

## **Galp keeps up investment pace and diversifies its energy mix**

- **Close to EUR 1 billion in annual investment**
- **Focus on energy mix with lower carbon intensity, namely with investments in natural gas and unsubsidized renewables**
- **Brazil continues to drive growth and Mozambique is strategic pillar for the coming decade**
- **Galp will propose 10% increase in dividends, to EUR 0.55 per share**

Galp is preparing its next stage of development and expects to continue investing steadily and to focus on projects that create value, not only in upstream operations, which have been driving its accelerated growth in recent years, whilst paving the way for business opportunities with lower carbon intensity.

This Tuesday, in London, the company reviews its 2018-2020 investment plan and establishes strategic guidelines for the upcoming decade, at a time when major projects developed over recent years begin to free more cash than what they absorb in investment.

Capital spending will be targeted at projects with high added value, clearly focusing on oil and gas exploration and production (E&P). Galp will also balance its remaining pillars, by strengthening the robustness of its downstream business, but also setting the groundwork for a diversification strategy into renewable energy without subsidized tariffs, thus improving the company's sustainability.

At the presentation of its strategy, as part of the Capital Markets Day, an annual meeting held between the company's senior management and the financial community, Galp announces that, in 2018, investment would be between EUR 1 billion and EUR 1.1 billion.

Until 2020, E&P will continue to account for approximately 70% of total investment. Half that amount will go to Brazil, with another third allocated to Mozambique, following the final investment decision of the LNG project in the Rovuma basin. Angola and exploration and assessment operations will be bankrolling the remaining slice of the E&P investment.

In Exploration and Production (E&P), Galp currently produces approximately 100 thousand barrels per day and expects to increase production by 50% by 2020, and already has a set of projects in its portfolio that will drive continued growth over the next decade. Geographically, the company is open to selectively analysing opportunities that bolster its strategy, such as the recent boost, through a public tender, of its presence in the pre-salt.

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In Mozambique, Galp and its partners are building a floating liquefaction and storage unit to be installed in the Coral South area, the first unit to develop the discoveries in the Rovuma basin, in anticipation of the development of the Mamba project. The size and competitiveness of this project will allow Mozambique to become a major producer of this form of energy, for which demand will continue to grow significantly over the next decade. The project is expected to effect real change in the country.

It will also be a key project in positioning Galp in the transition to a more sustainable economy, bolstering the importance of natural gas in its asset portfolio.

Natural gas is a primary energy source and is vital for the reduction of global CO<sub>2</sub> emissions, replacing coal in electricity production and is the most efficient, reliable and competitive resource in many other uses, in industry, transport and as a backup for renewables.

### Brazil drives growth

The working interest production of oil and gas is expected to record a compound annual growth rate (CAGR) of between 15% and 20% in 2018 and should reach 150 kboepd in 2020. To this end, five floating production storage and offloading units will begin operation in the next two years – three in Brazil and two in Angola – in addition to the nine that Galp and its partners already have operating, seven of which are in Brazil. Increased production in Pre-Salt in Brazil will be the company's main growth lever.

After 2020, Galp expects to create a portfolio of projects that have already been identified in Brazil and Mozambique, which will ensure its sustainable growth over the next decade.

Downstream, the company's priority includes optimising and expanding its presence in the oil, gas and electricity business.

As regards Refining and Distribution, Galp aims at implementing several projects to improve energy efficiency and boost conversion capacity.

In Distribution, Galp will endeavour to increase its market share in Portugal and Spain, investing in digitisation and a closer relationship with its customers. It will also strive to expand its distribution operations in Africa.

As for Gas & Power, the decline in its trading opportunities on international markets could limit the company's prospects for growth in the short-term. The company will continue to pursue opportunities in this area, but it will also strive to improve distribution efficiency in the Iberian market, where it has also invested in digitisation to enter a new age of customer relations and increase its market share.

### Financial outlook and dividends

EBITDA is expected to be between EUR 1.8 and EUR 1.9 billion in 2018, considering a reference Brent price of approximately US\$60. Cash flow from operations (CFFO) is expected to record annual average increases of more than 10% between 2017 and 2020, leveraged by a ramp-up in production and the expectation that the Brent price will somewhat recover in 2020.

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Cash flow from upstream operations during the same period is expected to increase approximately 30% per year, whilst cash flow from downstream operations should stabilise at between EUR 800 million and EUR 900 million.

Given the outlook, Galp's Board of Directors has decided to propose a 10% increase in dividends, to EUR 0.55 per share, at the Shareholders' General Meeting, which will be used as a reference for the next few years. An increase in the value will depend on cash generation and identifying opportunities that create value, whilst maintaining its commitment to financial discipline, reflected in a debt to EBITDA ratio of less than 2x.

Galp is a publicly traded Portuguese-based energy company with an international presence. It operates in all stages of the energy sector's value chain, from prospecting for and extracting offshore oil and natural gas, to developing energy efficient and environmentally sustainable solutions for its customers – be they big industries looking to improve their competitiveness or individual consumers wanting more flexible solutions for their homes and mobility needs. It also contributes to the economic development of the eleven countries in which it operates and to the social progress of surrounding communities. Galp employs 6,750 people.

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