Capital Markets Day

Positioning Galp for the future of energy

- **Galp embraces the energy transition, maintaining a strong financial discipline and a sustained and profitable growth**
- **Business reorganization with a new client-centered focus and a new division dedicated to renewables and new business models**
- **Adjusted RCA Ebitda rose to €2.4 billion**
- **CFFO totaled €1.9 bn, a 19% increase year-on-year, of which 72% originated outside of the Iberian market**
- **Adjusted net income totaled €560 million and IFRS net income stood at €389 million**
- **Capex of €856 million focused on E&P projects, energy efficiency initiatives at the company's refineries and at the modernization of the distribution network**

Galp will hold today its Capital Markets Day 2020, where management will present an update on the Company's execution and strategy, together with an overview of 2019's operational and financial performance.

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

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

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

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

The new structure will consist of four business units:

- Upstream (unchanged);
- Refining & Midstream (incorporating the refining and logistics business, the Group's oil, gas and power supply and trading activities);
- Commercial division (integrates all product and services offer to Galp's clients);
- Renewables & New Businesses unit.

Value growth from long-life existing asset base
Target: surpassing €3 bn CFFO from 2025

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

Upstream CFFO is expected to contribute with over €4 bn[1] during the 2020-22 period, increasing to above €2 bn p.a. from 2025. This is leveraged on an expected significant increase in production and on the competitiveness of the world class assets already producing and under development, with NPV10 breakeven below $25/bbl. Galp's WI production is expected to grow at a 9% and 10% CAGR up to 2025 and 2030, respectively (vs 2019).

On the Refining & Midstream, Galp intends to optimise the performance of its refining system and progressing on building a strong supply and trading portfolio. The division should remain a positive cash contributor, with Ebitda expected at above €350 m p.a. during 2020-22.[2]

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

Building a competitive renewable business

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

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

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

Reiterating our capital allocation guidelines

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

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

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

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

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

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

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

2019 Results

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

CFFO of c.€1.9 bn, up 19% YoY, considering the positive impact from the application of the IFRS 16 standard (€189 m), of which 72% generated outside Iberia. Excluding this effect, CFFO would have increased 7% YoY.

FCF reached €922 m, up 45% YoY, or €232 m, after the payment of full year dividends to non-controlling interests and shareholders.

RCA Ebitda was c.€2.4 bn, up YoY, considering the application of the IFRS 16 standard, and above the initial guidance (€2.1 bn - €2.2 bn, considering the IFRS 16 application). On a comparable basis, excluding the IFRS 16 effect, RCA Ebitda would have been in line YoY, despite the lower oil prices. Capex reached €856 m, with E&P accounting for 70% and the remaining mainly focused on maintenance and energy efficiency improvements in the refining system, as well as upgrades in the retail network. Net of divestments, capex was €734 m.

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

Results by business area

Exploration & Production

€m (RCA, except otherwise stated; unit figures based on total net entitlement production)

Quarter							Year				
4Q18	3Q19	4Q19	4Q19 (w/o IFRS16)	Var. YoY			2018	2019	2019 (w/o IFRS16)	Var. YoY	
113.1	125.5	136.9		23.8	21%	Average working interest production[1] (kboepd)	107.3	121.8		14.5	14%
99.8	111.0	121.8		21.9	22%	Oil production (kbpd)	94.8	108.0		13.2	14%
111.7	124.0	135.1		23.3	21%	Average net entitlement production[1] (kboepd)	105.9	120.0		14.1	13%
8.9	12.7	13.3		4.4	50%	Angola	6.8	11.7		4.9	72%
102.9	111.3	121.8		18.9	18%	Brazil	99.1	108.3		9.2	9%
(7.8)	(7.3)	(6.3)		(1.5)	(19%)	Oil and gas realisations - Dif. to Brent (USD/boe)	(8.7)	(7.3)		(1.4)	(16%)
5.5	4.8	4.8		(0.7)	(13%)	Royalties (USD/boe)	5.8	5.0		(0.8)	(14%)
7.1	3.3	2.7	5.8	(4.4)	(61%)	Production costs (USD/boe)	8.2	3.6	7.0	(4.6)	(57%)
8.9	14.2	15.2	13.1	6.3	71%	DD&A[2] (USD/boe)	10.1	14.4	12.1	4.3	42%
339	469	500	467	161	47%	RCA Ebitda	1,440	1,751	1,616	311	22%
96	146	168	146	72	75%	Depreciation, Amortisation and Impairments[2]	347	561	471	214	62%
(17)	-	1	-	18	n.m.	Provisions	(17)	1	-	18	n.m.
260	324	332	321	72	28%	RCA Ebit	1,109	1,189	1,144	80	7%
279	324	333	321	54	19%	IFRS Ebit[3]	1,128	994	948	(134)	(12%)
12	3	(0)	(0)	(12)	n.m.	Net Income from E&P Associates	50	36	36	(15)	(29%)

[1] Includes natural gas exported; excludes natural gas used or reinjected.
[2] Includes abandonment provisions.
[3] Includes unitisation impacts.

Refining & Marketing

€m (RCA, except otherwise stated)

Quarter							Year				
4Q18	3Q19	4Q19	4Q19 (w/o IFRS16)	Var. YoY			2018	2019	2019 (w/o IFRS16)	Var. YoY	
4.3	3.9	3.3		(1.0)	(24%)	Galp refining margin (USD/boe)	5.0	3.1		(1.9)	(38%)
4.3	3.0	3.7		(0.6)	(13%)	Refining cost (USD/boe)	2.6	2.9		0.3	12%
0.3	(0.4)	0.3		(0.0)	(1%)	Refining margin hedging[1] (USD/boe)	0.2	0.1		(0.2)	(76%)
19.3	20.6	26.5		7.2	38%	Raw materials processed (mmboe)	100.7	96.0		(4.7)	(5%)
16.8	15.3	24.3		7.6	45%	Crude processed (mmbbl)	92.1	82.6		(9.5)	(10%)
3.6	3.9	4.2		0.6	18%	Total oil products sales (mton)	16.8	16.2		(0.6)	(3%)
2.2	2.3	2.0		(0.1)	(5%)	Sales to direct clients (mton)	8.6	8.7		0.1	1%
118	104	99	84	(20)	(17%)	RCA Ebitda	610	415	364	(195)	(32%)
88	97	118	106	30	34%	Depreciation, Amortisation and Impairments	337	401	359	63	19%
7	0	7	7	0	2%	Provisions	7	7	7	(0)	(4%)
24	7	(26)	(29)	(50)	n.m.	RCA Ebit	265	8	(2)	(258)	(97%)
(86)	(23)	(29)	(32)	(57)	(66%)	IFRS Ebit	343	55	46	(288)	(84%)
(8)	3	3	3	11	n.m.	Net Income from R&M Associates	(6)	9	9	15	n.m.

[1] Impact on Ebitda.

Gas & Power

€m (RCA, except otherwise stated)

Quarter							Year				
4Q18	3Q19	4Q19	4Q19 (w/o IFRS16)	Var. YoY			2018	2019	2019 (w/o IFRS16)	Var. YoY	
1,725	1,803	1,992		267	16%	NG/LNG total sales volumes (mm^3)	7,616	7,646		31	0%
1,181	1,131	1,224		44	4%	Sales to direct clients (mm^3)	4,740	4,709		(31)	(1%)
544	673	768		224	41%	Trading (mm^3)	2,875	2,937		62	2%
879	762	808		(71)	(8%)	Sales of electricity to direct clients (GWh)	3,865	3,199		(666)	(17%)
272	304	354		81	30%	Sales of electricity to the grid (GWh)	1,296	1,325		30	2%
25	37	48	48	23	91%	RCA Ebitda	137	189	189	53	39%
18	26	39	39	22	n.m.	Supply & Trading	91	147	147	56	61%
8	11	9	9	1	17%	Power	45	42	42	(3)	(7%)
5	5	5	5	(1)	(10%)	Depreciation, Amortisation and Impairments	21	19	19	(2)	(8%)
20	32	43	43	23	n.m.	RCA Ebit	116	171	171	54	47%
24	32	45	45	22	93%	IFRS Ebit	132	164	164	32	25%
20	24	20	20	(0)	(2%)	Net Income from G&P Associates	93	92	92	(1)	(1%)

Financial data

€m (IFRS, except otherwise stated)

Quarter						Year			
4Q18	3Q19	4Q19	Var. YoY			2018	2019	Var. YoY	
493	619	653	160	32%	RCA Ebitda	2,218	2,381	163	7%
339	469	500	161	47%	Exploration & Production	1,440	1,751	311	22%
118	104	99	(20)	(17%)	Refining & Marketing	610	415	(195)	(32%)
25	37	48	23	91%	Gas & Power	137	189	53	39%
313	370	354	41	13%	RCA Ebit	1,518	1,387	(131)	(9%)
260	324	332	72	28%	Exploration & Production	1,109	1,189	80	7%
24	7	(26)	(50)	n.m.	Refining & Marketing	265	8	(258)	(97%)
20	32	43	23	n.m.	Gas & Power	116	171	54	47%
109	101	157	48	44%	RCA Net income	707	560	(147)	(21%)
44	60	106	62	n.m.	IFRS Net income	741	389	(352)	(47%)
7	(17)	(49)	(56)	n.m.	Non-recurring items	(31)	(177)	147	n.m.
(72)	(24)	(2)	(70)	(97%)	Inventory effect	64	6	(58)	(91%)
402	435	446	44	11%	Cash flow from operations	1,594	1,890	296	19%
301	188	282	(19)	(6%)	Capex	899	856	(43)	(5%)
121	192	229	108	89%	Free cash flow	635	922	287	45%
120	(70)	204	84	70%	Post-dividend free cash flow	142	232	89	63%
1,737	1,645	1,435	(302)	(17%)	Net debt	1,737	1,435	(302)	(17%)
0.8x	0.8x	0.7x	-	-	Net debt to RCA Ebitda[1]	0.8x	0.7x	-	-

[1] Ratio considers the LTM Ebitda RCA (€2,381 m on 31 December 2019), adjusted for the impact from the application of IFRS 16 (€189 m on 31 December 2019).

About Galp

Galp is an energy company committed to the development of efficient and sustainable solutions in its operations and in the integrated services it offers to customers. We create simple, flexible and competitive solutions for the energy or mobility needs of both large industries and small and medium-sized companies, as well as the individual consumer. Our offer includes various forms of energy – from electricity produced from renewable sources to natural gas and liquid fuels. As a producer, we extract oil and natural gas from reservoirs located kilometers below the sea surface and we are the largest Iberian producer of solar energy. We contribute to the economic development of the 11 countries in which we operate and to the social progress of the communities that host us. We are, therefore, leaders in our sector in the main global sustainability indexes. Galp directly employs 6,360 people. More information at www.galp.com.

Galp

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