

Otelo Ruivo, Head of Investor Relations

Good morning, ladies and gentlemen. Welcome to Galp's Q1 2020 results conference call. I hope all is well with you and your families in these challenging times. By now I guess we have all adapted to this new way of working. As always, the IR team continues close to you and here to help. We look forward to seeing you soon, as soon as we are all safe.

Today, Carlos will provide us with an overview of the recent developments and only a short-term outlook given the current volatility. Filipe will then take us through the quarter results. At the end, we will be available to take your questions when Thore will join us as well.

As always, I would like to remind you that we may be making several forward-looking statements. Actual results may differ due to factors included in the cautionary statement available at the beginning of our presentation, which we advise you to read. Thank you. Carlos, please go ahead.

Carlos Gomes da Silva, CEO

Thank you, Otelo, and good morning. I hope to find you all and your families safe and healthy during these unprecedented times which are demanding the very best of us, both as human beings and as professionals.

Before starting, let me welcome Otelo to his new position and also thank Pedro Dias for all his dedication as Head of Strategy and Investor Relations over the last six years. It has been a great journey and I'm sure Pedro will continue to give the best of himself acting now as the new CFO of our Upstream business.

Now starting on slide four. The extension and the full impacts of the current health crisis are still to be understood. Resilience, flexibility and also adaptation capacity are critical. Oil prices are currently 60% below the average of Q1 level, at just above \$20/bbl. The unforeseeable demand drop due to the pandemic emergency measures and the high levels of supply has led to very high crude and product inventory levels which will put pressure on prices over the next several months.

Such an environment has an obvious impact in our upstream performance, as we were planning on oil prices of around \$65/bbl as we have shared with you during the Capital Markets Day. On the products' side, with demand at risk and inventories increasing globally, cracks are truly constrained for the upcoming months and signs pointing to further declines before stabilising. Future contracts are still showing weak price levels and we need some more signs of recovery for these to normalise.

In Iberia, where we have our commercial activities, we are being significantly impacted by the economic slowdown and the driving restrictions. Oil products' demand is expected to be down over 50% YoY during these months of April. In what we expect to gas and power markets are also being hit, even if to a lower extent.

It is too soon to anticipate the demand behaviour once the lockdown period ends. All in all, uncertainty is a given and whether recovery is faster or slower, we are focused on protecting our people, adopting a flexible and efficient business continuity, according to the required utilisation levels and market conditions during each phase of this crisis.

Moving to slide number five. And as a first step to provide the response to this situation, our main priority has been to safeguard the health and safety of our people and customers. We have been also determined to provide social support to the communities where we operate, having deployed a package of measures in coordination with several national health entities, which include the donation of ventilators and promoting free virus testing where it was needed, providing also energy solutions to new emergency facilities... well, helping where we can. But at the same time, we remain focused on ensuring the Company's operational continuity, asset integrity and cash preservation.

On the Upstream, the operations are quite in line with our production plans. We have adapted our commercial activities and prepared ourselves to increase the flexibility of our refining and midstream operations. We must be ready to react promptly and through any disruption or rapid degradation of market conditions. In our refining system, we had slowed down our operation given pretty full inventory levels. We are also prepared for the post-lockdown designing an exit

strategy to allow us to respond quickly once the economy picks up. We have also adapted our short-term plan, stress tested hits to different market scenarios to evaluate the financial impacts which may result from this crisis.

I'm now on slide six. In all scenarios, Iberia demands will be substantially weaker than initially expected for this Q2. We could have a potential impact of over one billion euros in our 2020 Cash Flow From Operations (CFFO) under a pessimistic scenario and have now in place measures to protect the Company's financial position under such circumstances. Apart from adopting and adapting our operations, we are preparing a set of initiatives aimed at preserving the Company's liquidity and financial strength, started to implement internal measures and are preparing others alongside our upstream partners.

As a result, and as announced earlier this month, we are now expecting a substantial reduction in the Group's cash standing during 2020 and 2021, when compared with what we have presented to you all at the Capital Markets Day. So capex and opex are now expected to be reduced by more than half a billion euros per annum over the next two years. So in 2020, and also in 2021. These initiatives include the deferral of some of the investments across the value chain targeting our future growth such as early-stage or pre-sanctioned projects, as well as some project optimization and non-essential short-term spending adjustments.

For this year, around 90% of this reduction relates to capex with some measures already in place, which will also drive reductions well into 2021. Further cuts next year will depend on the evolution of the demand recovery and the global macro conditions. As you can see, Galp has a very high flexibility to adapt its investment plan to the current environment as most capex is geared towards our next growth cycle. Just you to know, over 70% of our capex is uncommitted and therefore, the adjustments are expected to be deferrals rather than cancellations.

We will not provide details on specific projects at this point apart from the information already made public around the Rovuma LNG postponement in Mozambique. However, we can say that the reductions will be felt across the different businesses and include exploration commitment adjustments, the reschedule of upstream uncommitted development activities, the realignment or refining initiatives and commercial expansion projects, the phasing of maintenance activities and also cost reduction initiatives, which to some extent may become structural.

Most of these initiatives can be resumed rapidly depending on market conditions evolution. As we said back in February, portfolio management initiatives are also part of our strategy and we will continue to pursue value-accretive opportunities. Considering the short-term outlook, our results will be impacted versus what we anticipated during our February Capital Markets Day. However, at this stage we think it is too soon to provide a revised operational and financial guidance. Still, the cash spending reduction initiatives will increase the resilience of the Company, with Free Cash Flow (FCF) neutrality reachable with Brent prices as low as \$20/bbl. And that also assumes – and I underline – a significant deterioration of the downstream contribution and a prudent approach on the upstream production profile, just to give you a clear idea of how we have stress tested our operations.

I'm now on slide seven. And this slide, although adjusting to the short term, our long-term ambitions remain in place. We rely on Galp's financial robustness to handle the adverse circumstances ahead of us where liquidity is fundamental. And for speaking on liquidity, the total liquidity was over €2.6 bn at the end of the quarter. Our 2020 net capex has now been reduced from the range between €1 bn and €1.2 bn per year to a range of €0.5 bn to €0.7 bn a year.

Our AGM last Friday approved the 2019 dividend of €0.70 per share, which is in line with what had been proposed. The 2019 dividend considered the performance during the year, also the current financial position and the identified initiatives to address the current circumstances. Going forward, our capital allocation strategy, including future dividend distributions shall be adjusted according to actual evolution of market conditions, the cash generation and also the protection of our financial position.

Finally, on my side – I am on slide eight – to provide you an overview on what we expect for the very short term, I mean for the second Q of 2020. So, starting by the Upstream. In the Upstream, and although our operations have been going according to plan, we need to be prudent. So, ensuring the safety of our people may lead to operational restrictions. The supply chain may be affected, and inventories may cause logistic constraints. We are not in the position right now to maintain nor revise our production guidance for the full year, which stood – just remember you all – between 13% and 17% increase in a YoY basis.

On the refining side, we have been able to find outlets for our products mainly for those that are May delivery related. We had some slowdown in fuels production in our Northern refinery, at Oporto, already during this month of April and we are now planning to stop Sines refinery during May. This stoppage is the consequence of the low expected demand and the already high inventory levels. Depending on how the macro environments progresses, we would expect to start ramping up Sines in June.

On the midstream, our results should also be impacted while in commercial we are currently seeing significant sales drop in Iberia, mostly in aviation, marine and retail segments. On the renewables front, the solar PV acquisition in Spain is going through the various closing procedures. We are also keeping our plans to share some of the equity with a partner which should lead to the deconsolidation of the business. We would like all this to occur during Q2.

We will continue to monitor the evolution of the macro environment over the next weeks or months and get back to the market with an updated guidance based on a more stable view of the short term and its implications for the long run.

So Filipe will now go through the quarterly results. Thank you. Filipe, please, the floor is yours.

Filipe Silva, CFO

Thank you, Carlos. Good morning, guys.

I am on slide ten. So, Group Ebitda was €469 m in the quarter – that's down 5% YoY. This is driven by the lower contribution from Upstream. So the sharp oil price decline impacted our realisations during the quarter, but we also had almost €140 m in negative changes to our underlifting positions and over €70 m in revaluation of inventory in the quarter.

Upstream production in the quarter was 131 kboepd. That's higher YoY, but down QoQ given the planned maintenance in two units in Brazil. Within Refining & Midstream, here we have different effects within Refining itself. It's impacted by weak margins and the planned maintenance in the hydrocracker. And within Midstream, gas supply and trading suffered from the lower volumes sold during the period, but oil supplies saw a positive swing in price lag effects. Now here, we have also a base effect as the price lag had been negative in Q1 last year.

The Commercial activity was stable YoY, supported by the recent turnaround measures introduced in our commercial activities in Spain. Bear in mind, however, that from what we saw during the second half of March and from what we are observing now in April, Q2 should be weaker.

Net income was down YoY driven by the weaker Upstream performance and entries below the line. And here we had non-cash currency effects of €56 m due to the Brazilian real depreciation impacts in Petrogal Brasil. We also had negative mark-to-market valuation of €84 m in open derivative positions and these are to cover natural gas price risks and this is recovered as the underlying gas volumes get delivered to clients over the coming months. And on the plus side, we have a positive cash contribution of €105 m from Brent derivatives, which we monetised in March.

On an IFRS basis, net income was -€257 m and this is considering the post-tax inventory effect of €278 m.

And this takes me to slide 11 and cash flow. Here on the left-hand side bar we have effectively Ebitda under IFRS and this includes a large negative inventory effect and this accounting effect leads to a large release in working capital as the mark-to-market value of the capital tied up in inventories is also reduced. As a reminder, under IFRS, Ebitda is also negatively impacted as IFRS considers the last three months average high price for the refinery intakes.

Taxes seem high given the context today, but this reflects payments related to previous periods when earnings were of course much higher. And net capex also includes payments from the previous quarter and the balance is way more elevated than what you see on our Q1 economic capex. So, in a nutshell, CFFO was €244 m, which, after operating leases, interests, capex and derivative cash gains, this left us with €63 m in positive FCF. And distributions to our Sinopec partner in Brazil were €108 m.

The balance sheet on slide 12 was quite stable compared to December 31st. The inventory markdowns under IFRS reduce working capital and this adjustment flows through the P&L and hence impact our equity as well. Net debt was also stable at around €1.5 bn and net debt to Ebitda unchanged at 0.7x.

Debt redemptions for the remainder of 2020 are now only €50 m and the average debt maturity has been extended. Our liquidity is high at over €2.6 bn and we are negotiating additional funding and liquidity facilities and this is mostly to pre-fund our 2021 maturities. As alluded before, given the announced capex reductions, our FCF pre-distributions should remain positive as long as Brent stays at over \$20/bbl this year and next. And this is very important for our creditors as well.

I will stop here and we are happy to take your questions.

Questions & Answers Session

Biraj Borkhataria – Royal Bank of Canada

Hi, thanks for taking my questions. Biraj from RBC. Two questions please. The first one in the upstream, we're seeing some very significant divergences on various crude benchmarks. I was wondering if you could comment on what you're seeing in April and what you are achieving on your Brazilian crude sales versus normal benchmarks like Brent. And maybe you can comment on Angola too.

And then the second question is on the \$20/bbl breakeven. Carlos, you mentioned you stress tested with a significant deterioration, but can you just give some details on what refining margins you're using and what utilisation you assume? Thank you.

Carlos Gomes da Silva, CEO

Hi, Biraj. Good morning. Good to hear you in these challenging times, to you all.

In terms of our upstream crude benchmarks, what I can share with you is that we are still continuing to reach our Asian markets, clearly the differentials over benchmark have slightly improved in the 1Q. During this 2Q, the challenge is more that we are looking at different alternatives outlets that we have been trying. So far, I think we are acting pretty well under the circumstances, because the key point is the price levels that we are experiencing and our upstream operations have behaved quite well during the period and still are. So, we are still slightly above what we have in the 1Q.

Relating to the assumptions that we try to test during our stress tests, we are not releasing or disclosing to the market for the time being, but just to tell you a couple of principles: we are looking at refining margins close to zero; we are looking at demand decreasing more than 50%. So, we have really stress tested and taking in consideration the constraint and the confinement to the circulation that the emergency space has been imposing during the last couple of weeks. So effectively you may trust that the \$20/bbl is one of our views. As I've mentioned during my intervention, that is under pessimistic market conditions. As someone used to say, we must prepare for the worst and hope for the best. Thank you.

Oswald Clint – Bernstein Research

Thank you and good afternoon to all four of you and I hope you're all well. First question to Carlos, please. I'd just like to see if you could give us a bit more granularity around each of the product categories that you're experiencing, at least in the Iberian peninsula so far in April, in terms of demand and gasoline and diesel and I see you're producing quite a lot of

VLSFO in the 1Q. So perhaps you can just talk around each product specifically. You mentioned that you're still exporting or you're still getting an outlet for most of your products. What about your exports? Things like exports of gasoline that you would normally have put over to the U.S.?

Then second question. Obviously, a lot of discussion around Petrobras closing fields and platforms. Obviously in other basins, Campos Basin onshore. Any discussions or anything going on around the Santos Basin, please? Thank you.

Carlos Gomes da Silva, CEO

Oswald, good morning also and good to hear you. From the demand side, and this is pretty aligned not only in Portugal, but also in Spain. Spain started before Portugal with this crisis that migrates from East to West. What we have done, or what we have seen, especially during April, because we have slightly been affected during March, so January and February were completely good months, I would say. So, what we are seeing is the diesel being affected by c.50%; what it relates to gasoline, is above 60%. What is more challenging is what relates to jet fuels, which are above 90% reduction. So, clearly there is where we see less room space to recovery. But in the opposite side, looking to the LPG, for instance, that has increased and it is behaving quite well and the impacts of the middle distillates is quite flexible for us because we can do the migration from jet to diesel and therefore we are less concerned about that because we can produce full diesel and less jet and the portion of jet is relatively small in our P&L.

You have also referred the variables of LSFO. We have only produced VLSFO, during 1Q20. Actually, we will not be producing almost any HSFO, but what the market has again surprised everyone was to see the cracks of HSFO and LSFO, not so negative as it was anticipated. This is more or less what is happening.

In what relates to the United States, our heavy components are quite important to blend the American gasolines and we still see room space. So we were exporting in regular conditions during the 1Q, above 240 kton. During April we have been observing the gasoline demand in the United States decreasing to c.50%. If you ask me, do we continue to have room space to continue to export to gateways to the United States? Yes, that answer is yes, because we have a component that is highly valued, but our decisions have to do with all the inventory levels that we have today and the global economic optimisation. Therefore, we have taken the decision that I've shared with you.

In respect to the Petrobras curtailments or the global worldwide curtailments, Brazil has committed also to contribute for that. So far, we don't have any impact in our operations, and we hope it won't be the case. But as I mentioned to you during my introduction, it is important that we take into consideration that curtailments could be impacting everyone, not only due to the OPEC+ agreement, but also because we are still managing a pandemic crisis that puts people's safety on top of priorities. There is a set of safety rules and procedures that have been implemented, that protects and anticipates the safety of the production, but so far nothing else to add. Thank you, Oswald.

Thomas Adolff – Credit Suisse

Hi, good afternoon. I've got two questions please. Just firstly, I think you do have a net debt/Ebitda ceiling target of that ratio not exceeding 2x. So, would you cut or suspend your dividend only when that level is reached or breached, or would you consider doing so much earlier than that?

Secondly, just on your solar business. I might have misunderstood you during the presentation. You expect the deal to close in the 2Q20, but did you also say that you expect to announce a partner to the solar venture in the 2Q20? Does your net investment guidance of €0.5 - 0.7 bn include some proceeds from the farm-out of the solar business or anything else? Thank you.

Carlos Gomes da Silva, CEO

Good morning Thomas. Also good to hear you. So in what relates to the dividends, I think that has to do with global capital allocation. Of course, our capital allocation, that includes the future dividend distributions, has to take into consideration everything. So, the actual evolution of the market conditions, also our ability to generate cash and also to protect our financial position. Clearly it is too soon to make any further questions rather than this one. I think it is prudent not to go ahead, but clearly, we will put the dependence of future dividend distributions on these three elements.

In respect to the solar acquisition. Yes, we are preparing ourselves to conclude or complete the deal during the 2Q20 and simultaneously we are also working in a way to find out the partnership that allows to have the full deconsolidation of the business from our balance sheet. Yes, the net capex includes equity cash needs. Thank you.

Thomas Adolff – Credit Suisse

And you expect this farm-out deal to happen in 2020, right? The feedback you're getting so far is that positive?

Carlos Gomes da Silva, CEO

Thomas, this is not in 2020. It is in 2Q20, that is our expectation. So, what I'm trying to tell you is that we are working hard on to align the completion of this deal in one single shot.

Michael Alsford – Citigroup

Hello, good morning. I hope you're well. Just a couple of questions from me. You mentioned cash neutrality of \$20/bbl, pre-dividends. I just wondered if you could give us an indication of where you see the neutrality to be and what you think about the current dividend policy, and also the payments to minorities during 2020?

Secondly, on the Upstream, clearly you announced your Uirapuru exploration well in Brazil recently. I think from memory, at the Capital Markets Day, I think Thore said that this could produce c.2.5 bn boe. So, I just wondered whether those expectations are still valid.

Then just to confirm what you said on the previous question, are you assuming in your capex guidance other disposals to get into your net €0.5 - 0.7 bn? I'm thinking the natural gas business, does that included potential disposals in the business? Thank you.

Carlos Gomes da Silva, CEO

Thank you, Michael. Basically, we will address the three questions. I've already addressed the FCF neutrality at \$20/bbl, but I will ask now Filipe to complement me on that and Thore to address the exploration well.

In what relates to other disposals, we are not considering that in what we have presented, even though what we are working is on the optimisation of our non-core assets. So, you may see that natural gas regulated infrastructure is one of the assets that we clearly put on top of the priorities to be one of the candidates for that. So, I will pass now to Filipe.

Filipe Silva, CEO

Morning, Michael. The cash neutrality, as you say, is pre-distributions. As Carlos said, it's too soon to tell what the Board will decide over the next few months. The integrity of our operations and our cash flow rank at the very top of our priorities. I'll also add that if you look at our balance sheet, we have almost no goodwill, our assets are booked at quite low historical devalued levels, we have a fully funded pension liabilities and we have no reserve base lending, so no redetermination risk. The visibility that we have is really driven by Brent and the guidance of \$20/bbl gives you the comfort that, as a management team, and the Board will see, can we continue to generate cash in an over \$20/bbl and then how it's distributed depends on how long this will take and what the Brent levels will be. That applies to both the Sinopec distributions and to the Galp distributions. Thank you.

Thore E. Kristiansen, COO Upstream

With respect to Uirapuru, what I can tell you is that we have made a discovery, but it's very early days. We have now collected huge sets of data which are now being very carefully analysed. Before we've analysed these correlators, we're not in a position to give you any further information.

Mehdi Ennebati – Bank of America

Hi, good afternoon everybody and thanks for taking my question. So, I have two questions. One regarding asset disposal. So, you've highlighted that regarding solar PV you might find a partner in 2Q20. Regarding GGND you said that this is non-core. Are you making some progress here? You were pretty, let's say, optimistic during the Capital Markets Day. Should we consider that market disposal of GGND might be made in 2020? Or do you think that the current macroeconomic environment is probably pushing forward any GGND asset disposal? First question.

Second question regarding the refining. So, you announced one-month maintenance of Sines refinery in May. Can you please tell us what level of cash cost should we expect in the 2Q for your refinery? What utilisation rate are you targeting in the 2Q?

One question on the HSFO. So, you said that, if I understood well, that your output of HSFO was relatively low in the 1Q and the market totally changed. Do you intend to increase your HSFO output in the coming months? Thank you.

Carlos Gomes da Silva, CEO

Hi Mehdi. Good morning. In respect to disposals. We tend not to disclose any potential divestment, but you know that GGND is one of the candidates. That's the only thing that I can tell you and if and when we consider that should be at the right price.

In what relates to the cash costs for our refineries and utilisation rate, it's too soon. I have given you just a flavour of what is going on, so our fuel plant in Matosinhos refinery has been suspended during April. We intend to suspend our Sines refinery during May and hopefully we are expecting that we can ramp-up during June. So, the average utilisation rate is quite in line with this approach. From the cash cost of the refinery, and if you look at what happened in 1Q20, the 1Q was impacted by a planned turnaround in our hydrocracker. If we normalise the costs, you should consider they will stand between \$2/boe and \$2.2/boe. I'm not sure I followed your third question, if it was related with VLSFO?

Mehdi Ennebati – Bank of America

Not LSFO, but HSFO. Margin will improve quite significantly and I just wanted to know if you are able to increase your HSFO output. If I remember well, 10% of your output to be HSFO, so just wanted to know if you intend to increase it and if there is a demand for that product currently?

Carlos Gomes da Silva, CEO

Ok, thank you for clarifying that. That decision is always based on a value-driven optionality. We normally don't look at this in a permanent way, we are quite flexible on this respect and we can change for HSFO or keep on VLSFO, depending on the cracks and we will do what will maximise our P&L. That is what I can tell you. So, flexibility is part of the game. Thank you, Mehdi.

Flora Trindade – CaixaBank BPI

Yes, hello. Thank you, good morning. I have two questions, if I may.

The first one on cash flow. You paid over €100 m to Sinopec this quarter. But from what I could see, results from Brazil seem to have been very low. So, can you just help us understand what level of dividends could be for Sinopec in the full year?

The second question on upstream, very low production costs in the quarter. Can you give us a reference for the full year? Thank you.

Carlos Gomes da Silva, CEO

Hi, Flora. Good morning. Thank you for your two questions. I will ask Filipe, this is a minority payment, but I will ask Filipe to address the question to you. Thank you.

Filipe Silva, CEO

Bom dia, Flora. The dividends to minorities are based just like the dividends for Galp shareholders. It is based on the balance sheets and the cash flow rather than the earnings that you see. We don't decide on dividends based on a quarterly hit. So future decisions will be based on our longer-term views on the integrity of the balance sheet and the cash balances, and our views on the severity of the current crisis. I would not read much about the Q1 payment that is related to 2019. Thank you.

Thore E. Kristiansen, COO Upstream

Good morning, Flora. What I can say with respect to upstream costs is that we expect that we will be running more or less at the same rate as we have done in 1Q20, namely around \$2.5 – 2.7/boe. That is also the outlook for the rest of the year. That's the best guidance we can give at this stage. Thank you.

Alwyn Thomas – Exane

Hi, good morning, gentlemen. A couple of questions from me. I just wanted to ask, going into 2Q20 and perhaps looking maybe at 3Q20 earnings, given some of the measures you've taken and obviously some of the working capital benefit we got in 1Q20, what downside protection to cash flows and earnings do you see happening in the 2Q20 from what you have, whether its hedging or on cash taxes? Are there any sort of mitigating effects we should expect in 2Q20 and 3Q20 that might help you out?

My second question, a little bit more longer term, Carlos, if I could get your thoughts on what you think this crisis might do to the longer-term impact on oil and oil product demand and maybe does it accelerate your desire for low carbon ambitions, or are you actively looking at M&A opportunities as a result?

Carlos Gomes da Silva, CEO

Good morning, Alwyn. I will address the second question and I will ask Filipe to help me on the first one.

Looking more to the long term. I think it is still soon, in the middle of a storm is quite difficult to anticipate what might happen, but there are things that will not stay like they were before and I think the world will have to handle many consequences from this crisis, that clearly opened new business areas that we are seeing, for instance, digital commerce and last mile logistics are becoming more and more relevant. There are things that even for our legacy business will require an adaptation and a fast change.

From the product demand point of view, there are products that for sure require more time to recover, and I'm speaking about international travels, but there are others that are in the other side, that might recover in a more fast way due to the fact that people, to gain confidence and to gain trust, they will use less public transportation with less people in the same vehicles, which means that we have more vehicles running in the streets. If this will happen or not, I'm not sure, I don't have a crystal ball.

What I can tell you is that, as we are adapting and flexing our short-term operations, we keep our lighthouse, our strategy into the future and our ambitions are untouchable, because we think that sooner or later the world will move in that direction. It could be more difficult, due to the fact that we will be more focused on handle things that became a priority in our lives. I think we are fighting. We are in the middle of a war, unprecedented, as our generation not lived since the Second World War, and therefore, I think it will be quite complex to manage the next coming years and the allocation of the different priorities. It will be still difficult to see the fog that is in the horizon.

Filipe, can you go through the first question please?

Filipe Silva, CEO

Morning, Alwyn. Unlike 1Q20, where we had the drag of capex and cash taxes coming from 4Q19 last year, going forward the cash flow statement will or should look much better. Cash capex goes down in line with the revised guidance we have provided you with. Clearly, taxes go very materially down going forward, assuming Brent is as low as we see today.

We will have a real working capital effect – and I say real because that's opposed to what we have seen in 1Q20. In 1Q20 you have accounting markdowns in balance sheet balances of certain items such as inventories. That's not a real cash saving. That's a release of working capital. It's effectively just a mark to market and that's also booked under IFRS Ebitda. From now on we are seeing already that we are buying crude at a fraction of the price than we used to. We're still getting money from clients at older invoice levels. Clearly, we will have less help from supplier's balances, but that's less than what we gain on inventories and on the payables. So, we should see working capital release on a cash basis going forward. Thank you.

Alwyn Thomas – Exane

Thank you, Filipe. If I could just quickly touch on something else in that then. Maybe the 2Q20 is most important here, but just on the physical crude prices you are receiving at the moment from your Upstream operations in Angola and Brazil, are you actually able to get cargoes away and perhaps what discounts you're seeing on recent cargoes or future ones? How have you protected that next quarter?

Carlos Gomes da Silva, CEO

So, Alwyn. We are not doing protection on that because the full integrated profile of Galp is self-hedging our position and therefore it is important to look at what I have already mentioned, how we are selling our Lula and Iracema oil in comparison with Brent. In that respect, we are taking outlets that are evaluating it more than our own refining system. I think that responds quite well to your concern. Thank you.

Michele Della Vigna – Goldman Sachs

Hi. Thank you very much for taking the time for my question in these difficult times. It's Michele Della Vigna here. Two quick ones.

First of all, I wanted to ask you if you've already received a request from Angola to cut down some of the production in Block 32 on the back of the OPEC cut decision?

Then secondly, I was wondering if you could expand a bit more on the potential impact of Covid-19 on your supply chain, particularly in Brazil, and which parts of the chain you find most at risk? Thank you.

Carlos Gomes da Silva, CEO

Hi Michele. Good morning. So, answering to your both questions. The answer to the first one is no. I think it's a clear point.

In relation to the supply chain Covid-19 actions. I think Thore could help us because there's a set of actions that the operators are implementing in order to guarantee that we have safe operations that could clearly protect our production. Thore, can you please share with Michele some thoughts on some actions that we have implemented in this case?

Thore E. Kristiansen, COO Upstream

Yes, thank you, Carlos. Michele, what I can share with you is that there is in place quite rigorous systems, including quarantining of personnel before they go offshore in order to try to minimise the chances that there will be a Covid situation offshore. There are also ongoing measures being taken offshore in order to see if any of the personnel is being affected. So far, that has worked well. We have minimised exposures as much as possible. That means that non-critical maintenance has been delayed, so maintenance activities that are now taking place are really focused on safety and maintaining production, i.e. so that the personnel that goes offshore is also being minimised. So far that has worked quite well, but we all know that this is a tricky virus so we will have to monitor that on a daily basis. Thank you.

Sasikanth Chilukuru – Morgan Stanley

Hi, this is Sasikanth Chilukuru from Morgan Stanley. Most of my questions have been answered, but I had one quick credit question please. I was just wondering if you could provide details of the hedging programme in the Upstream and in the downstream divisions, particularly in 2Q20 and for the rest of 2020?

Carlos Gomes da Silva, CEO

OK, good morning Sasi. The hedging programme basically we have in place is related with refining margins and what we can say is that we have around 10% of our throughputs hedged in a yearly basis, with a refinery margin of about \$4/boe. That's more or less where we are. In the Upstream, we don't have anything for the time being. Thank you.

There is one point that might be interesting also. You asked the hedging programme in force and I didn't mention, and I think none of us, neither me nor Filipe, has referred to that. But we had a put option programme for Brent that we have monetised during 1Q20, that is in the accounts of 1Q20. So just for sake of clarity and to guarantee that I'm answering with full information to you. Thank you.

Matthew Lofting – J.P. Morgan

Hi, gents. Thanks for taking the questions. Two questions if I could please. Firstly, just on the impact of the cost reduction initiatives implemented for 2020 and 2021. If you put near-term operational uncertainties to one side, could you share a sense of Galp's normalised ability to mitigate the impact of lower capex on early 2020s production and underlying cash flow linked for example to its high investment bias to longer-term growth and remind us, if you could, of the starting point breakdown of your capax mix?

Secondly, if I could just come back to and expand on the earlier points on cash flow. I think Filipe, you have tended to refer in the past to the embedded cash flow hedge that the minority dividend stream to Sinopec in Brazil brings, in particular, we've probably not seen that yet in the first quarter, owing to the time lag. So when we look forward to 2Q20 and beyond, could you just elaborate on the duration attached to each of the key cash flow time lags that have weighed on 1Q20, particularly the Sinopec payment and cash taxes and whether any of them extend into 2Q20 and beyond? Thank you.

Carlos Gomes da Silva, CEO

Hi, Matt. Good morning. Good questions, they are quite related and I leave the floor to Filipe to address those questions. Thank you. Keep safe.

Filipe Silva, CEO

Matt, if I understood your question, it was on the Brazilian distributions to Sinopec and how that interrelates with our capex cuts. Is that correct?

Matthew Lofting – J.P. Morgan

Yes, the first question, Filipe, is the extent to which you can manage or mitigate medium-term production in the context of the capex cuts that you have implemented for 2020 and 2021. In other words, the extent to which those capex cuts could impact not 2020 production, but when we think about 2021 and 2022, absent of operational uncertainties, I put them to one side, and then secondly the duration of the time lag on the cash flow, related to both the Sinopec payment and the cash taxes. Thanks.

Filipe Silva, CEO

Got it. Well, given where we are at Galp, we can reduce capex big time without compromising production over the first two years and until 2023/24. That is just where we are in the cycle. We have most of our capex going to growth capex, i.e. new projects.

At this point, most of Brazil is getting completed, so it's a recent portfolio. Brazil is to start having much lower capex before Bacalhau kicks in. Mozambique was delayed, as you know. So it just so happens that in terms of production we are going to ride the wave of past capex for quite a while until we have differences in production profile. As you know, Galp does not need to replenish reserves any time soon, given our production profile.

Yes, some of the capex we're cutting is also related to Brazil. We won't go into details, but a lot of it is Mozambique-driven and some in Iberia as well. We would expect the ability of distributing out of Brazil to remain relatively strong for the foreseeable future. Thank you.

Jon Rigby – UBS

Hi. Thank you. Two questions. The first is on Brazil. Do you think, if we look over the next nine months obviously, you're also, I guess, somewhat reliant on contractors courting Santos operations? So I just wondered whether you could elaborate on whether there's any new wells, workovers or planned maintenance on any of the FPSOs due over the course of nine months, that might be compromised as a result of Covid?

Then the second question, just to go back to option that you cashed in on the Brent contract. What was the genesis of that? Why were you carrying that derivative in the first place? Thanks.

Carlos Gomes da Silva, CEO

Hi Jon. Good morning. I will let the first question to Thore and try to answer to the second one.

The derivatives that we have basically it makes part of our risk management programme. It's kind of an insurance, so we have set up this based on our assumptions that were released to all of you. We were expecting >\$60/bbl across the year, but at the same time we have bought some put options in order to protect below a certain level of oil prices.

These puts of course, across the time, lose money, lose value. During this process we have realised that this could be an important moment to cash in and to increase the cash position of the Company. Contrary to the insurance programme that normally these should be used to, this was one of the decisions that we have taken to reinforce our cash position.

Thore, can you help me on the first question? Thank you.

Thore E. Kristiansen, COO Upstream

Thank you, Carlos.

Hi, Jon. What I can say is that – and I alluded to that in my previous intervention as well, actually – we are minimising maintenance activities and really focusing on safety and production in order to try to reduce the exposure versus Covid. So far that has worked out well, so there is no major impact on our operations. Actually, as a matter of fact, in Mozambique in relation with the Coral project, we had drilled six of the top holes, but decided to postpone the remaining of completing those wells until next year, which then leads to savings this year and is then reducing also the possible Covid impact on it. So, this has been an ongoing effort to try to optimise operations. Thank you.

Jon Rigby – UBS

Just to round up, is it fair to say you're trying to minimise reliance on third parties through this year?

Thore E. Kristiansen, COO Upstream

I would say it is more that we're trying to optimise operations and reduce exposure as much as possible. That is, really, it is not per se a desire to minimise usage of third parties, but it's a question of reducing risks related to the operation, and that implies as well, I should add, that some of these operations that are non-critical are being delayed also because of the focus on cash preservation in these sort of turbulences that we are in right now.

Raphaël Dubois – Société Générale

Hello, this is Raphaël Dubois from SocGen. Just wanted to come back once again on the put options. Can you give us a feel for the sort of oil price at which you unloaded those products? Just to make sure I got it right, were those products initially supposed to be unloaded more smoothly over the year? Was it purely opportunistic to unload them in one go?

Carlos Gomes da Silva, CEO

Bonjour, Raphaël. Good to listen to you. As I tried to explain to you, this is part of our risk management strategy. So, this is more like an insurance programme to protect our position in global hedging strategy. This was one of our initiatives and it was related to this market volatility. We didn't mention, for instance, that we are in a contango position in the markets. We have several initiatives that we have set in place, contango related, that we will capture in the coming months, not only quarters, but months. Logistics today and inventory today is a luxury. So effectively it was an initiative. Thank you.

Jason Kenney – Santander

Hi there. I just wanted to say thanks to Galp for all the efforts you have put into Portugal for the frontline workers in particular. I noted some of the press commentary on that; very supportive of what you've been doing inside Portugal.

I do have a question on the new commercial division and I know in the trading statement you're splitting our volumes, oil versus gas versus electricity, but I'm trying to get a sense of where the margin split will be on a normalised basis. I know we're not in a normal period at all, but it's obvious that we want to focus on the renewables business going forward, and the way the divisions have been reset will help us understand the contribution of renewables. But in commercial, I think the three different volumes oil, gas versus electricity, still difficult to understand how best to model that really.

Then secondly on the liquidity position of €2.6 billion, I think you mentioned. How much of that is undrawn credit facilities currently and will you be looking to extend your debt and that liquidity position at similar levels going forward, please?

Carlos Gomes da Silva, CEO

Hi, good morning, Jason. Good to hear you and thank you for your sympathy. I will address the first question and Filipe will go through the second one.

The commercial division has been set up in a way that we can have one stop shop for all our customers and consumers. The way we optimise the business in any case is in an integrated one, I think. Independently of where the margin is placed, we always take in consideration the global Galp's optimisation. That said, of course you have referred the cases of renewables and we have referred the case of the gas, our native markets are the regional markets and clearly the

optimisation between, for instance, the sourcing of these markets has to take in consideration looking at the full entire supply chain. So there is a role played in every single business line that is quite important to guarantee that at the same time that we are doing our commercial activities, not only in Portugal and Spain but overseas in Africa, we are doing it maximising the value for the Company. So sometimes you will see parts of that in the commercial terms, so in the Commercial P&L, sometimes part of that is also related with the Midstream activities.

In any case, the internal transfer prices is something that we don't speak about, because it makes no sense, it's always market related, so it is the way that we guarantee that we are optimising our commercial activities, like we have today in our refining activities. Effectively, the decision to buy or produce is based on an arm's length approach. The way we sell locally, regionally or internationally is always based on value optimisation driven and on an arm's length basis. I think the best explanation for that is that you see very few cargoes being processed in our refining system, due to the fact that we are able to maximise the value by selling in the international markets instead of processing in our refining system.

Basically, to give you the idea that the main point is guaranteeing that we touch the consumers and clients and customers in an integrated way, which is important, that we can have a portfolio that optimises and that amplifies the cross-selling and that we can have a single contact point with our clients in a way that we can provide a better service to all of them.

Filipe, liquidity please.

Filipe Silva, CFO

Jason, on our slide 17, you have the split of what is cash and what is undrawn credit facilities – so €1.485 bn cash and €1.16 bn undrawn credit facilities. You are absolutely right, investors and creditors now should be focusing on financial resilience, liquidity and balance sheet. On that front, if you look at our operations, we're not bleeding even at these levels, which shows how competitive our portfolio is. You have to look into changes in net debt, that is where you see who is generating cash and who isn't.

So, €2.6 bn overall liquidity. We are working on 2021 redemptions, so that should be debt to substitute all those debts.

Jason Kenney – Santander

Ok, many thanks. Maybe just one follow up on the commercial division, if I may. Is there likely to be any seasonality in that earnings profile for that particular division that we should be thinking about?

Carlos Gomes da Silva, CEO

Jason, during 2Q20, it will be quite hard, as I mentioned to you. We are still revising the numbers, so it is still soon to see that. It depends on how the market demand will rebound. Our previous guidance to all of you it was between €400 m and €450 m pre-Covid-19. So 2Q20, which will be challenging. I think it is too soon. We will have to come to all of you, possibly early in June or July, at least during the 2Q20 presentation. But as soon as we have a more clear view, we will come to you and share our short-term views. Thank you.

Otelo Ruivo, Head of IR

Thank you all, that concludes today's call. Please call the team if you have any further questions.

Have a great day and keep safe.

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