ANNOUNCEMENT
May 03, 2022

First quarter results 2022

All the materials related with the results are available here. Galp's results management presentation, and analyst Q&A session, will be held at 11:30h (Portugal / U.K. time).

"Galp started the year with a strong set of results, as we improved our operational performance and successfully captured the stronger macro conditions. OCF reached €638 m, a 43% increase YoY, although the extreme volatility and high commodity price environment pressured some of our downstream activities, as Galp does not immediately pass these higher prices on to our end clients. However, despite this and a further significant working capital build, our Net Debt/Ebitda fell below 1x.

We continue to deliver on our strategy to grow and thrive through the Energy Transition. We are executing on time and budget with our key Upstream growth projects, whilst progressing in the transformation of our downstream activities. Our renewable capacity in operation is already 1.2 GW, but we also doubled our total renewable energy funnel to 9.6 GW, which adds credibility to our 2025 target of having >4 GW operating. We are also steadily laying the foundations for our new low carbon energies endeavours, sanctioning a 2 MW green hydrogen pilot and selecting Setúbal as the location to build our lithium conversion unit. Galp has built an exciting growth funnel, which sets us apart.

During these unprecedented and challenging times, our heart goes out to the people of Ukraine. I am proud of the position taken by Galp to suspend deliveries from Russia and to provide money and resources to support the humanitarian efforts."

Andy Brown, CEO

First quarter 2022

Galp 1Q22 results reflect improved operating conditions, which enabled the Company to successfully capture the stronger macro conditions, namely in the Upstream and Industrial segments, and despite the high commodity price volatility putting pressure on the remaining downstream activities.

RCA Ebitda reached €869 m, 74% higher YoY, driven by a strong Upstream and refining performance:

- Upstream: RCA Ebitda was strong at €803 m, reflecting a higher production and increased oil and gas realisations, supported by improved oil trading conditions and new equity gas contracts.
- Commercial: RCA Ebitda was €56 m, 19% lower YoY, despite the increase of oil volumes sold during the period, pressured by the price environment in Iberia, namely on gas and power activities. Additionally, starting this quarter, the Commercial segment includes the reallocation of growth platforms from the New Businesses division (decentralised energy and mobility management solutions).
- Industrial & Energy Management: RCA Ebitda was just €2 m, as the strong Industrial performance was offset by a lag in pricing formulas for oil products supply.
- Renewables & New Businesses: no relevant RCA Ebitda as most of the operations are not consolidated. The pro-forma Ebitda of the Renewables operations reached €30 m in the period, capturing the strong power prices during the period and increased generation.

Group RCA Ebit at €538 m, up 90% YoY, including an impairment of €120 m related with exploration and appraisal assets in Brazil.

RCA net income was €155 m. IFRS net income was -€14 m, with an inventory effect of €152 m and special items of -€320 m, which mainly includes mark-to-market swings from derivatives.

The strong operational performance led Galp's adjusted operating cash flow (OCF) to increase 43% YoY, to €638 m.

CFFO was €193 m, reflecting a working capital build, impacted by the spike in commodities' prices, as well as a €224 m temporary increase in derivatives margin accounts to cover gas sourcing and supply prices.

FCF was positive at €30 m. Net debt increased to €2,392 m, after dividends paid to minorities of €110 m. Net debt to RCA Ebitda was 0.96x at the end of the period, or 0.62x excluding the temporary working capital effects related to margin accounts.

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. Pro-forma considers all Renewables projects as if they were consolidated according to Galp's equity stakes.

Financial data

€m (RCA, except otherwise stated)

	Quarter				
	1Q21	4Q21	1Q22	Var. YoY	% Var. YoY
RCA Ebitda	**499**	**644**	**869**	**370**	**74%**
Upstream	438	593	803	364	83%
Commercial	69	59	56	(13)	(19%)
Industrial & Energy Management	(6)	5	2	7	n.m.
Renewables & New Businesses	(2)	2	(1)	(2)	(73%)
Others	(0)	(14)	10	10	n.m.
RCA Ebit	**284**	**415**	**538**	**255**	**90%**
Upstream	314	456	555	241	77%
Commercial	44	30	31	(13)	(29%)
Industrial & Energy Management	(67)	(55)	(51)	(16)	(23%)
Renewables & New Businesses	(3)	1	(1)	(2)	(66%)
Others	(4)	(18)	5	9	n.m.
RCA Net income	**26**	**130**	**155**	**129**	**n.m.**
Special items	34	(89)	(320)	(354)	n.m.
Inventory effect	101	65	152	51	50%
IFRS Net income	**161**	**106**	**(14)**	**(175)**	**n.m.**
Adjusted operating cash flow (OCF)	**445**	**470**	**638**	**193**	**43%**
Upstream	390	426	576	186	48%
Commercial	67	47	55	(12)	(17%)
Industrial & Energy Management	(9)	12	(1)	(8)	(86%)
Renewables & New Businesses	(2)	1	(1)	(2)	(74%)
Cash flow from operations (CFFO)	**377**	**61**	**193**	**(184)**	**(49%)**
Net Capex	**195**	**(273)**	**(122)**	**(317)**	**n.m.**
Free cash flow (FCF)	**518**	**(236)**	**30**	**(488)**	**(94%)**
Dividends paid to non-controlling interests	**-**	**(120)**	**(110)**	**(110)**	**n.m.**
Dividends paid to shareholders	**-**	**-**	**-**	**-**	**n.m.**
Net debt	**1,552**	**2,357**	**2,392**	**840**	**54%**
Net debt to RCA Ebitda[1]	**1.10x**	**1.11x**	**0.96x**	**-0.14x**	**-0.13x**

[1] Ratio considers the LTM Ebitda RCA (€2,501 m), which includes the adjustment for the impact from the application of IFRS 16 (€190 m).

Short term outlook

Galp's asset base is well positioned to capture a stronger macro environment. Given that the macro environment outlook for 2022 remains volatile, Galp is not changing its projections for the year, presented in February.

For more information please refer to the report and presentation published (here).

Other highlights

Jaca exploration well spud (Block 6, São Tomé and Príncipe)

In April 2022, Galp and partners spudded the Jaca well in block 6, in offshore São Tomé and Príncipe, with drilling operations ongoing. Jaca is an ultradeep water potential frontier exploration well, targeting a cretaceous play.

FID of a 2 MW green hydrogen project, in Sines

In March, Galp sanctioned the development of its green hydrogen pilot unit, a 2 MW electrolyser located in the Sines refinery, which will accelerate the Company's learning curve. The technology selected was PEM (polymer electrolyte membrane) and the system will be integrated with the refinery, allowing to start replacing the current hydrocarbon based hydrogen production.

Expansion of renewables projects' funnel, adding 4.8 GW early-stage projects in Brazil

Galp agreed to acquire a 4.8 GW diversified portfolio of early stage renewable energy projects in Brazil, doubling its funnel of opportunities to 9.6 GW, across Brazil, Spain and Portugal.

The framework agreement comprises the acquisition of 19 projects to be developed by SER Energia, with total potential capacity of 4.6 GW, and a 216 MW cluster of three wind farms in Brazil's Northeast, to be developed by Casa dos Ventos. The transactions will become effective as the several parks advance through the respective development stages. No relevant upfront spending is expected, with investments subject to execution milestones.

Galp and Northvolt select Setúbal to build planned lithium conversion unit

Galp and Northvolt have selected the port city of Setúbal as the location for their Aurora lithium conversion plant, which aims to become a steppingstone for the development of an integrated lithium-battery value-chain in Europe. It is set to have an initial annual production capacity between 28 and 35 ktons of battery-grade lithium hydroxide. More information here.

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