

Capital Markets Day: Positioning Galp for the future of energy

Galp will hold today its Capital Markets Day 2020, where management will present an update on the Company's execution and strategy, together with an overview of 2019's operational and financial performance. To visualise all documents click [here](#).

Galp's strategy is based on an integrated energy profile, leveraged on a highly competitive and resilient existing portfolio expected to deliver unparalleled value growth in the next decade.

While already integrated in the Oil & Gas, Galp is now accelerating its integration on the power value chain based on renewable generation, as part of the transition into a more electrified and lower carbon world. The Company is attentive to new demand trends and to the pace of energy transition and is working towards the optimisation and transformation of its business divisions. Galp will launch new products and services and will transform its traditional businesses through technology, digitalisation and innovation.

Restructuring our organisation to better capture opportunities across the energy value chain

Galp reorganised its business divisions to optimise its businesses, segmenting them according to their own identity, goals and risk profile. Reporting will be adjusted accordingly from 2020 onwards.

The new structure will consist of four business units: an upstream division (unchanged); a Refining & Midstream, incorporating the refining and logistics business, the Group's oil, gas and power supply and trading activities; a Commercial division integrating all product and services offer to Galp's clients, and a Renewables & New Businesses unit.

Value growth from long-life existing asset base, targeting >€3 bn CFFO from 2025

The Group's growth trajectory should lead CFFO's annual contribution to surpass the €3 bn mark from 2025, of which over 75% generated outside Iberia, and more than 1.5x times 2019's level.

Upstream CFFO is expected to contribute with over €4 bn¹ during the 2020-22 period, increasing to above €2 bn p.a. from 2025. This is leveraged on an expected significant increase in production and on the competitiveness of the world class assets already producing and under development, with NPV₁₀ breakeven below \$25/bbl. Galp's WI production is expected to grow at a 9% and 10% CAGR up to 2025 and 2030, respectively (vs 2019).

On the Refining & Midstream, Galp intends to optimise the performance of its refining system and progressing on building a strong supply and trading portfolio. The division should remain a positive cash contributor, with Ebitda expected at above €350 m p.a. during 2020-22².

¹ Cumulative, considering Brent @\$65/bbl in 2020 and \$70/bbl afterwards.

² Considering Galp refining margins of \$4.0 - \$5.0/boe, and Midstream contribution of c.€150 m p.a..

The Commercial business will be supported on a new multi-service/multi-product offer, leveraged on a strong client and asset base in Iberia and in Africa, on innovation and digital transformation. The business Ebitda should stand in between €400 m and €450 m p.a. during 2020-22 and reach over €500 m after 2025.

Building a competitive renewable business

Galp is committed to develop a sustainable renewable power generation portfolio, with 10% to 15% of the Group's investment to be allocated to renewables and to capture opportunities from new businesses that could be scaled up. This represents a natural hedge to our Iberian activities, aligned with the global electrification trend and with the transition path to reduce our carbon intensity.

The Company recently acquired a set of solar PV projects in Spain, comprising a total of 2.9 GW, with grid interconnection secured and 914 MW already operating. With the remaining solar projects under development in Iberia, Galp's overall capacity is expected to reach 3.3 GW by 2023. Equity returns from this portfolio are expected at above 10%.

Although installed capacity in the next years will be based on the existing portfolio, Galp's ambition is to increase its renewable footprint and potentially reach c.10 GW by 2030, with focus on Iberia but looking at opportunities in other geographies complying with our investment criteria.

Reiterating our capital allocation guidelines

Galp remains committed to its capital allocation guidelines, strengthening the resilience and integration of its portfolio, under different scenarios. We will invest for sustainable growth, focusing on project returns, financial discipline and shareholder distribution.

Over the next decade, more than 40% of our investments are aimed at capturing opportunities from the energy transition and 10% to 15% will be allocated to renewable power generation and new businesses.

Galp's net capex is expected to remain on average at €1.0 bn to €1.2 bn p.a. during the 2020-22 period, even if now more front loaded. This includes all equity requirements, net of project financing and potential divestments.

Capital allocation moves will comply with our internal commitment to stay below 2x Net Debt to Ebitda, while aiming a c.15% ROACE.

Considering the current cycle of the Company, Galp is targeting a DPS increase of 10% p.a. over the 2019-21 period, reconfirming the confidence on its financial plan and commitment to balance high quality investments with growth in shareholder distribution.

2019 Results

Strong financial performance, supported by upstream and downstream results, despite the challenging refining conditions.

ANNOUNCEMENT

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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.

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 December 31, 2019 net debt was €1,435 m, down €302 m YoY. Net debt to RCA Ebitda reached 0.7x.

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