

## Galp 1Q23 results

All the materials related with the results and outlook, including the video presentation from Galp's management, are available [here](#). The analysts' Q&A session will be held at 14h (Portugal / U.K. time).

*"The world continues to find itself in need of additional reliable and efficient energy supplies, aligned with a progressive decarbonisation. This reinforces our confidence in Galp's strategy, which is focused on the growth of lower-carbon projects.*

*During 1Q23, we continued to progress in our key upstream projects, to ramp-up our renewable power generation and to transform our commercial footprint. Midstream's contribution returned to normalised levels, and our industrial activities successfully captured the stronger international refining environment, whilst safely completing one of the biggest turnarounds in our Sines hydrocracker.*

*I would like to welcome the new directors who joined our board, fully energised to drive Galp's transformational journey forward. My gratitude to the departing members Teresa and Thore, and a warm welcome to Maria João, Ronald, Rodrigo and João Diogo."*

Filipe Silva, CEO

### First quarter 2023

Galp's 1Q23 results reflect a strong operating performance, namely on Industrial & Midstream and Commercial activities. Free cash flow generation was robust, at €352 m, enabling net debt to be reduced during the period by €214 m.

RCA Ebitda reached €864 m, flat YoY:

- Upstream: RCA Ebitda was €548 m, down YoY, reflecting the sale of the Angolan upstream assets, a less favourable oil price environment, as well as a negative contribution from Coral Sul, in Mozambique, still in commissioning phase.  
On a comparable basis, excluding Angolan assets, current portfolio working interest (WI) production was flat YoY, as the ramp-up of Coral Sul, was offset by increased maintenance and natural decline from some areas in Brazil.
- Renewables & New Businesses: RCA Ebitda was €35 m, reflecting higher renewable equity generation YoY, on the back of increased capacity installed and 100% ownership of Titan Solar, and supported by a realised sale price above market benchmark, leveraging on energy management short-term agreements to lock in prices.
- Industrial & Midstream: RCA Ebitda was €235 m, supported by the contribution from industrial activities, capturing the improved international cracks environment and despite increased costs due to planned maintenance. The strong performance from midstream activities benefited from higher flexibility given limited pre-sold and pre-hedged contracts, despite the reduction in sourced volumes and lower European natural gas prices.
- Commercial: RCA Ebitda was €71 m, up YoY, supported by an overall recovery in oil volumes, namely in the B2B aviation segment, which is already close to pre-pandemic levels.

Group RCA Ebit was €674 m, a 25% increase YoY, reflecting reduced DD&A from the exclusion of the Angolan upstream assets, and as 1Q22 included an impairment of €120 m related with exploration and appraisal assets in Brazil.

RCA net income was €250 m, reflecting taxes of €389 m, which includes €14 m related to the temporary Brazilian levy on oil exports and also the Iberian windfall taxes of €46 m. IFRS net income was €352 m, with an inventory effect of €-90 m and special items of €192 m.

Galp's adjusted operating cash flow (OCF<sup>1</sup>) was robust at €363 m, although reflecting a high concentration of tax payments (phasing effect) related to upstream activities in Brazil. Cash flow from operations (CFFO) reached €500 m, including an inventory effect of €-122 m and a €275 m working capital release, driven by the decrease in commodities prices and reduced inventories.

Net capex totalled €109 m, mostly directed towards Upstream projects, namely for the execution of Bacalhau, and considering €77 m of initial proceeds from the Angolan upstream assets disposal.

Considering the robust free cash flow and also the buyback programme execution, net debt decreased €214 m during the quarter. At the end of the period, Galp's financial position was sound, as net debt amounted to €1,341 m and net debt to RCA Ebitda was 0.4x.

Note: Adjusted operating cash flow (OCF) indicator represents a proxy of Galp's operational performance excluding inventory effects, working capital changes and special items. The reconciliation of this indicator with CFFO using IFRS is in chapter 6.3 Cash flow of the report.

## Financial data

€m (RCA, except otherwise stated)

	Quarter			
	1Q22	4Q22	1Q23	% Var. YoY
<b>RCA Ebitda</b>	<b>869</b>	<b>951</b>	<b>864</b>	<b>(1%)</b>
Upstream	803	791	548	(32%)
Renewables & New Businesses	(1)	17	35	n.m.
Industrial & Midstream	2	118	235	n.m.
Commercial	56	42	71	26%
Others	10	(17)	(24)	n.m.
<b>RCA Ebit</b>	<b>538</b>	<b>475</b>	<b>674</b>	<b>25%</b>
Upstream	555	602	438	(21%)
Renewables & New Businesses	(1)	5	23	n.m.
Industrial & Midstream	(51)	(15)	199	n.m.
Commercial	31	(104)	45	44%
Others	5	(13)	(31)	n.m.
<b>RCA Net income</b>	<b>155</b>	<b>273</b>	<b>250</b>	<b>62%</b>
Special items	(320)	388	192	n.m.
Inventory effect	152	(206)	(90)	n.m.
IFRS Net income	(14)	455	352	n.m.
<b>Adjusted operating cash flow (OCF)</b>	<b>638</b>	<b>701</b>	<b>363</b>	<b>(43%)</b>
Upstream	576	529	74	(87%)
Renewables & New Businesses	(1)	19	37	n.m.
Industrial & Midstream	(1)	116	235	n.m.
Commercial	55	56	42	(24%)
Others	9	(19)	(24)	n.m.
<b>Cash flow from operations (CFFO)</b>	<b>193</b>	<b>1,107</b>	<b>500</b>	<b>n.m.</b>
<b>Net Capex</b>	<b>(122)</b>	<b>(342)</b>	<b>(109)</b>	<b>(10%)</b>
<b>Free cash flow (FCF)</b>	<b>30</b>	<b>737</b>	<b>352</b>	<b>n.m.</b>
<b>Dividends paid to non-controlling interests</b>	<b>(110)</b>	<b>(100)</b>	<b>-</b>	<b>n.m.</b>
<b>Dividends paid to Galp shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>n.m.</b>
<b>Buybacks</b>	<b>-</b>	<b>(34)</b>	<b>(77)</b>	<b>n.m.</b>
<b>Net debt</b>	<b>2,392</b>	<b>1,555</b>	<b>1,341</b>	<b>(44%)</b>
<b>Net debt to RCA Ebitda<sup>1</sup></b>	<b>1.0x</b>	<b>0.4x</b>	<b>0.4x</b>	<b>n.m.</b>

<sup>1</sup> Ratio considers the LTM Ebitda RCA (€3,618 m), which includes the adjustment for the impact from the application of IFRS 16 (€225 m).

## Short term outlook

Key operating and financial guidance for 2023 is maintained, in accordance with the macro assumptions and sensitivities provided.

**Galp Energia, SGPS, S.A.**

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