake in BM-S-24. Block BM-S-24 also holds the large Júpiter discovery, which is a separate accumulation and therefore not included in this agreement.

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 for the impacts on its Brazilian subsidiary from the stake dilution in these accumulations.

On Lula, during the year Galp recognised a negative €96 m non-recurring item in net income and a €132 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 recognised. Total net equalisation payable position is estimated at c.€100 m.

Atapu's unitisation agreement impact has yet to be recognised on Galp's financial statements considering that the impact to Galp from this process is mostly concentrated in associated companies and therefore dependent on certain legal and regulatory procedures. Nevertheless, the amounts related with associated companies are estimated to originate a net equalisation receivable position of c.€165 m.

Regarding Sépia, impacts include a negative €4 m non-recurring item in net income and increased investments of €17 m, contributing to an estimated net equalisation payable position of €26 m.

Considering the already approved unitisation agreements of Lula, Atapu and Sépia, as well as the remaining ongoing processes mentioned, Galp expects a to be in a net receivable position of c.€100 m.

3. Refining & Marketing

€m (RCA, except otherwise stated)

Quarter							Year				
4Q18	3Q19	4Q19	4Q19 (w/o IFRS16)	Var. YoY			2018	2019	2019 (w/o IFRS16)	Var. YoY	
4.3	3.9	3.3		(1.0)	(24%)	Galp refining margin (USD/boe)	5.0	3.1		(1.9)	(38%)
4.3	3.0	3.7		(0.6)	(13%)	Refining cost (USD/boe)	2.6	2.9		0.3	12%
0.3	(0.4)	0.3		(0.0)	(1%)	Refining margin hedging[1] (USD/boe)	0.2	0.1		(0.2)	(76%)
19.3	20.6	26.5		7.2	38%	Raw materials processed (mmboe)	100.7	96.0		(4.7)	(5%)
16.8	15.3	24.3		7.6	45%	Crude processed (mmbbl)	92.1	82.6		(9.5)	(10%)
3.6	3.9	4.2		0.6	18%	Total oil products sales (mton)	16.8	16.2		(0.6)	(3%)
2.2	2.3	2.0		(0.1)	(5%)	Sales to direct clients (mton)	8.6	8.7		0.1	1%
118	104	99	84	(20)	(17%)	RCA Ebitda	610	415	364	(195)	(32%)
88	97	118	106	30	34%	Depreciation, Amortisation and Impairments	337	401	359	63	19%
7	0	7	7	0	2%	Provisions	7	7	7	(0)	(4%)
24	7	(26)	(29)	(50)	n.m.	RCA Ebit	265	8	(2)	(258)	(97%)
(86)	(23)	(29)	(32)	(57)	(66%)	IFRS Ebit	343	55	46	(288)	(84%)
(8)	3	3	3	11	n.m.	Net Income from R&M Associates	(6)	9	9	15	n.m.

[1] Impact on Ebitda.

Fourth quarter

Operations

Raw materials processed in Galp's refining system were 26.5 mmboe during the quarter, 38% higher YoY, as the fourth quarter of 2018 performance was impacted by planned maintenance activities in both Sines and Matosinhos refineries. Crude oil accounted for 92% of raw materials processed, of which 90% corresponded to medium and heavy crudes.

Middle distillates (diesel and jet) accounted for 47% of production and gasoline for 23%. Fuel oil production accounted for 16%, of which low and very low sulphur fuel oil accounted for c.80%, reflecting a shift to lower sulphur fuel oil supply from November ahead of IMO regulation implementation. Consumption and losses accounted for 8% of raw materials processed.

Total product sales increased 18% YoY, mainly benefiting from higher exports. Volumes sold to direct clients declined 5% YoY to 2.0 mton.

Results

RCA Ebitda for the R&M business was €99 m, considering the application of IFRS 16 (positive impact of €14 m in Ebitda). Results reflected a lower performance YoY of the refining activity impacted by the weaker refining margins environment, despite the higher availability of the system and robust performance from the marketing activity.

Galp's refining margin was down YoY to $3.3/boe, considering a sub-optimal utilisation in October after maintenance, impacted by the deterioration of products' cracks, namely light and middle distillates, and with the raw materials spreads not absorbing the impact from the lower product cracks.

Refining costs were €89 m or $3.7/boe in unit terms, still considering costs related with maintenance activities performed during the third quarter of 2019. Refining margin hedging had a positive impact on Ebitda of €6 m during the quarter.

The marketing activity maintained a robust contribution, despite the lower volumes sold to direct clients.

RCA Ebit was negative by €26 m, impacted by impairments related with industrial projects and decommissioning provisions related with the marketing activity. IFRS Ebit was negative by €29 m.

Full year

Operations

Raw materials processed were 96.0 mmboe during the period, 5% lower YoY due to the planned maintenance works and operational restrictions in the refining system during the year. Crude oil accounted for 86% of raw materials processed, of which 87% corresponded to medium and heavy crudes.

Middle distillates (diesel and jet) accounted for 46% of production, gasoline for 23% and fuel oil for 16%. Consumption and losses accounted for 8% of raw materials processed.

Total product sales decreased 3% YoY, impacted by lower exports volumes considering the refining system restrictions. Volumes sold to direct clients increased 1% YoY to 8.7 mton driven by the positive demand evolution in Iberia.

Results

RCA Ebitda for the R&M business was €415 m, considering the application of IFRS 16 (positive €51 m impact on Ebitda), down YoY impacted by the lower contribution from the refining activity.

Galp's refining margin decreased YoY to $3.1/boe, reflecting a volatile international environment, as well as operational restrictions in the refining system during the period, namely in Q1 and Q3.

Refining costs increased YoY to €247 m, or $2.9/boe in unit terms, given maintenance expenditures.

The oil products marketing activity maintained a robust contribution from sales to direct clients, benefiting from the improvement YoY of the Iberian oil market.

RCA Ebit was €8 m, while IFRS Ebit was €55 m, with a negative inventory effect of €19 m and negative non-recurring items of €26 m related to the business unit's restructuring and decommissioning provisions.

4. Gas & Power

€m (RCA, except otherwise stated)

Quarter							Year				
4Q18	3Q19	4Q19	4Q19 (w/o IFRS16)	Var. YoY			2018	2019	2019 (w/o IFRS16)	Var. YoY	
1,725	1,803	1,992		267	16%	NG/LNG total sales volumes (mm^3)	7,616	7,646		31	0%
1,181	1,131	1,224		44	4%	Sales to direct clients (mm^3)	4,740	4,709		(31)	(1%)
544	673	768		224	41%	Trading (mm^3)	2,875	2,937		62	2%
879	762	808		(71)	(8%)	Sales of electricity to direct clients (GWh)	3,865	3,199		(666)	(17%)
272	304	354		81	30%	Sales of electricity to the grid (GWh)	1,296	1,325		30	2%
25	37	48	48	23	91%	RCA Ebitda	137	189	189	53	39%
18	26	39	39	22	n.m.	Supply & Trading	91	147	147	56	61%
8	11	9	9	1	17%	Power	45	42	42	(3)	(7%)
5	5	5	5	(1)	(10%)	Depreciation, Amortisation and Impairments	21	19	19	(2)	(8%)
20	32	43	43	23	n.m.	RCA Ebit	116	171	171	54	47%
24	32	45	45	22	93%	IFRS Ebit	132	164	164	32	25%
20	24	20	20	(0)	(2%)	Net Income from G&P Associates	93	92	92	(1)	(1%)

Fourth quarter

Operations

Total volumes of NG/LNG sold reached 1,992 mm^3, 16% up YoY, following an increase in network trading sales. Sales to direct clients were 1,224 mm^3, up 44 mm^3 YoY, supported by a stronger performance from the industrial segment in Iberia.

Sales of electricity to direct clients were 808 GWh, down 8% YoY, due to lower volumes sold to B2B clients.

Sales of electricity to the grid were up 30% YoY to 354 GWh, as the cogenerations' operations were impacted by maintenance activities during the same period of 2018.

Results

RCA Ebitda reached €48 m, up 91% YoY supported by a stronger network trading activity, as well as a better performance from the commercial activity.

RCA Ebitda for the Power generation activity was stable at €9 m.

RCA and IFRS Ebit stood at €43 m and €45 m, respectively.

Results from associated companies were €20 m, related to the equity interest in Galp Gás Natural Distribuição, S.A. (GGND) and in the international pipelines.

Full year

Operations

Sales of NG/LNG were 7,646 mm^3, slightly up YoY, with the increase in network trading offsetting a decline in the LNG trading activity. Sales to direct clients were slightly down YoY, with a decrease in electrical sales offsetting a better performance from the industrial segment in Iberia.

Sales of electricity to direct clients were 3,199 GWh, down 17% YoY, on the back of lower volumes sold to industrial clients.

Electricity sales to the grid were 2% up YoY to 1,325 GWh.

Results

RCA Ebitda increased €53 m YoY to €189 m, mostly supported by an increased contribution from the natural gas and electricity commercial activity, but also benefiting from a stronger performance from the network trading activity.

RCA Ebitda for the Power generation activity was slightly down to €42 m.

RCA Ebit was €171 m, up 47% YoY, while IFRS Ebit was €164 m.

Results from associated companies reached €92 m.

5. Financial Data

5.1. Income Statement

€m (RCA, except otherwise stated)

Quarter							Year				
4Q18	3Q19	4Q19	4Q19 (w/o IFRS16)	Var. YoY			2018	2019	2019 (w/o IFRS16)	Var. YoY	
4,205	4,284	4,141	4,141	(64)	(2%)	Turnover	17,182	16,570	16,570	(612)	(4%)
(3,102)	(3,138)	(3,052)	(3,052)	(49)	(2%)	Cost of goods sold	(12,828)	(12,405)	(12,405)	(424)	(3%)
(445)	(401)	(452)	(501)	8	2%	Supply & Services	(1,780)	(1,650)	(1,839)	(130)	(7%)
(76)	(90)	(81)	(81)	5	6%	Personnel costs	(317)	(325)	(325)	8	3%
(87)	(36)	97	97	183	n.m.	Other operating revenues (expenses)	(24)	189	189	213	n.m.
(3)	(1)	1	1	4	n.m.	Impairments on accounts receivable	(14)	1	1	16	n.m.
493	**619**	**653**	**605**	**160**	**32%**	**RCA Ebitda**	**2,218**	**2,381**	**2,192**	**163**	**7%**
387	**589**	**650**	**602**	**264**	**68%**	**IFRS Ebitda**	**2,311**	**2,219**	**2,030**	**(91)**	**(4%)**
(190)	(249)	(291)	(257)	102	54%	Depreciation, Amortisation and Impairments	(709)	(986)	(852)	277	39%
10	(0)	(8)	(8)	(18)	n.m.	Provisions	9	(8)	(8)	(17)	n.m.
313	**370**	**354**	**339**	**41**	**13%**	**RCA Ebit**	**1,518**	**1,387**	**1,332**	**(131)**	**(9%)**
225	**340**	**353**	**339**	**128**	**57%**	**IFRS Ebit**	**1,629**	**1,232**	**1,177**	**(398)**	**(24%)**
24	31	21	21	(3)	(12%)	Net income from associates	137	136	136	(2)	(1%)
(64)	(89)	43	43	108	n.m.	Financial results	(70)	(54)	63	(16)	(23%)
(8)	(4)	(5)	(5)	(3)	(39%)	Net interests	(41)	(16)	(16)	(25)	(61%)
19	7	7	7	(12)	(65%)	Capitalised interest	49	24	24	(24)	(50%)
2	(35)	24	1	22	n.m.	Exchange gain (loss)	(31)	(10)	17	(20)	(66%)
(71)	(30)	66	66	137	n.m.	Mark-to-market of hedging derivatives	(28)	81	81	109	n.m.
-	(23)	(22)	(0)	(22)	n.m.	Operating leases interest (IFRS 16)	-	(90)	(0)	(90)	n.m.
(6)	(3)	(26)	(26)	19	n.m.	Other financial costs/income	(19)	(43)	(43)	24	n.m.
273	**312**	**418**	**403**	**145**	**53%**	**RCA Net income before taxes and minority interests**	**1,585**	**1,468**	**1,530**	**(117)**	**(7%)**
(132)	(180)	(215)	(192)	83	63%	Taxes	(726)	(758)	(760)	32	4%
(120)	(124)	(251)	(251)	131	n.m.	Taxes on oil and natural gas production[1]	(449)	(610)	(610)	161	36%
(31)	(31)	(46)	(48)	15	47%	Non-controlling interests	(151)	(150)	(166)	(2)	(1%)
109	**101**	**157**	**164**	**48**	**44%**	**RCA Net income**	**707**	**560**	**604**	**(147)**	**(21%)**
7	(17)	(49)	(49)	(56)	n.m.	Non-recurring items	(31)	(177)	(177)	147	n.m.
116	**84**	**108**	**114**	**(9)**	**(7%)**	**RC Net income**	**676**	**383**	**427**	**(293)**	**(43%)**
(72)	(24)	(2)	(2)	(70)	(97%)	Inventory effect	64	6	6	(58)	(91%)
44	**60**	**106**	**112**	**62**	**n.m.**	**IFRS Net income**	**741**	**389**	**433**	**(352)**	**(47%)**

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

Fourth quarter

RCA Ebitda increased 32% YoY to €653 m, considering the €48 m positive effect from IFRS 16. The increase was mainly driven by a stronger performance YoY from E&P, driven by the production ramp-up, and a resilient contribution from the commercial activities. IFRS Ebitda was €650 m.

RCA Ebit was up YoY to €354 m, considering a €14 m impact in depreciation charges from the application of IFRS 16 and higher DD&A, namely in the upstream segment. IFRS Ebit was €353 m.

During the quarter, financial results were positive at €43 m, considering €22 m in interest charges related to operating leases (IFRS 16). Mark-to-market variations, mostly related with derivatives to cover natural gas price risks amounted to €66 m, and exchange gains, reflecting the effect of the Brazilian Real appreciation versus U.S. Dollar on the IFRS 16 lease liabilities reached €24 m.

RCA taxes increased from €132 m to €215 m, following the higher operating results, namely from the upstream.

Non-controlling interests of €46 m, mainly attributable to Sinopec's stake in Petrogal Brasil, were up YoY reflecting the stronger performance from this activity.

RCA net income was €157 m, while IFRS net income was €106 m, with non-recurring items of -€49 m, which include the impact from SPT adjustments from previous periods, and an inventory effect of -€2 m.

Full year

RCA Ebitda was €2,381 m, up 7% YoY, considering the positive impact from IFRS 16. Excluding such effect, RCA Ebitda would have been 1% down, reflecting the lower contribution from refining.

RCA Ebit was €1,387 m, down YoY, impacted by higher DD&A, given the increased asset base in the upstream, and impacted by depreciation charges from the application of IFRS 16. IFRS Ebit was €1,232 m.

Financial results were -€54 m, impacted by the €90 m interest expenses related with operational leases under IFRS 16. Otherwise, financial results were strong, reflecting the positive mark-to-market variations, mostly related with derivatives to cover natural gas price risks, exchange gains and lower net interests. Excluding the IFRS 16 effect, financial results would have been positive by €63 m.

RCA taxes increased YoY to €758 m, reflecting the stronger results, namely in the upstream.

Non-controlling interests of €150 m were mainly attributable to Sinopec's 30% stake in Petrogal Brasil.

RCA net income was €560 m and IFRS net income reached €389 m. Non-recurring items, which amounted to €177 m, include the impact from the unitisation of the Lula and Sépia fields, as well as c.€50 m related to CESE and SPT adjustments from previous periods.

The 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

Quarter						Year			
4Q18	3Q19	4Q19	Var. YoY			2018	2019	Var. YoY	
141	106	184	43	30%	Exploration & Production	622	600	(22)	(4%)
27	12	(4)	(31)	n.m.	Exploration and appraisal activities	218	115	(104)	(48%)
114	95	188	74	65%	Development and production activities	403	485	82	20%
149	80	94	(55)	(37%)	Refining & Marketing	258	243	(15)	(6%)
2	1	(2)	(4)	n.m.	Gas & Power	9	2	(7)	(77%)
9	1	7	(2)	(23%)	Others	10	11	0	4%
301	**188**	**282**	**(19)**	**(6%)**	**Capex[1]**	**899**	**856**	**(43)**	**(5%)**

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

Fourth quarter

Capex totalled €282 m during the quarter, of which 65% allocated to the E&P business.

Investment in development and production activities reached €188 m and were mostly related with the execution of Lula and Bacalhau (ex-Carcará) projects in Brazil, as well as with the Mozambican projects Coral FLNG and Rovuma LNG.

Investments in downstream activities were mainly directed to energy efficiency improvements in the refining system, part of the “$1/boe” initiatives, and maintenance works.

Full year

During 2019, capex reached €856 m. E&P accounted for 70% of total capex, with development and production activities accounting for 81% of the total investments in the upstream. E&A capex was mainly related with works in the Bacalhau area and the acquisition of the final 3% stake in BM-S-8 in Brazil.

Investments in the downstream were mainly focused on the improvement of refining energy efficiency as well as to the renewal of the retail network.

5.3. Cash flow

Indirect Method

€m (IFRS figures)

Quarter					Year		
4Q18	3Q19	4Q19	4Q19 (w/o IFRS16)		2018	2019	2019 (w/o IFRS16)
225	339	354	340	Ebit[1]	1,629	1,405	1,350
44	28	32	32	Dividends from associates	118	146	146
171	249	289	255	Depreciation, Amortisation and Impairments	691	979	846
156	(55)	(115)	(115)	Change in Working Capital	(230)	(138)	(138)
(195)	(126)	(114)	(114)	Corporate income taxes and oil and gas production taxes	(613)	(503)	(503)
402	**435**	**446**	**398**	**Cash flow from operations**	**1,594**	**1,890**	**1,701**
(282)	(189)	(170)	(170)	Net capex	(896)	(734)	(734)
1	(5)	1	1	Net financial expenses	(63)	(45)	(45)
-	(48)	(48)	-	Operating leases payments (IFRS 16)[2]	-	(189)	-
121	**192**	**229**	**229**	**Free cash flow**	**635**	**922**	**922**
(1)	(0)	(25)	(25)	Dividends paid to non-controlling interests[3]	(16)	(132)	(132)
-	(262)	-	-	Dividends paid to shareholders	(477)	(559)	(559)
120	**(70)**	**204**	**204**	**Post-dividend free cash flow**	**142**	**232**	**232**
42	22	7	7	Others	7	71	71
(162)	**47**	**(210)**	**(210)**	**Change in net debt**	**(149)**	**(302)**	**(302)**

[1] Adjusted for the non-cash unitisation non-recurring item.

[2] Includes both interest and capital payments, which in 4Q19 amounted to €22 m and €26 m, respectively.

[3] Mainly dividends paid to Sinopec.

Fourth quarter

CFFO was up YoY to €446 m, considering the €48 m positive effect from IFRS 16, and benefiting from the higher contribution from the upstream business, which offset a lower downstream contribution.

FCF was €229 m, considering a net capex of €170 m. Cash flow after the payment of dividends to non-controlling interests stood at €204 m.

Full year

CFFO of c.€1.9 bn, up 19% YoY, considering the €189 m positive impact from IFRS 16, of which 72% generated outside Iberia. Excluding this effect, CFFO would have increased 7% YoY, with an increased contribution from the upstream as well as from the downstream activities, despite the weak refining environment.

2019 FCF reached €922 m, up 45% YoY, or €232 m considering the full year dividend to shareholders of €559 m, and non-controlling interest payments of €132 m, mainly to Sinopec.

5.4. Financial position

€m (IFRS figures)

	31 Dec., 2018	30 Sep., 2019	31 Dec., 2019	Var. vs 31 Dec., 2018	Var. vs 30 Sep., 2019
Net fixed assets[1]	7,340	7,437	7,358	18	(79)
Rights of use (IFRS 16)	-	1,202	1,167	1,167	(35)
Working capital	814	837	952	138	115
Loan to Sinopec	176	-	-	(176)	-
Other assets/liabilities[1]	(546)	(879)	(1,161)	(615)	(282)
Capital employed	**7,784**	**8,597**	**8,316**	**532**	**(282)**
Short term debt	559	566	278	(281)	(288)
Medium-Long term debt	2,686	2,326	2,616	(69)	291
Total debt	**3,245**	**2,892**	**2,895**	**(350)**	**3**
Cash and equivalents	1,508	1,246	1,460	(48)	213
Net debt	**1,737**	**1,645**	**1,435**	**(302)**	**(210)**
Operating leases (IFRS 16)	**-**	**1,274**	**1,223**	**1,223**	**(51)**
Equity	**6,047**	**5,678**	**5,657**	**(389)**	**(20)**
Equity, net debt and operating leases	**7,784**	**8,597**	**8,316**	**532**	**(282)**

[1] For the periods ending in 30 September 2019 and 31 December 2019, net fixed assets and other assets/liabilities include the estimated impact from unitisations.

On December 31, 2019, net fixed assets were €7,358 m, up €18 m YoY. Work-in-progress, mainly related to the E&P business, stood at €1,927 m.

Other liabilities increased €282 m QoQ, following an increase in CESE provisions, abandonment provisions due to the Brazilian Real appreciation, and impacted by the reversal of deferred SPT credits, both within the upstream business. On a YoY basis, it should be noted that this caption also includes a €155 m estimated payable related to the estimated impact from unitisations, while the receivable amount is still to be booked according to the ongoing unitisation process (see 'Other E&P highlights' on page 9).

ROACE was 7.3% at the end of the year. Excluding impacts from adjustments related to previous periods, namely unitisation processes, ROACE would have reached 9.7%.

5.5. Financial debt

€m (except otherwise stated)

	31 Dec., 2018	30 Sep., 2019	31 Dec., 2019	Var. vs 31 Dec., 2018	Var. vs 30 Sep., 2019
Bonds	2,142	1,827	1,822	(320)	(5)
Bank loans and other debt	1,103	1,065	1,073	(30)	8
Cash and equivalents	(1,508)	(1,246)	(1,460)	48	(213)
Net debt	**1,737**	**1,645**	**1,435**	**(302)**	**(210)**
Operating leases (IFRS 16)	-	1,274	1,223	1,223	(51)
Average life (years)[1]	2.7	2.6	2.9	0.2	0.3
Average funding cost[1]	2.5%	1.8%	1.8%	(0.7 p.p.)	0.0 p.p.
Debt at floating rate[1]	48%	60%	60%	13 p.p.	(0 p.p.)
Net debt to RCA Ebitda [2]	0.8x	0.8x	0.7x	-	-

[1] Debt does not include operating leases.

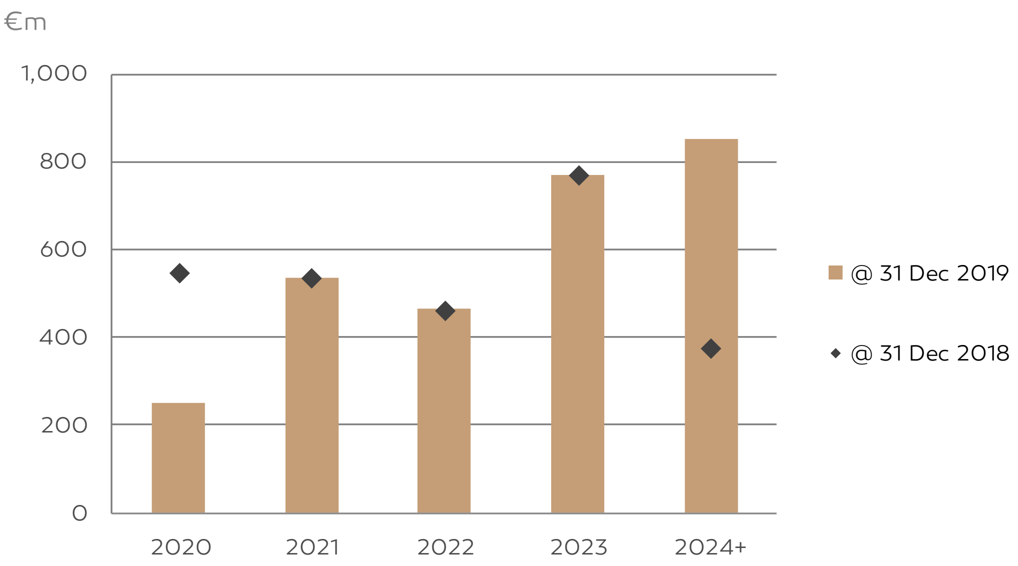
[2] Ratio considers the LTM Ebitda RCA (€2,381 m in 2019), adjusted for the impact from the application of IFRS 16 (€189 m in 2019).

On December 31, 2019 net debt was €1,435 m, down €210 m QoQ, supported on the strong cash generation during the period. Liabilities associated with operating leases were €1,223 m. Net debt to RCA Ebitda was 0.7x.

The average funding cost stood at 1.8% and the average life increased to 2.9 years, with medium and long term debt accounting for 90% of total debt.

At the end of the period, Galp had unused credit lines of approximately €1.2 bn, of which c.70% were contractually guaranteed.

Debt maturity profile



Reconciliation of IFRS and RCA figures

Ebitda by segment

€m

Fourth Quarter					2019	Year				
IFRS Ebitda	Inventory effect	RC Ebitda	Non-recurring items	RCA Ebitda		IFRS Ebitda	Inventory effect	RC Ebitda	Non-recurring items	RCA Ebitda
650	4	655	(2)	653	Galp	2,219	(12)	2,207	174	2,381
501	-	501	(1)	500	E&P	1,552	-	1,552	200	1,751
93	6	99	(1)	99	R&M	460	(19)	441	(26)	415
50	(2)	48	-	48	G&P	183	7	189	-	189
6	-	6	-	6	Others	25	-	25	-	25

€m

Fourth Quarter					2018	Year				
IFRS Ebitda	Inventory effect	RC Ebitda	Non-recurring items	RCA Ebitda		IFRS Ebitda	Inventory effect	RC Ebitda	Non-recurring items	RCA Ebitda
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

Ebit by segment

€m

Fourth Quarter					2019	Year				
IFRS Ebit	Inventory effect	RC Ebit	Non-recurring items	RCA Ebit		IFRS Ebit	Inventory effect	RC Ebit	Non-recurring items	RCA Ebit
353	4	358	(4)	354	Galp	1,232	(12)	1,220	167	1,387
333	-	333	(1)	332	E&P	994	-	994	195	1,189
(29)	6	(23)	(3)	(26)	R&M	55	(19)	36	(29)	8
45	(2)	43	-	43	G&P	164	7	171	-	171
5	-	5	-	5	Others	19	-	19	-	19

€m

Fourth Quarter					2018	Year				
IFRS Ebit	Inventory effect	RC Ebit	Non-recurring items	RCA Ebit		IFRS Ebit	Inventory effect	RC Ebit	Non-recurring items	RCA Ebit
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

Non-recurring items

€m

Quarter				Year	
4Q18	3Q19	4Q19		2018	2019
1.9	(0.6)	(1.7)	Non-recurring items impacting Ebitda	(27.8)	173.5
-	(0.6)	(1.0)	Margin (Change in production) - Lula unitisation	-	199.7
-	-	(15.9)	Gains/losses on disposal of assets	-	(41.3)
-	-	(5.4)	Asset write-offs	-	(5.4)
1.9	-	20.5	Employee restructuring charges	3.6	20.5
-	-	-	Litigation costs	(31.4)	-
(18.6)	0.0	(2.3)	Non-recurring items impacting non-cash costs	(18.6)	(6.7)
-	0.0	0.0	Depreciations and Amortisations - Lula unitisation	-	(4.3)
(18.6)	-	(2.4)	Asset impairments	(18.6)	(2.4)
0.4	13.1	1.9	Non-recurring items impacting financial results	7.9	34.5
0.4	4.0	2.9	Gains/losses on financial investments	7.9	14.2
-	9.1	(1.0)	Financial costs - Lula and Sépia unitisation	-	20.3
9.2	5.7	68.6	Non-recurring items impacting taxes	69.4	36.1
(0.5)	(3.7)	0.5	Taxes on non-recurring items	9.0	(71.6)
-	-	58.6	SPT adjustments from previous years	-	58.6
9.7	9.4	9.4	Energy sector contribution taxes	60.4	49.0
(0.0)	(1.5)	(17.1)	Non-controlling interests	(0.1)	(60.0)
(7.1)	16.7	49.3	Total non-recurring items	30.9	177.4

5.6. IFRS consolidated income statement

€m

Quarter				Year	
4Q18	3Q19	4Q19		2018	2019
4,051	4,137	3,989	Sales	16,535	15,962
153	147	152	Services rendered	647	608
(17)	(31)	170	Other operating income	141	368
4,188	**4,253**	**4,311**	**Total operating income**	**17,322**	**16,938**
(3,206)	(3,168)	(3,056)	Inventories consumed and sold	(12,763)	(12,592)
(445)	(401)	(452)	Materials and services consumed	(1,780)	(1,650)
(78)	(90)	(101)	Personnel costs	(321)	(346)
(3)	(1)	1	Impairments on accounts receivable	(14)	1
(70)	(5)	(52)	Other operating costs	(134)	(132)
(3,801)	**(3,664)**	**(3,660)**	**Total operating costs**	**(15,012)**	**(14,719)**
387	**589**	**650**	**Ebitda**	**2,311**	**2,219**
(171)	(249)	(289)	Depreciation, Amortisation and Impairments	(691)	(979)
10	(0)	(8)	Provisions	9	(8)
225	**340**	**353**	**Ebit**	**1,629**	**1,232**
24	27	18	Net income from associates	129	121
(64)	(98)	44	Financial results	(70)	(74)
11	9	9	Interest income	42	37
(19)	(14)	(14)	Interest expenses	(83)	(53)
19	7	7	Capitalised interest	49	24
-	(23)	(22)	Operating leases interest (IFRS 16)	-	(90)
2	(35)	24	Exchange gain (loss)	(31)	(10)
(71)	(30)	66	Mark-to-market of hedging derivatives	(28)	81
(6)	(12)	(25)	Other financial costs/income[1]	(19)	(64)
185	**269**	**416**	**Income before taxes**	**1,689**	**1,279**
(100)	(169)	(272)	Taxes[2]	(736)	(742)
(10)	(9)	(9)	Energy sector contribution taxes[3]	(60)	(58)
75	**90**	**135**	**Income before non-controlling interests**	**892**	**479**
(31)	(30)	(29)	Income attributable to non-controlling interests	(151)	(90)
44	**60**	**106**	**Net income**	**741**	**389**

[1] Mostly related to Lula's unitisation process

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

[3] Includes €15 m, €34 m and €9 m related to CESE I, CESE II and FNEE, respectively, during the twelve months of 2019.

5.7. Consolidated financial position

€m

	31 Dec., 2018	30 Sep., 2019	31 Dec., 2019
Assets			
Tangible fixed assets	5,333	5,539	5,671
Goodwill	85	87	85
Other intangible fixed assets	547	576	577
Rights of use (IFRS 16)	-	1,202	1,167
Investments in associates	1,295	1,089	870
Financial investments held for sale	-	-	-
Receivables	239	257	259
Deferred tax assets	369	439	367
Financial investments	93	161	169
Total non-current assets	7,960	9,351	9,167
Inventories[1]	1,171	1,210	1,055
Trade receivables	1,032	1,183	980
Other receivables	594	873	935
Loan to Sinopec	176	-	-
Financial investments	242	153	174
Current Income tax recoverable	4	0	-
Cash and equivalents	1,508	1,246	1,460
Total current assets	4,726	4,665	4,603
Total assets	12,687	14,016	13,770
Equity			
Share capital	829	829	829
Share premium	82	82	82
Reserves	1,843	1,449	1,356
Retained earnings	1,091	1,791	1,764
Net income	741	283	389
Total equity attributable to equity holders of the parent	4,587	4,434	4,420
Non-controlling interests	1,460	1,243	1,237
Total equity	6,047	5,678	5,657
Liabilities			
Bank loans and overdrafts	1,041	499	795
Bonds	1,644	1,827	1,822
Operating leases (IFRS 16)	-	1,089	1,042
Other payables	126	127	121
Retirement and other benefit obligations	304	297	332
Deferred tax liabilities	196	280	299
Other financial instruments	37	12	5
Provisions	658	808	819
Total non-current liabilities	4,006	4,938	5,234
Bank loans and overdrafts	61	566	278
Bonds	498	-	-
Operating leases (IFRS 16)	-	186	182
Trade payables	933	1,060	852
Other payables	958	1,391	1,343
Other financial instruments	102	103	84
Income tax payable	82	95	141
Total current liabilities	2,634	3,400	2,879
Total liabilities	6,640	8,338	8,113
Total equity and liabilities	12,687	14,016	13,770

[1] Includes €50.4 m in inventories made on behalf of third parties as of 31 December 2019.

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 quarters ended on December 31, 2019 and 2018, and September 30, 2019.

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.

With regards to risks and uncertainties, please read chapter 7. Part I – C. III Internal control and risk management of Galp's Integrated Report 2018.

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 maturity. The financial liability considers interest based on the agreement's effective interest rate or the contracting entity's incremental borrowing rate. Lease payments are reflected as a reduction of lease liabilities.

The adoption of IFRS 16 does not materially impact the Company's cash generation.

7. 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)
BBB: Belém Bioenergia Brasil,S.A.
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
COFINS: Contribution for the Financing of Social Security
CORES: Corporación de Reservas Estratégicas de Produtos Petrolíferos (Spain)
DD&A: Depreciation, Depletion and Amortisation
DST: Drill Stem Test
E&A: Exploration & Appraisal
E&P: Exploration & Production
Ebit: Earnings before interest and taxes
Ebitda: Ebit plus depreciation, amortisation and provisions
EMPL: Europe Magreb Pipeline, Ltd
EUR/€: Euro
FCF: Free Cash Flow
FLNG: Floating liquified natural gas
FNEE: Fondo Nacional de Eficiência Energética (Spain)
FPSO: Floating, production, storage and offloading unit
Galp, Company or Group: Galp Energia, SGPS, S.A., subsidiaries and participated companies
G&P: Gas & Power
GGND: Galp Gás Natural Distribuição, S.A.
GSBV: Galp Sinopec Brazil Services
GWh: Gigawatt per hour
IAS: International Accounting Standards
IFRIC: International Financial Reporting Interpretations Committee
IRC: Income tax
IFRS: International Financial Reporting Standards
IRP: Oil income tax (Oil tax payable in Angola)
ISP: Payments relating to tax on oil products
JFT: Consortium of JGC, Fluor and Technip FMC
kboepd: thousands of barrels of oil equivalent per day
kbpd: thousands of barrels of oil per day
LNG: liquefied natural gas
LPG: Liquefied petroleum 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
MWh: Megawatt-hour
NE: Net entitlement
NG: natural gas
n.m.: not meaningful
NWE: Northwestern Europe
PIS: payment initiation service
p.p.: percentage point
PPSA: Pré-Sal Petróleo S.A.
QoQ: Quarter-on-quarter
R&M: Refining & Marketing
RC: Replacement Cost
RCA: Replacement Cost Adjusted
SPT: Special participation tax
ton: tonnes
ToR: Transfer of Rights
UA: Unitisation Agreements
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.

Galp Energia, SGPS, S.A.
Investor Relations

Pedro Dias, Head
Otelo Ruivo, IRO
Inês C. Santos
João G. Pereira
Teresa Rodrigues

Contacts:
+351 21 724 08 66

Address:
Rua Tomás da Fonseca,
Torre A, 1600-209 Lisboa,
Portugal

Website: www.galp.com
Email: investor.relations@galp.com

Reuters: GALP.LS
Bloomberg: GALP PL