Strategy Overview
CEO Andy Brown

Welcome to our 4th quarter and full year results, but also a short term outlook.

It was just a year ago have become the CEO of Galp and what a year it has been! We have a new purpose: "Let's Regenerate the Future Together". This is resonated in our organization and it is also the foundation for our new strategy, a strategy in which we will thrive through the energy transition.

This year we started on execution:

And the first step was to get the right organisation in place, to refresh our ExCom, now just five of us, helping us be lean and agile. You will hear from the other 4 later, it's a strong team, I think you will agree.

We put in place a new people strategy, to make sure Galp is a great place to work.

And lastly, we have already made important first steps to realise our new strategy.

Let's look at the results. They're Robust results. with a RCA Ebitda of €2.3 bn, and €1.9 bn OCF. Although these are robust results, we had headwinds, including gas sourcing issues, extra LNG regas costs and the refinery incident in Sines, in October. In total these impacted us about €180 m in the year. These are one off. We also spent just € 0.5 bn of Net Capex. This is the low end of our range, and benefited of course, from the cash proceeds from the GGND sale.

In addition, we were impacted by a large working capital build, €0.6 bn of which is attributed to transitory effects, from gas hedges, this will be reversed in 2022, but it has reduced our FCF from c.€1 bn to €0.4 bn, and it has raised our Net Debt to Ebitda ratio from about 0.8x to 1.1x. Filipe will deep dive into the details, but this effect is entirely transitory.

Such is the confidence in our financial robustness, the Board has proposed a discretionary adjustment related to 2021 of €150 m despite the Net Debt to Ebitda being above 1x.

At the same time we took the opportunity to revise our whole distribution framework, and after consulting extensively with our shareholders, we have decided to use share buybacks for supplementary distribution. So on top of base €0.50/share, we will distribute the €150 m as a share buyback, this year.

As we have confidence in the resilience of our FCF growth, we will also increase the base distribution per share and escalate at +4% per year, already in 2022. So this year we will go from €0.50/share, as a base, to €0.52/share. We will continue to reward our shareholder with supplementary distributions whenever our Net Debt to Ebitda goes below 1x. And we will do this now through buybacks, when we will pay up to to one third of OCF not CFFO, to shareholders, when we get below that 1x Net Debt / Ebitda. We think going to OCF will closer track our operational performance. We think these distributions are more predictable, they show confidence in our cash flow growth and now with the buyback, reflects our real confidence in our long term plan.

So, in terms of our Strategy Execution, let's review what we have achieved so far. It is a year where we progressed both in our legacy businesses but also a lot in our new businesses towards our strategy execution.

Firstly, the legacy business, Upstream. What an amazing year! Amazing cash generation, record high Ebitda and cash flow, despite having some restrictions, particularly in Brazil, due to Covid. But despite that, we have put new production units online in Sepia, but also in Mozambique Coral FLNG is now on location. These new units, in combination with infill drilling, will allow us to maintain our production flat through the coming years, until Bacalhau comes online in 2024. In 2021 we sanctioned Bacalhau. This is an amazing project: low breakeven prices, low CO_2 footprint, and Bacalhau coming online, underpins our forecast of 25% production growth by 2025. But in addition to that, exciting growth plan for Upstream, we also have an exploration portfolio still to complete, in some very high profile prospects.

Now looking at the Downstream and our Transformation businesses. We have concentrated our refinery assets in Sines. But last week we have announced a new vision for Matosinhos site as the new innovation hub. This is a prime piece of real estate which has significant value for Galp but also for the community. Our changed footprint reduces costs, lowers emissions, and improves ou refinery margins and our long term resilience. We're making great progress in Sines towards a FID for a HVO unit later this year. But also a really good progress, to 2 world class 100 MW green H_2 projects. More from Thore on Upstream and Industrial from the website.

If we then move to Commercial, and look at our legacy Commercial businesses, they are following market trends. We are embracing new concepts, with new stores, increasing our non fuel retail. This is delivering at above pre-covid levels, already. But we are also growing renewable electricity sales and maintaining a leading position in EV charging in Portugal. We are also growing our distributed solar businesses and integrating that within our commercial offer. Although commercial volumes are really still just recovering in Iberia, we have been really active in transforming the business. You can hear more from Teresa on that business.

Now moving to Energy Management. Energy Management suffered in 2021 due to high regas costs and gas sourcing restrictions, particularly in Q4. This has depressed the results. But I have to say, we have a new organisation in place structure and we have recruited top quality people. This is a business that covers crude, oil products, gas, LNG, power, CO_2 but not just in Iberia. For instance in Brazil, we are currently unlocking significant value, by gas marketing, selling our own gas but also third party gas into now this liberalised market. We are only six weeks in to this but we are already seeing the returns. Going forward, we see an overall contribution from this team across all the businesses of around €300 m by 2025. Not all of those are captured in management numbers you will see, some are integrated in the businesses. And we think we can deliver almost half of these €300 m already in 2022. I think there is much more to come from this team over the months and years to come.

And in Renewables, I am really excited about the new Renewables & New Businesses now led by Georgios. I think he will bring great experience to Galp. But we have been building our portfolio, with now 4.7 GW in the funnel. And in the last year, we added almost 400 MW in

Iberia and 600 MW in Brazil. We are gaining real confidence at being able to deliver 4 GW by 2025 and 12 GW by 2030. At the moment benefiting from delivering in to the merchant market in Iberia, we have got 1 GW online today.

But also the New Energies business. I was so excited in December to cement out joint venture with NorthVolt: the Aurora joint venture. We plan to build the first lithium conversion facility in Europe but also the most sustainable one in the world. This is a business where lithium hydroxide is in high demand, showing exponential demand growth. Please listen more about this businesses from Georgios online.

But it is just not progress in the businesses, but also at the corporate level. We have been supporting business transformation. Galp is first integrated oil and gas Company to successfully go live across the organisation with new SAP4Hanna ERP. Putting this is place shows incredible teamwork.

Let me just summarise ou strategy, ou refreshed strategy.

Half our capital of €0.8-1.0 bn net capex a year, is going to be spent on low and zero CO_2 energy products, like renewable electricity, like H_2, like battery value chain, like biofuels.

We see forecasting OCF flows growth to 2025 and in to 2030. We see Upstream growing and other low carbon businesses growing even faster.

But as we invest in these businesses, we always retaine discipline in the returns we expect, from our investments in legacy and new businesses.

We have a very clear decarbonisation roadmap. We are committed to be net zero CO_2 by 2050. On the way there, we will reduce our absolute scope 1and 2 emissions by 40% by 2030. We will also reduce CO_2 intensity of the energy we produce in renewables and Upstream by 40% by 2030 and in the products we sell to our end customers by 20%. This is all from a 2017 base and are making substantial progress already on this ambition.

By concentrating all of our refining assets we have already reduced our scope 1 and 2 emissions by 28%. By integrating our renewables business, the CO_2 intensity we produce is already reduced by 13%. By increasing our renewable electricity sales, we have reduced the CO_2 intensity of the products we sell to customers by 4%.

But despite this, already in parameters such as the CO_2 intensity of the products we sell to our customers, or, the CO_2 intensity of our sales or Upstream Production, we are already leading. In Upstream production, for instance. Our CO_2 footprint is half to the industry average.

But further to that, amongst the integrated, we already demonstrated that our ratio of renewable energy production to oil production is already leading. In other words, we are producing relatively more renewable energy. By 2025, we expect this ratio to be several times our nearest competitor.

In summary, we believe we have a leading energy transition strategy and we will be able to transition faster than all of our competitors. We believe we have a really distinctive investment proposition.

To summarise we are growing our established businesses, particularly our world class upstream business. But we are growing our low carbon businesses even faster creating new opportunities for portfolio growth, not only in renewables, but also H_2, biofuels, Battery Value Chain.

At the same we offer really distinctive competitive distributions. We have revised the framework to demonstrate we have confidence in the growth of our business and the value of our plan. We are so confident in this resilience and competitiveness of the distribution framework, we believe that this year, with the macro we expect, we will be able to distribute 1/3 of our OCF, to shareholders.

Now I invite you to watch the videos of my colleagues from the businesses and from Filipe with the financial overview.

Thank you very much for listening. We are looking forward to a great 2022.

Business Overview

COO Production & Operations Thore E. Kristiansen

Good morning to you all. It's a pleasure for me to address you today with respect to Galp's 2021 performance and outlook for 2022. I will today focus on the Upstream performance and also on the Industrial performance.

If I then start with Upstream first. We deliver the production of 127 kbpd, which was well within the guidance for the year. Despite the fact that we continue to face challenges with the pandemic, which restricted our operations in 2021.

The year became a record year with an RCA Ebitda of more than €2 bn, actually for the first time. And a new record of more than half a billion versus our second best year.

We also delivered €900 m in FCF. The operating cost was kept low at $1.6/boe and our carbon intensity was also low at c.10 kgCO_2e/boe. I think it underlines that we have a very competitive and unique upstream portfolio.

The key strategic milestones in our execution for 2021 was the following:

On the giant Tupi and Iracema fields we were able to deliver a new plan for operation of development. This plan lays out very exciting opportunities for further improving recovery at very competitive conditions.

In Bacalhau, we delivered the FID for the first phase.This is a very competitive project with the breakeven significantly below $35/bbl. The execution is now well on track and the drilling and completion campaign is expected to start in the 2H22. And this FID also enables us to high grade our reserves and resources. Actually our 2P oil reserves grew no less than 11% in 2022.

2021 also brought on stream the 12th FPSO where Galp is participating in Brazil. The FPSO Carioca, at the Sépia field. It is expected to reach 180 kbpd with only four producers, in the very near future. It's a world achievement by any standards.

And Coral South FLNG arrived in Mozambique actually two weeks ahead of planned. It is now going through its offshore mooring and commissioning. We expect first gas in the 2H22.

When it comes to the outlook and where we will focus in 2022, I would like to mention the following key priorities:

We will maximize the value of our existing assets by improving production efficiency, improving recovery and continue to keep strict cost control with operating cost below $3/boe.

I expect production to remain relatively flat until the 2H24, when Bacalhau comes on stream. And then we will see a significant lift and actually expecting a 25% growth versus 2021, in 2025.

Some 70% of our Capex is related to growth projects, where we are expecting returns to be higher than 20% even at an oil price of $60/bbl. And, as you can imagine, we therefore think that there are interesting upside potential in this portfolio. And I also think it underlines the competitiveness of the upstream portfolio in Galp. We also believe that there is opportunity to improve the differential versus Brent due to:

One: we see a the possibility to explore new markets for our sweet crudes from Brazil.

And secondly, because of the gas market liberalization that took place as of the 1st of January this year. This, we believe, will enable us to explore more opportunities for natural gas. And already, we have signed six new contracts in this respect.

On Coral South, all our efforts are now going to be on the safe and timely offshore commissioning so that we can have first gas by the 2H22.

And then we have three promising and very exciting exploration projects in our portfolio.

As we speak, we are drilling block C-M-791 in the Campos basin. This block and this license, we believe, has pre-salt characteristics. So it's a quite exciting drilling opportunity.

Later this year, we expect to spud our 1st well, and the 1st well ever, in São Tomé e Príncipe, where Galp holds three licenses. We see very interesting characteristics in this area and it will be an exciting exploration adventure to do later this year.

And last but not least, on exploration, we own 80% of PEL 83 in Namibia. As many of you will have seen there has lately been announced very interesting discoveries in Namibia and actually both of them are very close to Galp's property PEL 83. This does make us less excited about the opportunities that we see in Namibia.

Our exploration activities are characterized by their low cost and if successful, can add significantly valuable resources to Galp. This will also, when completed, be the last frontier exploration that we will undertake in Galp. In the future we will focus on near infrastructure exploration in order to maximize the usage of knowledge and capacity in the already existing production facilities that we have.

Let me also address our Industrial business.

2021 was marked by operational constraints in our refining business. We had scheduled maintenance, last year, among others for the Hydrocracker, but also had several unplanned shut downs, both in the 1H21 and the 2H21.

Today, our systems are in full operating capacity and has been so since the middle of December. Our focus now is on improving safety and the process management procedures so that we can have a more stable and more reliable operation. This is an ongoing activity and it will take some time.

And actually right now we are experiencing some of the highest refining margins that we have ever seen since the middle of 2018. And this will drive the recovery of the industrial segment.

Galp expects to see refining margins for 2022 in the order of $4-5/boe and we expect our operating costs to remain around $2/boe. This will all help us to improve the performance in the Industrial segment. And that is important for us because we are also trying to transform our industrial businesses. Changing Sines from a gray refinery into a green energy hub. And we have taken some very important steps during 2021 to achieve this. Actually, we have decided to allocate some 50% of industrial Capex to low carbon um activities. And the key first step on this was to concentrate our refining activities at Sines. The decommissioning of the Matosinhos refinery is ongoing and we are now also working with plans how we can revitalise this prime location, where we can see a sustainable energies and advanced technology hub emerging.

Focus on Sines will actually enable us to reduce the annual refining spending with approximately €90 m and it actually also will reduce our CO_2 emissions with about 30% bringing us significant steps closer to our ambition of reducing CO_2 emissions with 50% by 2030.

We are also advancing our advanced biofuels product. The feasibility study for our HVO plant is ongoing as we speak, and our target is to be able to FID this product by YE22.

And we are also focusing a lot on green H_2 business development which is now today well integrated in industrial business area. We actually have three products with more than 200 MW of capacity that is currently being matured and our target is to have a FID, of the first 100 MW plant by early 2023.

It is also a target for us to FID a 2 MW green H_2 pilot plant by the end of this quarter. This would be key for H_2 journey as it will accelerate our learning and our competencies. And as a first step, we plan therefore, to replace the grey H_2 for green H_2 at the Sines refinery.

So we are today the biggest consumer of H_2 in Portugal, therefore, natural customers. And then, at the same time, this will enable us the possibility to develop new markets for the usage of green H_2 like marine fuels, that could be in the form of ammonia or ethanol or within the aviation industry, like SAF and also for supplying to the heavy trucking and bus industries. This, all in all, we believe is a great opportunity for Galp and is playing well into Galp's competencies and experiences.

And all of these initiatives will help Galp to regenerate the future.

Thank you for your attention.

COO Commercial Teresa Abecasis

Hi everyone. I am thrilled to be here for the first time talking about Galp's Commercial businesses. Let me summarise the progress we have been doing.

Start by reviewing 2021.

Our energy sold is clearly reflecting the ongoing recovery path. Although still not yet at 2019 levels, B2C retail volumes recovery has been strong. B2B, however, has been more challenging. In 2021 the impacts of the pandemic in aviation, marine and across the transportation sectors were still being felt, with oil and gas volumes, as well as the overall contribution, far from a pre-pandemic case. We are now observing some encouraging recovery in these sectors.

Galp is conscious of how challenging oil businesses will be in the future and our belief is that we must lead our customers through the energy transition providing them with the products and services that allow them to decarbonize. Our team is actively working on optimising our activities and capturing the recovery trend while developing and deploying new value streams, namely increasing the offer of low-to-no carbon solutions.

In 2021 we executed on this strategy, with very positive results. We accelerated the transformation of our network and non-fuel offer. In Spain, we have now 70 sites operating under a new concept, with c-store sales and contribution margin growing consistently. In Portugal, our strategy led to an average non-fuel ticket increase of almost 50%, and we recently launched our first new concept hub which, is consistently growing sales and contribution. We have also seen a great adoption of home delivery services, doubling deliveries and continuing our partnerships with Uber Eats and Glovo.

All in all, in 2021 our convenience already surpassed 2019 in terms of contribution to Ebitda. We expanded electricity sales underpinned by a strong integrated multi-energy offer, relevant partnerships and consistent improvements in customer service. Electricity sales increased 25% YoY, and B2C client base surpassed 400.000 costumers.

On Electric Mobility, we reinforced our position by almost doubling the number of EV charging points in Iberia, also backed by Mobieletric acquisition. We now have a network of around 1,000 charging points, with a leading market share in Portugal and expanding in Spain.

Looking ahead into 2022, we count with a continued strong B2C contribution and a more supportive B2B business, following the expected economic recovery, although we expect to see demand still below pre-pandemic levels. We will keep focusing our efforts to expand our convenience and electric mobility segments and power sales.

In 2022 we plan to continue upgrading our network. More than 150 stores will see a renewed look & feel and a differentiated offer. We will have more digital and an enhanced costumer journey. Through this transformation we confirm our target to double Galp's contribution margin by 2025 vs 2021, taking advantage of the almost 500.000 visits to Galp's sites per day.

On electric mobility, we will double the number of charging points installed by YE22 and build the foundations to have over 10.000 by 2025.

Another relevant level to explore is the integration of new value pools. It is crucial to keep up market trends and innovating services. Accelerating some digital projects that will transform the experience with our customers and allow us to be more agile. And integrating exciting new businesses, developed within Galp's New Businesses division, and now to be matured and scaled up within our core businesses through the synergies with our remaining commercial activities:

Galp Solar: a solution for decentralised energy production based on rooftop solar PV and expanding into other products and services such as batteries, heat pumps and energy management software.

GowithFlow: a technology platform for enabling fleets electrification, shared mobility and optimization of destination charging infrastructure. This scalable platform allows us to move into new markets as seen in the participation in a consortium led by the University of Memphis for electric and sustainable mobility in the region.

From 2022 onwards, the contribution from these businesses will be integrated within the Commercial segment. Although still ramping up and not yet positively contributing to results, these businesses are expected to rapidly gain relevance.

We are transforming our Commercial business, supported on our strong brand and integrated offer, expanding our offer and the customer experience, ensuring our leading position today and tomorrow as an active partner in the energy transition.

I look forward to keeping you posted on our future developments.

COO Renewables & New Businesses Georgios Papadimitriou

Hello everyone! I would like to start by sharing how excited I am to have joined Galp's team and to be in this event today for the first time.

I arrived just less than two months ago, and it has been exciting to getting to know in-depth Galp's strategy, its businesses, the renewables portfolio, the new businesses ambitions, but most importantly the quite outstanding people I'll be working with closely – exceptionally talented and equally committed to scale up Galp's projects in the energy transition space. After over 20 years working in the energy industry, I can tell you that I am impressed with what I found at Galp.

With regards to renewables, Galp is already a leading solar player in Iberia, holding a sizeable high-quality portfolio, in operation and under development, and a comprehensive and balanced growth strategy that I'm confident we are able to deliver. The renewables' team has been the pillar for bringing Galp where it is today from almost zero presence in renewables a couple of years ago.

In 2021, Galp progressed with its Iberian projects' execution, bringing online 36 MW of solar capacity in Spain, while additional 200 MW are expected to start operation in just a few weeks. Galp continued to expand its development portfolio with almost 400 MW of development solar projects added in Spain, and made its first important step outside Iberia, with the acquisition of c.600 MW of solar assets in early stages of development in Brazil, a country where Galp is successfully present for over 20 years now and which constitutes a natural next step for our renewables portfolio growth with its immense natural resources and significant market growth potential.

Today, Galp's current gross capacity development portfolio stands at c.3.7 GW, on top of our c.1 GW of capacity. Our high quality development portfolio can sustain our short-medium targets, and we will keep working to enhance it, adding optionality in our capacity delivery and, of course, add also firepower and capability for our longer term targets. For this, we will leverage on our teams' and our partners' execution capabilities as well as synergies with our Group's vast energy and stakeholder experience.

In 2022, we expect c.400 MW of new solar capacity to come onstream in Iberia, and that includes the 144 MW Alcoutim project, our first solar project in Portugal, fully developed and owned by Galp.

No doubt there are and will be challenges ahead, but we are ready to face them, also leveraging on the learning curve in developing, building and operating our projects to date.

Looking further ahead, the strategic principles for the renewables business presented at the Capital Markets Day last summer remain unchanged. Galp's role in renewables going forward will be relevant and we stand confident on our capability to reach 4 GW and 12 GW of gross operating capacity by 2025 and 2030, respectively. Our goal is to consolidate our presence in Iberia, enter successfully with new capacity in Brazil, and also diversify technologically with wind and storage projects and eventually, further diversify geographically. Our pillars for success and value addition will be:

Selecting good projects and high calibre partners and suppliers to deliver excellent results.

Build best in class asset management capabilities.

Attract top class finance and equity partners and ensure maximum valorisation of our MWhs in the markets we operate.

And above all, our number one pillar is and will continue to be, the safety our our people and our contractors.

I am full of energy to contribute and enrich our strategy and confident on our capacity and ambition to play an active role in the renewables space.

And this is not all! I am also thrilled with the developments in Galp´s New Businesses towards the energy transition, and particularly in harnessing opportunities in the Lithium-ion battery value chain. Europe is pushing towards the establishment of an internal sustainable vertically integrated battery value chain and lithium demand is expected to grow by large multiples by 2030. And Portugal is in a great position to support these strategic developments. I was impressed by the way Galp positioned itself to take advantage of such opportunity with the announcement, back in December, of the Aurora joint venture, a 50/50 partnership with Northvolt for the development of a lithium conversion plant in Portugal. We are excited with this business opportunity and committed to developing the 1st and most sustainable and efficient conversion plant in the European Union.

And this is just the first important step in Galp's ambition towards the development of new opportunities in the battery value chain, and more broadly in the energy transition space.

I look forward to sharing with you our progress during the year. Thank you.

Financial Overview

CFO Filipe Silva

Hi everyone!

I will take you through our 2021 results and 2022 guidance.

We usually come out with our results earlier in the month, but this year we had built a bit of cushion in the calendar just in case there would be hiccups as we went live with the new SAP 4 Hanna platform. This system and all the related processes sit at the very core of the Organization, and after two years of preparation and implementation, I am pleased to say it all went smoothly. An important competitive advantage as we transition into a digital Company.

Now, 2021 was of course a year of strong recovery in commodity prices, with Brent increasing from about $50/bbl in early January to $80/bbl at YE21. In between, we saw extreme volatility in natural gas prices, with material impacts on balance sheets across the industry. Wholesale power prices also saw a meaningful increase in most of Europe, supported by high gas prices and CO_2 costs.

The group Ebitda of €2.3 bn was up almost 50% YoY, driven by an Upstream Ebitda of c.€2 bn. In 4Q21 alone, Upstream Ebitda was almost €600 m.

Commercial Ebitda was €288 m during the year, was just under our guidance of €300 m. Volumes recovered during the year, but were still significantly below 2019 levels. Iberia has a very large tourism sector, so covid had a bigger impact on the economy here compared to other regions. We are hopeful this will improve quickly now as the economies re-open fully. We have also booked increased costs with our new digital projects, as we upgrade most of the systems and processes which support our core activities.

Ebitda for Industrial & Energy Management was down YoY, to only €64 m. Here we have refining, which had its throughput limited by planned maintenance, such as in the hydrocracker during 4Q21, and an unplanned stoppage in the atmospheric distillation unit. These have significantly limited the utilisation, and the margins that we have managed to capture, during the last quarter.

Energy Management was impacted by high regassification costs during the first 3Qs of 2021 and by gas sourcing restrictions, especially during the 2H21. Although some mitigation measures were implemented, Galp still had to tap the spot market at inflated prices to make good on its gas commitments to clients. These two non-recurrent effects impacted our Ebitda by around c.€180 m in 2021, of which €80 m in Q4. These are not structural impacts, our refinery is now operating normally, and we are mitigating further gas sourcing restrictions.

On Renewables, our assets under operation are not consolidated, so here we use a pro-forma Ebitda to highlight the performance of this business. Pro-forma Ebitda was robust in the year given the high wholesale power prices.

Bottom line, for the full year, net income was €457 m. In 4Q21, net income was €130 m, also reflecting increased Upstream taxes.

Operating Cash Flow was up about 50% YoY, to about €1,9 bn. OCF is the metric we should focus on.

CFFO includes volatile special items, inventory effects and working capital movements. This was only about €1 bn, reflecting a material working capital build of €1.2 bn.

Around €600 m of this build is related with increased margin accounts related to our hedging positions to lock the TTF Brent spread on our gas positions. As discussed before, this build in margin collaterals is temporary and is reverting as 2022 TTF prices correct downwards and as we deliver the gas to our clients throughout the year.

Working capital was also up from the higher commodities price environment, but also from the refinery restrictions during 4Q21, as we had to acquire oil products with shorter payment cycles to make up for the lower refinery runs.

Net Capex of half a billion was at the bottom of the range of our guidance, this includes the proceeds from GGND sale and the sale of P-71 FPSO to Petrobras. Within capex we have the final payment of €73 m related with Galp's increased stake in Bacalhau, which became due with the unitisation of the two areas at YE21.

So, excluding the €600 m increase in margin accounts, FCF would be would have been €1 bn and Net Debt to Ebitda 0.8x. And that´s how the board looks at this when it proposes the 2021 distributions to the upcoming AGM. In addition to the base dividend, there will be a proposal for additional distributions, this time through buybacks.

Now, looking into 2022. Our investment plan remains unchanged, with Net Capex still expected within €800 - €1.0 bn on average p.a. during the 2021-25 period. This Net Capex will allow us to progressively reshape our portfolio towards our lower carbon ambitions.

In relation to 2022 itself, Net Capex could be closer to €1.0 bn as we reach peak Capex in Bacalhau and increase the pace of our renewable developments.

Our current asset base is very well positioned to capture the healthy macro environment, which we expect to hold this year. We are considering a Brent price of $75/bbl, a realised refining margin between $4 - 5/boe and a solar capture price of €150/MWh.

Consolidated Group Ebitda for 2022 is estimated at around €2.7 bn, mostly driven by the strong contribution from Upstream. Group OCF guidance, a key metric for our distributions, is around €2.0 bn, considering a higher mix of upstream in our overall taxation.

Commercial contribution should be in line with 2021. We see volumes going up but some margin pressures. Going forward we will be booking under Commercial two new platforms, Galp Solar and Flow, which are migrating from our New Businesses division. For now, these two businesses bring a negative contribution, but with scale should gradually reach breakeven.

On the Industrial side, refining has no relevant maintenance activities planned this year. Energy Management performance should correct upwards as we now have normalised regassification costs and have worked with our suppliers to mitigate gas sourcing restrictions.

On Renewables, we expect a pro-forma Ebitda between €180 - €200 m, given the increased capacity on-line and healthy wholesale prices.

To wrap-up 2022 guidance, Operating Cash Flow, together with the reversion of the 2021 working capital of €600 m, should lead to significant free cash and deleverage.

We have therefore fine-tuned our distributions guidelines, now incorporating a 4% DPS increase every year. In addition, there will be buybacks when Net Debt to Ebitda is below 1x. The maximum amount we will distribute is 1/3 of our OCF, not CFFO. We do expect to end 2022 with Net Debt to Ebitda well below 1x.

So, in relation to the 2021 fiscal year, the proposal to the AGM will be €0.50/share in cash. We have already paid an interim of €0.25/share last September and plan to pay the remaining €0.25/share after the upcoming AGM. And there will be a proposal for €150 m in share buybacks, planned to start after the AGM approval, and with execution thoughout the year.

Related to the 2022 fiscal year, the cash dividend should be €0.52/share, a 4% increase YoY, with the first €0.26/share paid in September this year, and the final €0.26/share after the AGM next year. Regarding the buyback programme in relation to the 2022 fiscal year, it will be executed throughout 2023. And this should be the new modus operandi going forward.

Thank you.

Q&A session

Otelo Ruivo, Head of IR

Hello, everyone, and welcome to the Analysts Q&A session related to Galp's fourth quarter and full year 2021 results. I would like to thank you for joining us today.

Early this morning, we released all relevant materials. This time we have included video presentations from all Galp's executive members, highlighting the key achievements during the year and covering the financial results. As such, this session is expected to be shorter as we will go straight to Q&A, where Andy and the remaining Executive Team will be available to take your questions.

As usual, I would like to remind you that we will be making forward-looking statements that refer to our estimates. Actual results may differ due to factors included in the cautionary statement presented at the beginning of the presentation we released this morning, which we advise you to read.

Andy, do you want to say a few words before we start the Q&A?

Andy Brown, CEO

Thank you, Otelo. It's been one year since I started as CEO of Galp. It's been an exciting year. It's a year in which we have a new purpose: "Let's regenerate the future together". As we look back on the year, we had a robust set of results, despite some operational difficulties: 1) Operational difficulties in gas and LNG supply; 2) Operational difficulties in our refinery in Sines; 3) Operational difficulties battling Covid in our non-operated position in upstream.

We also have a very large working capital build which masks the quality of our financial framework and position today. We have a distinctive investment opportunity, one that is grounded on growth. Not only growth of our core upstream business, which is extraordinarily cash-generative, but also growth in our renewable and new energy businesses. This gives us an overall decarbonisation pace which, I think, is distinctive.

But also, given the cash generation, we have a distribution framework, which I think is attractive. We have a new distribution policy, one that now features buybacks for the supplementary, element of our distributions, reaching up to a third of adjusted operational cash flow. We have now also a growing of the base dividend at 4% p.a. from €0.50/sh (€0.52 for the 2022 Fiscal year). I think this is an investment opportunity that shows growth, shows decarbonisation, and shows a good yield.

I'm looking forward to taking your questions. We've got Filipe, Thore, Teresa, Georgios and Otelo here to receive them. Thank you.

Biraj Borkhataria - RBC

Hi, thanks for taking my question. First of all, on the gas-sourcing issues you had in 2021. Could you talk about the current position right now for 2022, and if any incremental costs are baked into your Ebitda guidance?

The second question is on Brazil. Andy, you mentioned previously about maintenance catch-up, once you can, post-pandemic. Just wondering where you are now and how much of that catch-up is left?

Additionally, another question regarding the earlier FPSOs in Brazi. Should we be thinking about structurally-lower utilisation or underlying declines coming through? Or are we not there yet? Thank you.

Andy Brown, CEO

Thanks, Biraj. I'll start by talking a bit about the gas sourcing, and I'll mention a few things on Brazil, and pass over to Thore.

On the gas sourcing issues, yes, we have suffered particularly in 4Q21. We've compensated by lowering our own use, particularly in Sines, which has offset some of those issues. We have now targets rescheduled going forwards. Nevertheless, I think we're getting more adept at managing the overall balance of the supply and demand we have in our own use, across Iberia. So, this is still an ongoing challenge for us, but I think we're much better equipped to manage it going forward.

When it comes to Brazil, clearly, it's been a difficult couple of years, particularly with covid and activities not going as fast as they normally would. I think we've got to remember these are declining fields. These are fields that now are more or less drilled up. We've got some infill still. So, this is a matter of the ability to keep pace with additional hook-ups or higher availabilities, to compensate from some of the declining production rates.

Thore, I think this is a situation that's not unusual, but I have to remind everyone on the call, we have Bacalhau that is going well and being built and will give us a 25% production increase by 2025. So, Thore, go ahead.

Thore E. Kristiansen, COO Production & Operations

Thank you, Andy. Yes, just confirming what you just said. Regarding the Tupi/Iracema, we have to realise there has been now 12 years since first production, so this field has now reached its peak. There is a slight decline on Tupi/Iracema now. All the work that is now taking place is reducing the decline rates, which are not big, actually. We're speaking, at Tupi/Iracema, below 3% p.a., which is quite astounding for a field that has already been in production for 12 years.

The fact that, and as Andy said, only when we get Bacalhau, towards the YE24, we could expect a significant uptick in production. We will have a positive contribution in 2023 from Coral, but that will compensate for the decline that we see in the other fields. Maintenance is being carried out according to plan. We basically have almost all the units planned for maintenance this year. And you have to expect that there is an utilisation factor of c.85% when you're factoring in the usage of the FPSOs. That's for your guidance when it comes to the availability of the units. Thank you.

Andy Brown, CEO

If I can just supplement here. In 4Q21, you saw around 125 kbpd, but I think there were four units that went into planned shutdowns through the quarter. So, it was quite a high maintenance activity quarter.

Just to reflect back on the energy management, we can see €100 m Ebitda swing from 2021 to 2022, not only because of re-gasification costs, but also because of the sourcing issues. So, Biraj, I think we are going to get a much better year, much better set of results from our energy management team this year than we had in 2021.

Oswald Clint – Bernstein

Good afternoon. Thank you very much, everyone. It's great to see the new competitive distribution framework. I think that's going to help a lot going forward. Regarding this, I see you've stuck to the one third of cash flow in terms of total cash return. It's interesting, because some of your peers are also talking about, in today's higher macro environment, that a third or 30% might be suboptimal. So, I wanted to get a sense of it's a third of adjusted CFO a hard ceiling, or could it be a soft ceiling, or could it be raised if the environment turns out to be higher than you're expecting? Or will deleveraging comes in faster?

The second question relates to some future developments. I'd like to get a bit more flavour colour on the Northvolt deal. I think Georgios was saying he was very impressed by this deal when he saw it at the year-end 2021 (YE21). He also spoke about it being the first step in a much larger battery chain for you. So, I just wanted to get a sense of what is this total expected capital outlay net to Galp. And what are the return expectations that you're currently contemplating here? I see Northvolt takes 50% of the offtake, but how do you secure the offtake for the rest, please? Thank you.

Andy Brown, CEO

Hi, Oswald. On the distributions, I'm not going to guide anything, but it's a third of adjusted operating cash flow. Now, the exciting thing about Galp is we see our operating cash flows grow. That's, I think, how we're going to reward our shareholders: by growing our cash flows. In an attractive macro like today, we're fully expecting that about a third of adjusted OCF is going to be distributed.

Northvolt, I'm going to ask Georgios to say a few words in a second, but yes, we're very excited. Northvolt is a very dynamic company and, in combination with our industrial experience, this is, I think, a very good joint venture.

We talked about €700 m, we're 50%, we will project-finance it. You can work out some of the numbers. But, we've just come off a call with Northvolt. I think the teams are working really well together, we've got good momentum behind the creation of that joint venture.

So, Georgios, do you want to say a few words for your first impressions?

Georgios Papadimitriou, COO Renewables & New Business

Sure. Thanks, Andy. Oswald, thank you for the question. As Andy said, it's on the high end of €700 m investment 50% project finance. We're now at pre-feasibility study, so it's early to talk about returns. But in terms of offtake, one thing I can tell you is that as soon as we announced it in December, the phone started ringing, and reputable companies are interested in our offtake. So, we don't see an issue in securing offtake for this facility, particularly with what's happening around the globe with lithium hydroxide prices and demand.

Andy Brown, CEO

You probably don't track the lithium hydroxide prices like you do the oil prices and gas prices. But the raw materials - spodumene has gone from about $400/ton to $2,400/ton, and the lithium hydroxide product from around, I think, $8,000/ton to $40,000/ton, now. So, this is extraordinary, what's happened in the commodities market around lithium hydroxide. A market where European demand is going to grow tenfold for 2030. So, this business really excites us. And I think we're entering it at exactly the right moment.

Mehdi Ennebati - Bank of America

Good afternoon, all. Thanks for taking my questions. Maybe three small questions, please. First, the discount to Brent: your oil and gas realised price sale came $10 below the discount price. I was wondering myself, now that you can increase your gas realisation price in Brazil, what kind of discount should we expect? Should we expect it to remain around $10/boe in the coming quarter or year? Or do you expect it to go back to the ones that you were previously providing us, which was minus $6, minus $8/boe?

Second question, on the refining. Clearly you are benefiting from the relatively high refining margin environment. From what I understand, and please confirm if I am not right, you clearly take advantage of the fact that your gas supply contract is oil linked in your refining business, so this is helping you against the relatively high gas price. But I also would like to understand, CO_2 costs are increasing quite a lot. How or where can I see that in the division? Is it impacting the cash cost or not?

And finally, just on the shareholder remuneration distribution. You've announced a €150 m share buyback. Should we consider that you will buy roughly 59% of this €150 m in the market, given that Parpública and Amorim Energia, you will directly buy them some shares? Or should we expect Parpública and Amorim Energia to grow their shareholding interest in Galp Energia, and then you realising €150 m share buyback directly from the market? Thank you.

Andy Brown, CEO

Thank you, Mehdi. On the first point around the discount to Brent - and you asked the question, "Will we revise our guidance on the discount to Brent, because we're now managing to market the gas in Brazil at a higher price than the regulated market with Petrobras?" - the answer to that is yes, we are. We're going from an $8 to $10 discount in 2021 to $6 to $8 going forward because we're actually realising higher gas prices as we market the gas ourselves in Brazil. So, that's really good news, of course.

I will hand over to Thore on refining, perhaps also to reflect that actually one of the measures - and I talked about how we're going to reduce our own use of gas because of our sourcing restrictions, and one of the things we've done is we've been firing our hydrocracker on naphtha, which reduces our own gas consumption. But, Thore, I don't know if you want to explain any more on that.

Thore E. Kristiansen, COO Production & Operations

Mehdi, thank you for your question. What you can expect is that our refining margin is actually including the impact of the CO_2 [and utilities] costs. It is actually already baked-in. We expect that to be in the order of $2 to $3/boe right now, with the higher prices closer to $3. As Andy has said, we had a cushion or have a cushion in the refinery with respect to gas prices. And actually, in order to further optimise that, we have found that we can actually run very successfully now our hydrocracker really on naphtha, which is helping us with the utilisation of it. Actually, it seems that we can even lift production to somewhat more than 100% of capacity. That's how we are hedged on that. I'm handing back to you on buybacks.

Andy Brown, CEO

Mehdi, I think I understood the question. We have no arrangements with Amorim Energia or Parpública on the buyback arrangement. We are going to buy back €150 m on the open market. And we're going to do it in a very measured way and, I think, less than 20% or 25% every day of the market. So, very, very slow over the year, starting after the AGM. We have to get approval from the AGM to cancel the shares. So, we're only going to start the buyback after the AGM.

Mehdi Ennebati - Bank of America

All right, thank you very much. Maybe just one follow-up, please. Can you tell us, year-to-date (YTD), what's your refining margin, please?

Thore E. Kristiansen, COO Production & Operations

We have started the year good on refining, Mehdi. And we actually are YTD somewhat above $5/boe. But it's early days, as you know, and it's too early to elaborate more. Our guidance remains $4 to $5/boe.

If I just may add one little thing. On the differential side, Mehdi, actually our performance on oil last year was actually better than the year before. The qualities that we are delivering from Brazil are continuously being more appreciated in the market. Our Energy Management teams are doing a very good job also now to optimise on the buying side. We see now a new buyer universe that is also opening up. The big drag, and the reason why, on a realised basis, it looks so tough is because gas prices had a big impact on our 2021 results. But as of the 1st of January, we are handling these volumes ourselves and expect to have a better realisation also on the gas side. Thanks.

Andy Brown, CEO

On the CO_2, the CO_2 prices are baked into that refinery margin, and operating costs are $2/boe. So, we have a good margin in today's operating environment.

Joshua Stone - Barclays

Hi, good afternoon, and thanks for the question and also, the new format, much appreciated. Two questions, please. Firstly, on the buybacks, what was it that convinced you to go down this route rather than the variable dividend? I know there was a long decision on that, but what was it that clinched it for you? And just so I'm crystal clear on the practicalities of the programme, is the idea that every year at the FY results, you announce the share buyback, and then to the AGM? In other words, we won't get regular updates every quarter, it'll always be announced at the FY results?

And then, my second question, on the renewables capacity targets you put in. They look to be a bit lower than you put in at the CMD over that 2023-24 time period. So, maybe you could talk about what's driving that reduction, and also why you're confident of still hitting your medium-term targets there. Thank you.

Andy Brown, CEO

Thanks, Josh. In terms of why we moved to buybacks from cash, that was a result of actually very extensive consultation with shareholders. Since I came in, as you know, we had a Capital Markets Day in June, and then, I've been on the road talking to all the shareholders, and the majority were keen on buybacks. And so, I think we spent our time, we consulted, and came back with that as a decision. And we will calculate this on an annual basis, and we won't have to wait necessarily for the AGM to agree to cancel. I think we'll get an authorisation to cancel a certain proportion of the shares over a period of time. But it will be based on YE results to understand how much we'll buy back in the subsequent years, or year.

Renewables, I'm going to ask Georgios to talk a little bit about what's happening in the Iberian market in renewables, and particularly in solar.

Georgios Papadimitriou, COO Renewables & New Business

Thanks, Andy. Thanks, Josh, for the question. We have seen some slowdown in capacity deployment, absolutely. In 2022, we see 400 MW coming online, but we also see about 800 MW to reach Ready-to-Build. That will fill our appetite for 2023. We have confidence in the portfolio that we have and its executability for the interim target of 2025, but we're also going to look for other opportunities for early-stage projects in order to develop more optionality for the execution.

Andy Brown, CEO

If I can just add, I think it's Iberian-wide how long it's taking to get the permits from the authorities. And that's because they've got an enormous backlog. I think it's something like 330 GW of proposals. And that actually is leading to a delay to get these projects going. I think that's why we've seen this slowdown.

Sasikanth Chilukuru - Morgan Stanley

Hi, thanks for taking my questions. Two please. Just coming back to the shareholder distribution policy, I just wanted a quick clarification. Does the adjusted OCF on which the distributions are tied to include the cash flow of the renewables on a pro-forma basis? Could you talk about the Capex and the financing costs, interest payments, of the renewables business on a pro-forma basis as well? And given that this business is equity-accounted, could you provide some guidance on the dividends from the business in the near and then medium term?

The second question was on the production outlook. I just wanted to check whether the production outlook that you have laid out now includes the new plan of development for Tupi and Iracema within the numbers as well?

Andy Brown, CEO

Thank you, Sasi. I'm going to ask Filipe to answer the first one, and then Thore to answer the second one on production.

Filipe Silva, CFO

Hi, Sasi. The OCF that guides total distributions up to 1/3 is the consolidated OCF. It will not catch the cash flows from renewables, it will catch the dividend stream that you'll see under the associates lines in the cash flow. So, it is not the pro-forma number that you have. The guidance we have for 2022 is €2 bn, and that is a consolidated number. We have a lot more cash that is unconsolidated within that number.

On the P&L - and P&L does not drive the guidance for dividends - what you see is the pro-rata share of the net income of the solar companies. Thank you.

Thore E. Kristiansen, COO Production & Operations

Thank you, Sasi. And then with respect to the PoD, yes, our outlook is including the expected input from, or the effects of the POD. But remember, the PoD has actually a short-term, a medium-term and a long-term element. The short-term is very much infill wells; they will be drilled in the next few years - two years, actually. And then, we have more medium-term that is then looking into what other development opportunities are there of this field. And that is, of course, very much depending on the discussions that we will have with the authorities in Brazil. We see a really exciting opportunity for harvesting much more out of this fantastic asset, and that is what we are going to continue to do with Tupi and Iracema.

Alessandro Pozzi - Mediobanca

Good afternoon, and thank you for taking my questions. The first one is a bit broader. I think if I look at the share price over the last year, probably that has not benefited from the re-rating of the sector as some of your peers. And I was wondering what you think the market is missing? And would you be prepared to do something different?

Andy Brown, CEO

I would agree with you that our share price has gone sideways. And that's with the macro that it is and our cash generation that we're delivering at the moment, and that’s why actually buybacks are quite a good thing, because we think that the share price is undervalued.

I think we clearly were a Company that was growing, had a very aggressive Upstream production growth outlook. Clearly, with the LNG in Mozambique being delayed, we've had to moderate some of those production targets, but still, for any Upstream business, as you will know, a 25% increase in three years’ time is an enormous growth for an Upstream business.

I think that will come as we get closer to that moment of start-up. I think the market will really appreciate that. But what I don't think is fully appreciated is the scale of our investment, the relative scale of our investment in the new energies businesses, and also the transformation of our Commercial business. These are going to deliver real significant cash flows, certainly in the second half of the decade. I think the market will appreciate that. We're not going to change track. We have a very clear plan. We clearly are enjoying the macro at the moment. We have a great Upstream position. Our Energy Management business, I alluded to, is, I think, going to come into its own, particularly when we start receiving the LNG volumes from Venture LNG. So, I think there are a number of catalysts that we have going forward. And I think, once you do the numbers and you look out to 2025, you'll see that this is a growing business that is able to yield and decarbonise at the same time. I don't think there's anything else that you really want from a business like ours than to have those three things captured.

Alessandro Pozzi – Mediobanca

I was thinking maybe whether it's time to make more radical choices. And as I mentioned, we have a greater green energy business, whether it's the time to take opportunity of the oil price and start monetising the Upstream to accelerate the development of the green energy business.

Andy Brown, CEO

I think you'd be surprised if we weren't continuing to look at options, where the value of our assets were, but this is not a point to give any guidance on that. We have very a experienced gentlemen around the table here that can point us to all sorts of opportunities in that renewable energy space, and we will look forward to continuing to deliver a good growth business that decarbonises and yields. And we have quite an organic strategy today, but we continue to look at what inorganic opportunities there may be.

Alessandro Pozzi – Mediobanca

Thank you. Maybe a second one on the dividend. Your progressive dividend - I believe you indicated 4% growth - how do you managed to come up with that number? And what are the inputs that went into the guidance for 4% growth in the dividend? Thank you.

Andy Brown, CEO

We reflected on wanting to show that we've got a progressive dividend policy that shows that our base will grow in whatever macro environment. And recognising if you buy back shares, we will have more capacity in order to reward or increase the base. This is a balance between understanding how many shares we were going to take out of circulation, how much we could grow the base, and what overall dividend contribution that we can afford from our from our financial framework.

Alejandro Demichelis - Nau Securities

Good afternoon. Thank you for taking my question. It's only one. On one of your slides, sources of uses of cash, you are showing a deleveraging for 2022 of somewhere in between €700 m and €800 m, roughly. So, the question is, with all those opportunities that you were mentioning - organic, inorganic, project financing on the Northvolt deal, and so on - what is the optimal leverage for a company like Galp going forward?

Filipe Silva, CFO

Alejandro, the target is 1x Net Debt to Ebitda, that's where we would like to be, and distributions will be sized in such a way that we are always at close to 1x Net Debt to Ebitda.

The deleverage that you see for 2022, in great part, is also to make up for the increase in indebtedness that we have in 2021, with the cash margins related to derivatives. So, you would expect us to compensate the miss in Net Debt in 2021 that should be covered in 2022.

The business plan is based on $75/bbl Brent. So, OCF would go up with a higher Brent, distributions would go up, up to 1/3 of OCF. So, that is quite mechanical. Thank you.

Alejandro Demichelis - Nau Securities

Just as a follow-up, when you get to the end of 2022 with those numbers that you are providing, you are going to be well below that 1x Net Debt to Ebitda, because also your Ebitda is going up, yes?

Filipe Silva, CFO

Correct. That is the expectation, in which case, it will be 1/3 of OCF that will drive distributions.

Raphaël Dubois - Société Générale

Hello, and thank you very much for taking my questions. Two please. The first one is a follow-up on the FPSO utilisation rate. You mentioned earlier that we should aim for 85% utilisation rate this year. What will you guide us for beyond 2022, assuming - let's hope so - that the Covid situation does not impact us too much anymore, that you have caught up on your backlog of maintenance. That will be my first question.

And then a second one, on renewable power. Assuming the €150/MWh that you use in your short-term outlook, and the deployment plan that you have, can we expect Galp to receive a dividend from this business? And if you could maybe tell us a bit more about the amount that we should be considering? Thank you very much.

Andy Brown, CEO

On utilisation, we talked about 85%. As you know, these are ageing FPSOs in this environment. We are not the operators. So, I have to say that one of the things we are working on is working very closely with Petrobras on how to improve it. But sorry, we don't give any guidance on this. Clearly, there are a number of things going on in these FPSOs. One is, we are having to maintain them and make sure that we keep the asset in good conditions. We have talked about issues with the risers. And that's an ongoing inspection and replacement programme, as seen fit. So, all these things are multi-year things that go forward.

So, we are not in a position, I think to give any guidance, but what we are doing is working very closely - actually, we are bringing technology into Petrobras to help them with some of the inspection regimes. I don’t think we want to give any further guidance.

Thore E. Kristiansen, COO Production & Operations

Correct, Andy, there we will not be (utilisation guidance beyond 2022). 85% utilisation rate, what we have guided you for 2022, I think is also fair going forward, that you use that as the key assumption base. We work, as Andy said, a lot with the operator in order to find continuous opportunities to debottleneck and improve the efficiency of the unit. And we continue to see interesting infield opportunities, which is also then being pursued in order to maximise the recovery of the field. Thanks.

Andy Brown, CEO

Filipe, are you going to talk a little bit about the pro-forma OCF we might see this year, or Ebitda? And then, do we get any dividends?

Filipe Silva, CFO

The mechanics are the following: our projects are project-financed. If cash flows are very strong, then we have cash sweep, so we can accelerate deleveraging of those projects, and there is a dividend being upstreamed to the shareholders. So, yes, on the associates lines, in the cash flow statement, there will be a dividend income. What you don't see is how quickly we are de-levering the asset base.

We also, as we do project finance, at the time when the projects are mostly de-risked, we actually fund 100% of the equity upfront. When project finance arrives, a lot of that money comes back to the shareholders - a reimbursement of shareholder loans into the project companies - and that funding is used, not for dividends, but to fund the next project. Thank you.

Raphaël Dubois - Société Générale

In the commercial business, we have seen your old products volumes, they are not yet at 2019 level. Can you maybe give us some idea of how things are evolving year-to-date in this business? And could we eventually see all product volumes back to 2019 level?

Teresa Abecasis, COO Commercial

Thanks for the question. We do still expect 2022 to have volumes that are not at the levels of 2019. In the last weeks, end-of-year, and January do show encouraging growth in volumes in key B2B sectors, namely aviation, marine and ground transportation, but not yet at the levels of 2019, and 2022 will still be a year of recovery in volumes.

Michele Della Vigna - Goldman Sachs

Two questions, if I may. The first one relates to the most recent auction in Brazil, where other companies bid for a stake in Sépia and Atapu, and you decided effectively not to increase your stake there. I was just wondering if you could perhaps comment on how you thought that auction went and some of your reasons behind it.

Secondly, if you could give us some ideas of how the progress is going with the Bacalhau development? I believe the operator, Equinor, was talking about it being 50% complete? And what are the key milestones from here? Thank you.

Andy Brown, CEO

Thank you, Michele. I will answer on the Brazil bid round. It was very tempting, it was a very attractive asset. We know Sépia very well as we are the only other partner in that with Petrobras. So, we understood the potential of this of this resource.

It was a very competitive tender in the end, well above the minimum bid rate. We have a very clear strategy, we have a strategy where half our capital, over a period of time, is going towards these zero and low carbon sources of energies and products. Therefore, although attractive, in our balance of our strategy, we really felt that this was not a moment to deepen our position in that asset, but obviously, to put the cash towards basically a very future-looking portfolio.

Clearly it was not an easy decision for us to make, but I think one that reflects that we are very serious about our strategy going forward. Actually, we have a strategy that has upstream growth already in the funnel. We have 50 years of 2P and 2C resources at the current production rates. So, we have plenty in the hopper and one of the big things in that hopper is Bacalhau. Thore, talk about how the progress is going.

Thore E. Kristiansen, COO Production & Operations

Thank you, Andy. Bacalhau is actually progressing well. The next big milestone for this project is now to start the drilling and completion campaign in the second half of this year. That's going to be an important milestone for us in order to make sure that we have sufficient production and injection capacity available at the start of the field.

As you might know, on Bacalhau, that will be full gas injection from day one. That is not the field where we are exporting the gas; we are actually injecting it straight back into the field. So, to have the necessary injection capacity will also be important. So far, the project is developing well, thanks.

Andy Brown, CEO

If I could just give a supplementary answer on the ToR+ (Transfer of Rights Plus). Sépia clearly has an FPSO that is now online and performing really well. The next step there is another FPSO to be built. And actually, when you look at those cash flows going forward, you don't get your money back until well into the next decade. So, this is a real decision, where is Galp going to be in the 2030s and 2040s? Was this strategically a good move for us to make, or is this the moment for us to be putting our capital elsewhere?

Ignacio Domenech - JB Capital

Good afternoon. Thank you for taking my questions. My first question is on Namibia, following the recent discoveries of Graff-1, is there any read accross that you can do for block PEL 83 in Namibia. Maybe if you could give us some colour on any potential drilling campaign, and if it proves to be successful, do you plan to develop this block? Or would you be looking at the potential divestment here?

My second question - and apologies to come back on gas realisation prices - as you mentioned before the opportunity to improve the differentials in gas field, following the gas market realisation. So, perhaps if you could elaborate on what level of gas price net for Galp they are achieving, and what would be the tenure of these contracts? Also, what is the benchmark? And maybe what is the percentage of the gas you produced which is being impacted? Thank you.

Andy Brown, CEO

Let's go through Namibia first. We are very excited about what's going on around our PEL 83 block. Thore, perhaps you can give a bit of colour to that.

Thore E. Kristiansen, COO Production & Operations

Thank you, Andy. And thank you, Ignacio, for the question. Yes, we are really, of course, excited. This has been a position that we have been holding for a while. We have had big faith in Namibia, and actually see some very interesting structures. The Graff well and the Venus well are next-door neighbours. For us, this is taking away one of the key risks that was actually a working petroleum system. This fact, that these discoveries are made, it's very good proof that the petroleum system is working. It's actually leading us, as we speak, to upgrade our probability of success quite significantly on these two fields.

I can tell you that there's a lot of happy faces in our exploration department these days. As you perhaps noticed from my presentation, we have also two other very interesting shots in the exploration magazine this year. We are drilling, as we speak, in the Campos basin in Brazil, the so-called Bob prospect. Later this year, we will also be drilling in São Tomé e Príncipe on something that we actually think is quite interesting, both of them with quite significant Galp positions. In São Tomé e Príncipe, we actually hold 45%. In Namibia, we actually have 80% of PEL 83. So, it's an interesting position to have right now. Thanks.

Andy Brown, CEO

Ignacio, I think you were talking about the gas contracts we have in Brazil. Actually, we have done six different deals already, and we are only seven weeks into the year. And we are marketing our own gas. We are not committing at all. We are only committing between a third and two thirds of our gas production into those markets. But we are also marketing on behalf of others.

As you might imagine, we are getting much more attractive than the past gas prices. There are seven companies marketing gas in Brazil, and we are one of them. We are, I think, very proud that we have set up that capability. I think you will see those numbers coming to the bottom line through the upstream results, but I don't want to reveal really the length of those contracts or the price lines. But what I can say is this is a reasonable amount of cash that we are generating from these new contracts.

Pedro Alves - CaixaBank

Hi, good afternoon. My question is on renewables. Just a quick refresh on what should we expect from Galp in terms of inorganic movements? We have seen last week the news that ACS is legally seeking a buyer for Zero-E, the renewable subsidiary where you hold a 75% stake. So, could you please comment on this, on your intentions to this company?

And also, in terms of on the acquisition side, should we assume that your inorganic moves will be mostly early-stage portfolios, like you mentioned? Or perhaps, more aggressively to scale up your portfolio, would you perhaps consider merging, for instance, with a JV with ACS, with a Spanish-listed player? Could this be a possibility for M&A? Or would you rather do a corporate move outside Iberia? Thank you.

Andy Brown, CEO

Thank you, Pedro. Let me start that, and then I'll hand over to Georgios. I think the first thing to say is we have 4.7 GW now in our funnel. And, we've got a line of sight to build out that capacity. And as you know, we've added Brazil this year to that portfolio, but also deepened also in Iberia.

Now, we get into these projects early, so we can get the biggest return from those projects. Clearly, we will continue to look at inorganic, but we're not giving any guidance on that today. I have to say, I think we've got a strong portfolio and we've got one that gives us certain visibility to our 2025 targets.

I don't know, Georgios, if you want to add to that. We do continue to look, and we will look to rotate our own assets, as we've said, in order to maximise the equity value. But also perhaps mention a little bit about ACS and Zero-E and what we understand from that announcement.

Georgios Papadimitriou, COO Renewables & New Business

Thanks, Andy. On the organic versus inorganic, we are growing and buying early-stage portfolios - I consider that mostly organic. So, this is something that we will selectively continue to do, as I was saying before, because it adds optionality to our deployment through the years.

On ACS, we don't want to comment on announcements of others. But we don't see any impact on our portfolio in our relationship with them.

Matt Lofting – JP Morgan

Great. Thanks for taking the questions. Two follow-ups, if I could, please. First, just on capital allocation. It felt to me, based on the earlier answers around how Galp looked at the Brazil bid round in recent months, that there was perhaps some degree of constraint in terms of how that was assessed from a capital allocation perspective, given the degree of allocation that you're putting towards the low carbon piece over the medium term. So, I wonder if you could talk a bit about how you think about the Company's ability to be agile or nimble around capital allocation over the medium term, and particularly if oil and gas prices and the upcycle around that sustains over the medium term, the extent to which you can respond to that.

And then, secondly, we are obviously seeing signs in some segments of cost inflation re-emerging in the industry in recent months. Bacalhau is obviously a very important project for the medium term for Galp. Can you just talk about post-FID, not just the drilling and completion side, but the extent to which the contracting is locked in around that project for the next couple of years? Thanks.

Andy Brown, CEO

Thank you. To the point of agility, I think what we want to do is keep our powder dry. As I say, we've got 50 years of 2P and 2C resources at current production rates. We're growing our Upstream production. We're committing quite a lot of capital towards that. We didn't see any reason to spend quite a bit of money on getting more resources in that funnel that we'll not even deliver cash flows or get our money back until the 2030s. And the price is high today, but we can't predict what the prices are going to be at the end of this decade.

So, I think that was really us signalling that Galp is a company that is determined to decarbonise its portfolio over time. We have to make some hard choices. And we made a hard choice so that we could actually reserve, as I say, the firepower for things that are lower carbon in due course.

Now, cost inflation on Bacalhau. I think, Thore, perhaps an update on how we see costs in the Bacalhau project?

Thore E. Kristiansen, COO Production & Operations

Thank you, Andy. And if I may just add to the first – we have a very, very competitive Upstream portfolio. Remember, our breakeven is actually below $25/bbl. So, anything that wants to get in has to be really damn good. So, there's also a lot of competition to get into the Galp portfolio.

When it comes to Bacalhau, we believe that Bacalhau is actually in a very good position. We have the EPCs locked in, and therefore, we have very limited exposure versus cost inflation on Bacalhau, which is, of course, a very important field for us. And the same goes both for the FPSO and also for the SURF contract. So, as we see it as of today, we are in quite a good and robust situation when it comes to Bacalhau. Thank you.

Pablo Cuadrado - Kepler Cheuvreux

Good afternoon, everyone. Just two quick questions from my side. The first one is related to the production costs on Upstream. It has declined by roughly $0.2/bbl YoY. And I was wondering where you can tell us how you are expecting that to move for this year, particularly, but also probably if you are able to give a little bit addition going forward and even when Bacalhau starts. That would be great.

And the second question - I'm sorry for coming back to this - is on operational cash flow. And I want to understand: the guidance for this year, the €2 bn, is that a reported figure, i.e., that's a figure that excludes any kind of working capital inflow to be recovered from the losses that you have had in 2021? Because I may recall that you have been highlighting that part of the working capital impact should be recovered as soon as the gas contracts are finally delivered on physical terms. So, I wanted to understand if that €2 bn basically assumes any working capital inflow or not?

Andy Brown, CEO

Thank you, Pablo. Can I ask Thore to talk a bit about the production cost guidance, and Filipe on the OCF guidance?

Thore E. Kristiansen, COO Production & Operations

Thank you, Andy, and thank you, Pablo. When it comes to production costs, actually our production costs in the 4Q was unusually good. There's a one-off effect in the 4Q that is related to the fact that we're transferring assets from our Dutch BV to Brazil that helped it.

So, going forward, where we are guiding you is that we continue to say that you should expect it to be below $3/bbl. That is the guidance we have. And when Bacalhau comes, that will clearly also sustain this level. So, continued very competitive opex from the side of our Brazilian business. Thanks.

Filipe Silva, CFO

Pablo, the best way is to go to our slide 29 on sources and uses of cash. You'll see the €2 bn is the clean OCF. And we're guiding now for OCF because it is clean. So, we're taking out every variation in one-offs, working capital, inventory effects. So, €2 bn is a clean number. And yes, on top of that, there will be a significant cash inflow from the 2021 fiscal year, but that will not drive. So, only OCF will drive the distribution policy. Thank you.

Mehdi Ennebati - Bank of America

Hi. Thanks for taking, again, my question. A few follow-up questions. First, Andy, can you please make sure I understood well? You said earlier, regarding the share buyback, that you will realise in the market, that you will do it slowly, but you also said that it will be 20% to 25% of the daily traded volume. Did I understand well or not? First question.

Second question. You have been impacted by the €605 m working capital outflow due to gas derivatives in 2021. How much are you confident that you will get back the €605 m in 2022? Have you been approached by some of your customers telling you, "We can't pay for the gas. We want to renegotiate the gas deal etc., because it's too expensive." Or do you consider that the demand is pretty nice, and you will get back your €605 m?

You said that your Upstream or your FPSO utilisation rate in Brazil should be around 85% in 2022. Can you please remind me what was your FPSO utilisation rate in Brazil in 2021? Thank you.

Andy Brown, CEO

Mehdi, let me start with the first - I don't think we caught the last question. But firstly, on the buybacks. We were actually looking at about €1 m a day, which will be about 3% to 4%, well below what I mentioned before. So, only 3% to 4% of share acquisitions in the market on a daily basis.

Filipe, can you talk a bit about the working capital outflows?

Filipe Silva, CFO

Yes. Mehdi, we're highly confident that we're getting the money from the clients throughout the year. And if I understood your question, I'm putting an extreme scenario: if clients were to stop buying the gas from us, then we could place the gas in the spot market. So, financially, this is not going to be a risk for Galp in 2022.

Thore E. Kristiansen, COO Production & Operations

The effective rate for last year was in that order. It was actually around 83%, Mehdi. We expect it to come up somewhat, but 85% is what we are guiding you for next year. Thanks.

Ignacio Domenech - JB Capital

Hi, thank you for taking my last question. Regarding 2P oil reserve, you mentioned it went up 11%. However, 2P plus 2C reserves are down 8% year-on-year. So, I was just wondering why this reserve has dropped. And maybe if you could tell us what would be the recovery factor assumed at Tupi/Iracema. Thank you.

Thore E. Kristiansen, COO Production & Operations

We are not publishing in detail the reserves and resources and what have been the changes with the different fields. We do that on a portfolio basis. But as you correctly pointed out, the oil reserves: 2P has increased in Galp 16% last year. There was a decline on the natural gas reserves. That is really due to the fact that we have DeGolyer and MacNaughton doing the auditing of our reserves. The fact that we now have a gas contract in place in Brazil requires them to book the reserves according to what the gas sales contracts are stipulating, and that led to a reduction on the reserves side. So, overall, the 2P increased in Galp for last year 2% versus when you looked on gas and oil in totality.

When it comes to the recovery factor in Tupi - I'm not 100% sure whether I got your question - we continue to work on improving the recovery factor on Tupi, and that is a very important reason for this new plan of operation and the development that was delivered by the YE21, which actually really targets to continue to improve it - short term, by more infill wells; longer term, by looking into further development on the field. And even more than that, also looking potentially field- life extension. Those are now the discussions that we are having with the authorities in Brazil. Thank you.

Henri Patricot - UBS

Thank you for the update. A couple of quick ones for me on the Sines HVO project to which you are targeting a FID in 2023. Are you still looking at start-up in 2025? And can you comment on the progress you're making on the waste feedstock sourcing strategy? Thank you.

Thore E. Kristiansen, COO Production & Operations

Thank you, Henri, for your question. Yes, we are very excited about this HVO advanced biofuels projects that we are now currently doing the feasibility studies for, as we speak. This is going to be one of the elements in our portfolio to turn Sines from a grey refinery into a green energy park.

Waste feedstock sourcing is going to be a key element, and we are actually, as we speak, in direct negotiations with partners that we are looking to join into this project to make sure that we do the sourcing in the most optimal way. I cannot disclose more of this at this stage but take it for granted that feedstock sourcing is an important part of this project. Thanks.

Michael Schwartz - Jefferies

Thank you. I was wondering, what are the main fields or FPSOs in Brazil that are in decline? And which ones are still at plateau? And then following on that, what is the average decline rate across your business in Brazil?

And then, I had a second question. In terms of your refining margin, what is included in terms of energy costs? And you have your guidance for $2.0/boe for refining cash costs in 2022. Could you break down the components of that? And do you still have a long-term target of $1.7/boe for refining cash costs? Thank you.

Andy Brown, CEO

Firstly, as you might imagine, with our Brazil assets essentially showing roughly flat production going forward, because we're wrapping up a few deals like Sépia and the Iara fields, and clearly with Tupi and Iracema we're seeing some declines.

So, overall, this is a mixture of some residual ramp-ups, some infill drilling, and some decline, keeping it overall flat. So, I don't really want to get into the details of each individual field. But we see our Brazil assets delivering, as I say, flat until Bacalhau comes online when we see the 25% increase.

Anything to add on refinery margins, Thore?

Thore E. Kristiansen, COO Production & Operations

No, I think we have said what we wanted. We are not wanting to discuss the details and how our Opex really is composed, Michael. That's not the level that we are disclosing.

However, what you can expect is that the $2.0/boe is a robust target. We are working, of course, to continue to optimise it. But as Andy said in his opening remarks, we did have operational challenges at the refinery last year. So, a very important part of our recovery is to make sure that we are now doing the maintenance and that it was long overdue in the refinery. And that's why we are looking for $2.0/boe to be a very robust guidance for you going forward as well. Thank you.

Andy Brown, CEO

Some may be confused on what I said about the buybacks. The 20%-25%? You have to be below that for the safe harbour regulations. That's why I mentioned that number, but the actual number is between 3% or 4% - well below where the regulations would stipulate. So, I just want to make sure you all were clear about that. Otelo?

Otelo Ruivo, Head of IR

Thank you for clarifying, Andy. I think this ends the session for today. Thank you for participating. Hope to see you all soon.