ANNOUNCEMENT
June 2, 2021

Galp holds today its Capital Markets Day 2021, where Management will present an update on the Company's strategy. To visualise all documents, click here.

Galp Capital Markets Day 2021

"Today, Galp presents a refreshed strategy to reshape its Portfolio, refresh Relations and reenergise People. Throughout this decade, Galp will continue to grow. We are going to scale-up our renewables business, expand our position in the electricity value chain and develop new energies to accelerate our decarbonisation path, with the ambition to become net carbon neutral by 2050.

We will continue to deliver growth from our upstream assets and accelerate the transformation of our industrial and commercial activities, both underpinning a balanced capital allocation framework to enhance our portfolio and deliver a competitive shareholder return.

We aim to leverage on our strong brand and work together with our customers and communities to increase the pace of transition.

We want our People to thrive, fostering a high-performance friendly ecosystem and making Galp a great place to work. By 2030.

Galp will have a reshaped and more decarbonised energy profile, having laid out solid foundations to keep driving a sustainable growth investment case."

Andy Brown, CEO

Strategy refresh

Galp aims to thrive through the energy transition, continuing to deliver growth from one of the most efficient portfolios in the industry, whilst progressively transforming its activities in alignment with the energy transition.

Our strategy relies on a clear capital allocation framework, with a strict investment plan capable of delivering both cash flow growth and a competitive shareholder remuneration.

By 2030, we aim to have a more electrified, diversified and decarbonised global portfolio, offering our shareholders a combination of long-term growth and value opportunities in the energy sector.

Galp's decarbonisation path

- Galp' strategy incorporates a commitment to the progressive decarbonisation of its operations and customers' sales. We are committed to be a net zero emissions Company by 2050, and our decarbonisation path is already underway with intermediate targets by 2030.

❖ Reduce absolute emissions from operations by 40% (scopes 1 & 2)

❖ Reduce Carbon Intensity Index (production-based) by 40% (scopes 1 & 2 & 3)

❖ Reduce Carbon Intensity Index (sales-based) by 20% (scopes 1 & 2 & 3)

❖ Net zero Company by 2050

Note: All targets use 2017 as a reference year.

UPSTREAM GROWTH

- Our Upstream division produces energy from top tier economical and environmentally efficient projects, allowing Galp to maintain a differentiated growth profile.
- The Upstream strategy is focused on free cash flow maximisation, with a strict investment plan targeting the development of our existing high-return projects and supported by potential portfolio management initiatives.

- Working interest production estimated at 125-135 kboepd in 2021 and expected to increase c.25% by 2025
- Adjusted operating cash flow (OCF) ranging €1.1-1.3 bn p.a. during 2021-24 and increasing to over €1.4 bn in 2025
- Upstream to represent c.40% of the Group net capex, mostly allocated to already sanctioned developments, including Bacalhau I
- Investments in new developments during 2021-25 have an expected IRR of over 20% and an NPV_{10} breakeven of c.$25/bbl

Note: Brent at $60/bbl real terms 2020 during the 2021-25 period.

DOWNSTREAM TRANSFORMATION

Commercial

- Galp has a strong commercial business, with a robust and resilient cash flow contribution. We will continue to expand the customer experience, leveraging on our strong brand and digitalisation to capture additional value.
- The Commercial transformation will be supported by capital light investments, which will allow to double the weight from low carbon products and services and increase resilience against a declining hydrocarbon demand.

- OCF estimated to increase from c.€300 m in 2021 to c.€400 m by 2025, with low carbon representing above 40% at the end of the period
- Commercial to represent c.15% of the Group net capex, also including the implementation of innovative concepts and new value pools
- Transformation projects with expected IRR of 10-20%

Industrial & Energy Management

- Industrial & Energy Management includes Galp's refining, biofuels, cogeneration, logistics and related activities, as well as the supply and trading of oil, gas and power. Energy management will play an increasingly important role in this business.
- Galp is committed to continuously enhance its competitive industrial site, improving efficiency and reducing its carbon footprint. Through selective investments, we are assessing the implementation of energy efficiency initiatives and desulphurisation projects, as well as the incorporation of a biofuels unit.

- The gradual transformation of the Sines industrial site into a green energy hub is also expected to be leveraged on the access to green hydrogen, which will allow further industrial applications, such as synthetic fuel, and support a significant emissions' reduction by 2030.

- OCF estimated to increase from €100 – 150 m in 2021 to over €350 m by 2025, with Energy Management representing over €120 m
- Industrial & Energy Management to represent c.10% of the Group net capex, including the identified projects to enhance and adapt our industrial activities
- Investments in energy efficiency projects, desulphurisation and biofuels with an expected IRR of ≥15%

Note: Galp refining margin of $3-4/boe during the 2021-25 period.

RENEWABLES GROWTH

- Galp is already one of the leading solar PV players in Iberia. While currently focused on developing and maximising the returns from the existing solar PV pipeline, we intend to expand our portfolio, diversifying geographies and technologies.
- Theis renewables growth will rely on a dynamic and flexible business model to balance risk and returns according to the different technologies and geographies.
- Galp will continue to use a levered capital structure and partnership model as well as asset rotation to support value creation.
- The Renewables business is expected to become free cash flow positive before 2030.

- Targeting a gross renewable operating capacity of >4 GW by 2025 and c.12 GW by 2030, of which Galp expects to maintain a c.50% stake
- Pro-forma OCF of c.€100 m by 2025 and reaching €250-300 m by 2030
- Renewables to represent c.30% of the Group net capex, reflecting the net equity requirements from the continued development and expansion of the portfolio
- Equity IRR in renewable projects estimated at >9%, considering offtakes predominantly sold under PPAs (Power Purchase Agreements)

Note: Pro-forma OCF considering all Renewables' projects as if they were consolidated according to Galp's equity stakes. Equity IRR based on full life cycle. Average portfolio returns considering renewables offtake sold predominantly under PPAs, with part of the Iberian portfolio under merchant conditions now reflecting an increasing discount to baseload prices.

NEW ENERGIES

- Galp is taking an active role in the energy transition to adapt its portfolio to future demand patterns. We aim to identify and accelerate innovative business solutions with scaling potential aligned with the energy transition, assigning c.5% of the Group net capex during 2021-25.
- We are in a privileged position to develop green hydrogen solutions, taking advantage of our industrial skills. Galp intends to develop a 100 MW electrolyser project by 2025, with potential to expand to 0.6-1.0 GW as the business case is proven.
- We are also assessing entry opportunities in the fast-growing battery value chain, capturing an early mover advantage in Europe. Galp is positioning itself to expand into lithium chemical processing in Portugal, as it is securing feedstock and developing key partnerships.

2021-25 ROBUST FINANCIAL FRAMEWORK

Highly resilient portfolio driving operational cash flow growth

- We are revising up our 2021 estimates: Ebitda >€2.0 bn and OCF >€1.7 bn.
- The pro-forma OCF is estimated to increase c.35% by 2025 to over €2.3 bn, driven by Upstream growth and downstream transformation, whilst Renewables & New Energies gain significant relevance.

Note: Considering Brent at $60/bbl real terms 2020, refining margins of $3-4/boe and EUR/USD of 1.20. Pro-forma OCF considers all consolidated businesses and Renewables & New Energies assuming pro-forma figures as if they were consolidated according to Galp's equity stakes.

A clear set of capital allocation priorities

- The capital allocation framework relies on a solid financial position, with the Company targeting to keep a net debt to Ebitda ratio of c.1.0x.

  1. Net capex to average €0.8-1.0 bn p.a. during 2021-25, a c.20% reduction compared with Galp's previous plan, with 2021 guidance maintained at €0.5-0.7 bn.

     The net capex target includes portfolio management initiatives to support our investment plan, crystallise value and maintain a robust financial position.

  2. The shareholder's remuneration framework considers a baseline dividend of €0.50/sh and an additional variable component, triggered by net debt to Ebitda ratio being below 1.0x, with total distributions of up to 1/3 of CFFO.

     The baseline dividend is expected to be paid semi-annually. The variable component, should there be one, is expected to be paid after approval at Galp's Annual Shareholders Meeting, together with the baseline dividend's second tranche.

     Based on this framework and the outlook supporting the Company's base case, related to the 2021 fiscal year, Galp plans to distribute an interim dividend in 3Q21 and expects additional distributions from the variable component, to be paid next year.

Distinctive investment case

During the 2021-25 period, under the envisaged macro scenario, Galp expects to deliver superior growth, with our operational cash flow to increase c.35%, and totalling over €9 bn.

Our low capital intensive plan will represent just c.45% of this operational contribution, and will be mostly focused on Galp's transformation and growth, while up to 33% will be driving a competitive shareholder distribution.

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