



REGENERATING THE FUTURE

Integrated Management Report 2021

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Board of Directors' Message

Andy Brown

Chief Executive Officer

Dear shareholders,

I took the helm of Galp slightly over one year ago with the clear objective of positioning the Company for the future of energy. And what an extraordinary journey it has been! We have launched a new purpose for Galp: 'Let's regenerate the future together'. I am thrilled with how this mission has been so naturally embraced and embedded across all teams.

As economies continue their tremendous efforts to rebound from the shockwaves originated by the pandemic, the pace of change across industries, especially in the energy sector, is astonishing and the importance of holding a competitive portfolio, a robust financial position and a sound strategy is paramount to being successful. But should we take anything from 2021, it must be the urgent need to decarbonise our economies.

It is my belief that the robustness of Galp's portfolio is well known. Low cost, competitive, upstream assets with a distinctively low CO₂ carbon intensity at half that of the industry average. A Commercial footprint that places Galp as a leader in Portugal and a key player in Iberia. A flexible Industrial site that leverages the Company's options to explore new solutions in the energy sector. And a leading position in renewable solar generation in Iberia.

With such a strong starting position this year, we worked towards refreshing our strategy and I am confident we presented a clear and compelling plan to thrive through the energy transition, whilst accelerating the pace of decarbonisation of our activities. This strategy enables Galp to maintain a robust growth from a highly efficient Upstream business, with a pipeline of projects that provides c.20 years of production and enables us to not to proceed with new frontier exploration.

From 2021 to 2025, we plan to allocate around 50% of the Group's net capex to reshaping its portfolio by investing in cleaner energy solutions. We aim to move from a grey refinery to a green energy hub, reducing the absolute emissions from our refining operations by 50% in 2030, and transform our mobility businesses to increase the contribution from non-fuel activities.

Galp's growth profile also expands into the renewable generation space, with the ambition to enlarge our portfolio 10-fold, reaching 12 GW of gross installed capacity by 2030.



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And I am happy to see Galp reinforcing its ambition to become a net zero Company by 2050, in terms of greenhouse gas emissions, and I'm even more enthusiastic about the shorter-term path ahead of us to considerably reduce our carbon intensity, as well as absolute emissions.

But in 2021 we didn't limit ourselves to laying out our strategy. We have already taken relevant steps towards the execution of this strategy. We expanded our renewables portfolio into Brazil, whilst also reinforcing an already leading position, both in Iberia's solar renewable space and in Portugal's EV charging network.

Together with our partners, we reached FID for the development of the world-class Bacalhau project, in Brazil; we submitted a new PoD for Tupi / Iracema; and the Coral South FLNG arrived in Mozambique ahead of time and within budget.

Galp also laid the groundwork for transformative projects in the low-carbon energy sector. We are rapidly maturing a new green hydrogen business, assessing the incorporation of biofuels in our industrial site, and establishing key partnerships for a lithium conversion unit to tap the booming potential of an integrated value chain for batteries in Europe.

In 2021 we also faced several challenges that demanded the utmost best of our teams. The operational momentum of our activities lacked consistency and our cash delivery was impacted by unforeseeable events, some of which resulted from the incredibly volatile commodity market environment, namely the spike in natural gas prices. We have renewed our absolute focus on Operational Excellence in our assets to deliver more consistent results.

Ultimately, to ensure we appropriately reward our shareholders, the Board of Directors decided on a discretionary adjustment to the distributions related to 2021, planning to initiate a share buyback programme in addition to the payment of the announced base dividend. Considering the profound changes observed in the capital markets towards the energy sector, the Board has revised the shareholder distribution guidelines, which should consider share buybacks in

addition to cash dividend payment, recommended to include a progressive dividend per share increase.

Looking forward, 2022 is already marked by Russia's act of aggression against the Ukrainian people. This represents a harsh blow to the free world and stands against all values uphold by Galp. Galp has no joint ventures with Russian entities and already decided to suspend all trading interactions related with petroleum products sourced by Russia or Russian companies. My heart goes out to all the people of Ukraine, with a special thought to our Ukrainian colleagues. We will continue to strongly support all humanitarian efforts.

As Europe's energy system is questioned and market volatility is ever more intense, 2022 will be a year to accelerate our transformation path and continue to demonstrate execution. We will harvest the cash flows from our legacy businesses, we will continue to scale up our renewables business, expand our position in the electricity value chain and mature our new energies ventures.

We made some changes to the Executive Committee, and I give a warmth welcome to Teresa and Georgios. People who had greatly contributed to Galp left, but I am very enthusiastic with the renewed Management and Leadership teams and confident that these teams will effectively lead Galp through this energy transition.

Galp is changing its profile from a traditional Oil & Gas player to an Integrated Energy Company. An effort only possible with committed people. My sincere thanks to the whole Galp team for their fantastic contributions.



Andy Brown
Chief Executive Officer