Video Presentation

Maria João Carioca - CFO

Hello everyone, it's great to be here today, presenting the main highlights of 2023 and our perspective on how 2024 will be unfolding.

2023 was a year of strong operating performance, delivering robust results and increased financial strength.

Ebitda was €3.6 bn and OCF was €2.3 bn. This enabled Galp to further reduce net debt, now nearly halved from 2021 levels – a relevant development in a Company growing rapidly across most of its businesses.

Based on 2023 financial performance, and following our capital allocation guidelines, we will propose to distribute to shareholders €0.54 per share in dividends and will start a €350 m buyback in the coming days.

We also made significant progress on our strategy execution, whilst maintaining a disciplined capital allocation.

Galp invested c. €1.1 bn, mainly in projects that will drive further growth and transformation in our portfolio. Notably, 1/3 of this Capex was spent in Portugal.

Overall, growth continues to be the hallmark of Galp´s portfolio, with improved operational efficiency providing stout support to our strategy - a distinctive case in the industry, developed in a responsible way.

Now discussing our Business Units:

Starting with Upstream, production was quite robust in 2023, reaching 122 kboepd and surpassing our initial guidance, on the back of improved operational performance.

Our portfolio in Brazil continues to be an impressive cash engine, supporting our strategy and setting the stage for future growth.

We continued to make good progress in our key developments in this market, with Bacalhau execution advancing well and first oil on track for mid-2025.

Once Bacalhau reaches plateau production, around 40 thousand barrels per day will be added to our current production levels. Until then, we estimate these to be consistently above 115 kboepd.

In addition to Brazil, we see additional value-accretive future options in our upstream portfolio, with further development opportunities being assessed.

Mozambique features one such opportunity, with Rovuma LNG maturing to now consider a modular approach of up to 18 mtpa capacity and targeting FID by 2025.

Still on our Upstream portfolio, high potential exploration activities continue to unfold. Besides S. Tomé, a promising region where a hydrocarbon system was already identified, we are progressing on our exciting exploration campaign in Namibia.

After identifying two significant light oil columns in a first well drilled in the Mopane prospects, a second well will be completed before we carry out a DST in March. This will allow us to better evaluate the size and commerciality of Mopane.

Moving to Industrial, in 2023, we safely performed a large, planned turnaround in the refinery, underlining our commitment to improve safety and reliability of the system whilst preparing the integration of the new HVO / SAF and green hydrogen projects at Sines.

For 2024, we expect the refinery to be fully available and better prepared to reduce some dependency on imported products such as VGO, whilst capturing a still robust macro environment.

On Midstream, our business in 2024 should continue robust, although more moderate than the strong 2023, as we continue to face sourcing limitations from long term gas suppliers.

Commercial continues to leverage our strong position in the Iberian market, maintaining its stable cash flow delivery. The increasing weight of low carbon and convenience offer, already contributing 1/3 of Ebitda, showcases our efforts to adapt our businesses, promoting the transition to a cleaner Iberian energy system. Going forward and despite recent developments, we hope the heavy taxation targeting these businesses will not hold us back from moving faster in the region.

Finally, on Renewables, we continue to mature our portfolio, adding new capacity despite licensing delays and challenging market conditions. For 2024 we expect to start operating 200 MW. Crucially, our operating portfolio continued to prove its profitability, with returns on invested capital of 14%.

Now, concerning the financial outlook at Group level, we will stick to our capital allocation principles. These see our net spending controlled, at around €3 bn during the 2023-25 period, about €1 bn per year, on average.

Ours being a young portfolio, maintenance Capex remains relatively small, with more than 70% of our overall investments dedicated to foster further growth.

For now, no Capex is being considered towards the Rovuma LNG development, which should only come post 2025, nor potential further needs for Namibia beyond the ongoing exploration campaign.

Divestments will continue to be considered to crystalize value, but also to give us headroom to further accelerate uncommitted Capex, potentially fast-tracking some projects along the way.

As for distribution guidelines, these will remain unchanged at 1/3 of OCF, with cash dividends and buybacks entirely driven by our operating performance.

Under our current macro assumptions, 2024 Ebitda should reach c.€3.1 bn, reflecting improved operating performance vs last year, notably in Industrial.

2024 Operating Cash Flow should be around €2 bn, enabling us to cover our Net Capex, dividends and buybacks whilst leaving our balance sheet well under control.

We are excited to continue our execution plan. With Galp, shareholders are getting superior growth and a credible transformation story, with further upside from value-levers across the portfolio.

All this, backed by the disciplined execution of a low capital intensity plan, supporting a competitive distribution yield and the creation of long-term sustainable value.

Thank you for watching!

Q&A session

Otelo Ruivo – Director of Investor Relations

Good day, everyone, and thank you for joining the Analyst Q&A session related with Galp's Fourth Quarter and Full Year 2023 Results. By now, most of you have read and watched the materials released this morning covering our results and short-term outlook; therefore, we will start with a short opening remark from Filipe and then moving on straight to Q&A.

As usual, we will have in the room the executive team, together with some top managers here with us to take your questions. Before I hand over to Filipe, the usual disclaimer: we may make forward-looking statements that refer to our estimates, and actual results may differ due to a number of different factors as indicated in the cautionary statements included on our materials, which we will advise you to read. Filipe, the mic is yours.

Filipe Silva - CEO

Thank you, Otelo. Good afternoon, everyone, and thanks for joining.

Looking back at 2023, we continued with our structural improvements, and it's great to see our strong operating performance across all divisions. Sound delivery from the teams leads inevitably to improved financial robustness. We remain highly confident with our strategic execution and with our capital allocation guidelines with our growing dividends.

During 2023, we took very important steps to deploy world-class industrial projects, such as the HVO and sustainable aviation fuel units and the 100 MW electrolyser for green hydrogen. Now, these will support the transformation and the decarbonization of our downstream activities. On the other hand, our low cost and low carbon Upstream portfolio continues to thrive.

As we start 2024, we are progressing with our key projects and tapping high-potential opportunities, such as Namibia. There, after two significant oil column discoveries in the first well, we're starting the second well. You will appreciate there is very little else we can say on Namibia at this stage.

Now, I do see Galp as one of the most attractive investment cases in the sector: superior growth from profitable projects and a very credible transformation story. And this is backed by our low capital intensity plan, which is mostly allocated to growth, whilst we offer a competitive yield and the creation of long-term sustainable value.

I am here with the whole team. Very happy to take your questions. Thank you.

Biraj Borkhataria - RBC

Hi. Thanks for taking my questions. The first one is on production guidance for the year. You do have a history of putting out conservative guidance at the start of the year, but I'm thinking about production of 122 kboepd in 2023 and you're talking about greater than 115 kboepd, so maybe you could talk a bit about the maintenance schedule year on year, if there's any big differences or anything else that makes you more cautious there.

And then the second question is just on slide 14 and the uncommitted Capex. I'm assuming most people model the €1 bn, but you're obviously talking about the potential for more Capex, which is then offset by asset sales. So, could you just talk a little bit about your options for 2024 and 2025 on the uncommitted portion of Capex, whether that's Upstream, Renewables? Where should I think about where the capital could flow? Thank you.

Filipe Silva - CEO

Thank you, Biraj. We're seeing low decline rates in Brazil and increased operating efficiencies. Is our guidance conservative? It usually is. But we're in February. This is a prudent baseline on which we would like to guide the markets to.

The Brazil reservoirs' performance continues outstanding. And every day we get more and more confident on the improved efficiencies. We will be updating the market regularly, and if we see upside materializing, we will make that clear.

On Capex, as we said before: we play with both legs, absolute Gross Capex and Divestments. The commitment of Galp throughout the years has been on a Net Capex basis. For example, we've seen very significant permitting issues around Renewables. So, the capital we're deploying in Renewables is not as high as we were expecting. And we continue to see that, hence less requirements to divest assets. So again, look at our capital plan. We have options, both on Gross Capex and on divestments. And we will activate those so that we stay within the commitment, which again is a three-year commitment. It could be lumpy, but on average, €1 bn Net Capex per year.

Josh Stone - UBS

Thanks, and good afternoon. Two questions please. Firstly, on the Midstream guidance, you gave Ebitda of €300 m. Could you maybe just talk about how much visibility you have on that number? How much of that is locked in already? How exposed are you to any deterioration in absolute prices or spreads from here? And maybe what are you baking-in for sourcing restrictions or potential sourcing restrictions during the year?

Secondly, on Renewables and the pipeline there: you've talked about 200 MW starting up this year. Can you just give us some insight on how that pipeline is moving in the years that follow? You've given some helpful sort of slides with the renewable generation under management. How much of that is your own generation and how much is third parties? Just any insight on that would be great. Thank you.

Rodrigo Vilanova – EVP Energy Management

Thank you, Josh. This is Rodrigo Vilanova. Regarding the midstream contribution for 2024, we do expect a robust Ebitda throughout the year. But we have indeed taken a cautious approach regarding limited gas sourcing conditions as well as a lower macro environment. We have some exposure to the spot market, but we do have built in some flexibility in our portfolio, so we are confident that we will meet the guidance, and clearly, working potentially to overcome it. But we believe that at this stage, based on the information we have today, this is a prudent guidance.

Georgios Papadimitriou – EVP Renewables & New Businesses

This is Georgios. I'll take the renewables question. Indeed, we have 200 MW this year earmarked for COD. As Filipe said, we have several delays in the permitting of our pipeline. We are expecting nonetheless, several megawatts starting construction in 2024. It will depend on the reactivity and the effectiveness of the Spanish administration, in particular, in bringing our projects ready to build. We don't have any set number on this. Obviously, our developments will always depend on being disciplined and having very good returns.

Giacomo Romeo - Jefferies

Thank you. Filipe, I will not ask about the Namibian well comment, but it's just in terms of farm-out there. Can you just perhaps talk a little bit about how you see the timing for that? And in terms of what size of your large share will be diluted, and if we can see something already in 2024?

And then I would like to go back to slide 14, where you are showing the need for some incremental divestment in order to keep the 2023-25 Net Capex at €1 bn. Which areas we could see some incremental divestment? Is renewables an area that you're considering in terms of portfolio rotation?

In that context, would you be looking to sell single assets, or would you consider selling a minority stake in the overall business as some of your peers have done recently? Thank you.

Filipe Silva - CEO

Hi, Giacomo. On Namibia, we're not in a rush, so we're now focusing on evaluating the exploration upsides. Clearly, we need to de-risk what we have in our hands. We will analyse all the options and whatever creates most value to our shareholders, we will consider this in due course. We're not expecting a short-term decision on this. The campaign is ongoing. Mopane 2X is going to be drilled. Then we have the DST in March. What we have made public, is that we have something that looks sizable. Clearly, we have very encouraging pressures, very encouraging porosity, and very encouraging permeability. But we've only drilled one well, so too soon at this stage to see what is going to be our next move.

On Net Capex, we have a number of options which we may or not activate. And whether you probably have renewables in mind, whether we bundle a few assets and sell a minority, as was leaked in the press a few months ago, or single stakes outside of low carbon? Our strategy is clear: we need to decarbonize Galp. So renewables is an important element. A number of our shareholders look at Galp as a transition story, a very strong upstream, clearly, but also a very strong decarbonization story. We will consider all our options, including how much growth Capex we actually need in 2024. Thank you.

Michele Della Vigna – Goldman Sachs

Thank you very much. Two questions, if I may. The first one is, I was wondering if you could perhaps help us a little bit with sensitivities on the European gas price for your Midstream business over the next couple of years, and also an update on when you would expect the Venture Global volumes to come through. It looks like it's not part of your guidance, so probably you expect it from the beginning of 2025?

And secondly, I was wondering, I've seen a major increase in leases under IFRS 16 in the fourth quarter from €1.4 to €1.8 bn. And I was just wondering if you could give us a little bit more detail on what's behind that. Thank you.

Rodrigo Vilanova – EVP Energy Management

Michele, this is Rodrigo again. Regarding the assumptions for the guidance in Midstream, indeed, we have no Venture Global volumes expected. As I said, we have a conservative approach. As far as exposure to the spot market, we do have some sales throughout the year. And as I mentioned previously, we do also have some flexibility in our portfolio that gives us confidence that we are showing here a cautious guidance. Thank you.

Maria João Carioca - CFO

Hi, Michele, this is Maria here. I'll take your question on the leases. Yes, indeed, in the fourth quarter, we brought our Coral assets into IFRS treatment. So that is a €475 m increase in our assets.

Sasikanth Chilukuru – Morgan Stanley

Hi. Thanks for taking my questions. I had two, please. The first was related to the guidance for €2 bn OCF for 2024. I was just wondering if there is any extraordinary tax payments or windfall taxes that you have incorporated within that guidance? Arguably it's been affecting 2023, so I just wanted to understand that.

The second question was related to the $175 m contingent payments related to the Angolan transaction. It was dependent on Brent price and supposed to be paid in 2024, 2025. I was just wondering if that was also included or if there's any change in that figure?

Maria João Carioca - CFO

Thank you for your questions, Sasi. This is Maria. I will take your question on OCF. On the €2 bn OCF, yes, we are considering extraordinary taxes, but we're not guiding on that.

Filipe Silva - CEO

Sasi, yes. The contingent payments on the Angolan divestment. First, they are in all likelihood, going to be triggered. The timing is expected to be in 2024, and that is within our Net Capex numbers for 2024. Thank you.

Irene Himona - Société Générale

Thank you. Good afternoon. Could you please provide us with an update on progress and milestones at Bacalhau and also the biofuels and hydrogen projects, please?

And my second question, as you mentioned, Coral is now being fully depreciated. Can you update the guidance for upstream unit DD&A, please, for 2024? Thank you.

Daniel Elias – Upstream Brazil Country Manager

Thank you, Irene. On Bacalhau. This is Daniel. I'm pleased to say that Bacalhau is progressing exactly according to our guidance. I'm also very pleased to report the extraordinary safety performance, and we have lifted all modules in Singapore at the moment with high quality and high level of completion. So we are now advancing well towards sail away in the second half of 2024 and also towards first oil in the mid-2025, leading towards ramp-up and production increase in approximately 30% to Galp in that upcoming period. All partners and contractors are focusing on delivering and we are happy to maintain the guidance. Thank you.

Ronald Doesburg – EVP Industrial

Hi, Irene. It's Ronald here. Thank you for your question giving an update on the HVO and the electrolyser status. We took FID in the previous quarter and expected start-up is late 2025. After taking FID, we started the early works on both projects, and that's going according to plan and at the moment busy with the procurement and the detailed engineering design, which we should finalize around mid this year. But so far, and again, we just started and so far everything is according to plan and milestones. Thank you.

Maria João Carioca - CFO

On your question on the leases on Coral. The Coral leases are expected to be adding $1.0-1.5/boe, so you have to put that on top of what is the historical $13-14/boe. So, overall guidance of around $14-15/boe. And I guess if you want to put that into an absolute number, it should be €40-50 m.

Ignacio Doménech - JB Capital

Yes. Good afternoon. Thank you for taking my questions. The first one on Commercial. You are guiding to a flat Ebitda this year. I was wondering, how are you thinking on marketing volumes in the upcoming years in Iberia? Should we expect volumes to recover to pre-pandemic levels, or should we rather think on the volumes we are seeing in the last two years?

And secondly, on renewables, I was wondering if you could provide us with an update on the strategy that you are pursuing in the Iberian portfolio, namely related to the merchant exposure of this portfolio? Thank you.

João Diogo – EVP Commercial

Hi. This is João from Commercial. So, looking forward, we see Commercial with a very stable contribution, but with an increased weight of non-fuel contribution. We are looking very flat on the fuel side, but with a reinforced, let's say, leadership in retail Portugal and with a much more well-integrated gas and power downstream business. So that's how we look forward within a plan where we are transforming and increasing electric mobility: we've reached 1 m charging sessions in 2023. So, we are very confident that we will be building a new business, delivering €300 m, but with a different structure. Thank you.

Georgios Papadimitriou – EVP Renewables & New Businesses

Hey, Ignacio. This is Georgios. For renewables, we will continue the merchant exposure strategy that we have and that we have guided. We are, of course, looking at any short-term opportunities, and we are leveraging the integrated structure. If there's a good opportunity to hedge internally, as we have done in the past, we will do that, too.

Matt Lofting – JPMorgan

Hi. Thanks for taking the questions and for doing the presentation. Two, please. Just in terms of timelines on Namibia. I think you mentioned scheduling the DST for March earlier. Does Galp expect that this will provide what it needs to take a definitive conclusion on resource commerciality? Or do you see a scenario whereby it doesn't add any further evaluation and drilling is required thereafter?

And then secondly, just on capital allocations and the distributions portion of the frame, €2.3 bn of OCF in 2023 is translated into this year's buyback, moderating year on year to €350 m at your one third policy. It suggests that €2 bn of guided OCF for this year takes buybacks down again mechanically in 2025. Could you just talk about how you think about that, and any case for going above and beyond the mechanical policy to defend a competitive yield if net debt to Ebitda remains firmly below 1x? Thank you.

Filipe Silva – CEO

Thank you, Matt, for your questions. On Namibia timeline: so clearly by late March, we will know about commerciality. We should have a very good view on the volumes of the reservoirs that we've hit. So it is highly possible that we will be drilling more wells within the block, given what we're seeing so far. So it will give us a good view of the reservoirs where we are by late March.

Capital location is, as you say, Matt. It is mechanical. Do see Galp as a growth story. We have to deploy capital to grow our business into highly profitable ventures, so capital appreciation is part of our equity story. So the guidance, until the Board decides otherwise, is we distribute one third of OCF. Thank you.

Pedro Alves – Caixa Bank BPI

Good afternoon. Thank you for taking my questions. Two, if I may. The first one on refining. You are guiding on refining Opex of $3 per barrel. And based on this 80 mboe of processing that you are guiding equates to over €250 m of opex. Which, if I'm not mistaken, seems a bit high, at least for your historical standards, without relevant turnarounds that impacted your cost base last year. So the question here is, if there is any one-off or transformational project embedded in this opex of $3/boe for this year, or is this kind of a new standard that we should expect on a recurring basis?

And second question, on the slide 11 on renewables, you are flagging a still relevant increase from downstream energy needs even before electrolyser. If you can perhaps elaborate a bit on this growing needs from downstream and why, based on this, you are not going faster in renewables at a time that solar PV Capex is breaking new historical lows. Is it just because of the permitting issues that you have mentioned? Or is it really also the framework of Net Capex that you really need to match this growth Capex and divestments? Thank you.

Ronald Doesburg – EVP Industrial

Thank you, Pedro. It's Ronald here from Industrial. Thank you for your question. If you look at refinery opex, I think it's a fair observation to say that our opex is slightly higher versus historical. There are two main effects. One is inflation, and we see that coming back in catalyst and chemical spend. We also see that coming back in waste management and maintenance costs. The second one is around demurrage, which is actually a positive story because we have demurrage because we see margin opportunities in the market. So we're importing large VGO and jet vessels to actually capture additional margin side, which will have a bit of an opex impact.

Overall, we expect indeed to come out for 2024 around $3/boe, but it's overall an optimization game. Maybe good to add in that space is if you look to our utilization, we expect the refinery to be able to run fully in 2024. Clearly, there are always small and minor pit stops, but nothing that's out of the ordinary in that space and hence, when the margin opportunities are there, we are able to fully capture that for 2024.

Filipe Silva – CEO

Pedro, on the renewable growth, clearly, other than the permitting issues, we also need to base this based on the profitability that we see. So not all projects are equally profitable. We need to be extremely disciplined in the returns we extract from renewables so that the capital markets look at Galp as a decarbonization story that is actually making a competitive return. So, it is not about growing faster to cover all our downstream needs. There's also a mix of third-party purchases. If somebody else can deliver us the electrons that we sell to our clients or for our own use, we will be optimizing that mix as we go forward. To keep 14% return on our capital employed in renewables requires discipline, so the pace at which we do this has to be monitored carefully. Thank you.

Kate O'Sullivan – Citi

Hello. Thanks for taking my questions. A follow up on Namibia, please. Was the deeper target at Mopane 1X, the AVO-2, was that part of the original scope? And is it likely that you would need an extension to your original 115-day campaign? Also following up on the comments you just made around potential to drill more wells, how would an extension to your rig in 2024, how would that work? Availability, etc.? And could you confirm what costs you have in your investment program for Namibia this year? Thank you very much.

Filipe Silva – CEO

Thank you, Kate. Now, this was all planned all along. The scope, the extension, everything has been pre-agreed before we started. We've actually drilled through the two reservoirs and went all the way to the source rock. And as we move to Mopane 2X, we're also targeting two reservoirs as well. The total Capex for 2024 should be about €150 m. Everything according to plan and availability contractually, everything is going according to the original plan. Thank you.

Alejandro Vigil - Santander

Hello. Thank you for taking my questions. One question is about Mozambique. If you can give us an update on the situation there and potential FID this year. And the second question is related also to Mozambique, in general to the opportunities you see in terms of Capex. You mentioned the Namibia exploration, Mozambique could be an option. Do you anticipate a cycle of higher Capex post 2025 considering all the potential number of projects you have in the pipeline? Thank you.

Filipe Silva – CEO

Thank you, Alejandro. Now, on Mozambique, there has been very significant progress on the ground. If I look at the public statements of Total, I mean, it looks as if force majeure will be lifted sometime this year. On our side, Exxon, as the operator of the onshore project, is launching a front-end engineering this year, and we're looking for an FID of a modular concept, 18 mtpa, sometime in 2025. This is where we are. Because it is modular, because a lot of this is likely going to be cheaper to build than the very large trains which are stick-built. We don't expect inflation from the original concept to be a big element here. Thank you.

Alessandro Pozzi - Mediobanca

Hi there. I have two questions. The first one on Namibia. When I look at your equity stake, it's very high. And probably, as you mentioned, it's not going to stay like this, but I guess you probably don't want to be the operator as well, going into a full development of Namibia, assuming that the flow test, of course, is successful. And the process of finding potentially a new operator may slow down the development of Namibia, because if you were the operator, maybe you could have started the engineering work and maybe you can go ahead with the long lead items. But if you're waiting for somebody else to come in that could slow down the whole process. I was wondering if you can give us your thoughts on that.

And the second question on cash flow, any guidance on dividend to minorities for 2024? Thank you.

Filipe Silva – CEO

Alessandro, we are acutely aware of the value of bringing production in Namibia as soon as possible, you can rest assured. Nothing is going to get delayed. Quite the opposite. We're doing a lot of work already to make sure that in parallel with the process of a potential divestment, a lot of the de-risking, including more appraisal wells and exploration wells, will continue in parallel.

Maria João Carioca - CFO

Thank you, Alessandro. On dividends to minorities, it's fair to assume they will be slightly below 2023, but guidance is broadly in line at c.€150 m.

Otelo Ruivo – Director of Investor Relations

So, I think this concludes the call for today. Thank you all for your questions. As always, our Investor Relations team will be very happy to answer any follow-ups. Look forward to speaking with you.