

Third quarter and first nine months results 2021

Galp presents today its 3Q21 and first nine months results. To access the report and all documents related with the results, please click [here](#).

Galp delivered a robust set of results during this quarter, capturing the improvement in macroeconomic conditions, namely higher Brent prices, stronger international refining margins and favourable pool prices in Iberia. Our Ebitda surpassed €600 m, in a quarter also marked by some operational challenges, which give us head room to further improve our performance in the future.

Our cash delivery reflected a temporary effect related to our hedges to de-risk gas sourcing and supply prices, which were impacted by the recent volatility in natural gas prices. While our net debt to Ebitda ratio increased slightly above our target, we remain confident that Galp's cash flow profile will allow us to deleverage and the temporary nature of these effects should enable us to deliver a competitive shareholder remuneration related to 2021.

We are delivering on our commitments to grow our established businesses while expanding our Renewables ventures by developing and securing access to funding for our low carbon businesses. We are thrilled to continue executing our proposed Renewables strategy, expanding in and outside Iberia with the entrance in Brazil, leaving our current portfolio at c.4.7 GW gross capacity. These are important times in Galp's history and I am confident that we are in the right path to thrive through the energy transition.

Andy Brown, Galp's CEO

Third quarter 2021

Galp's adjusted operating cash flow (OCF)¹ reached €468 m, up €143 m YoY, driven by a higher Upstream contribution and a more supportive Industrial performance. Cash flow from operations (CFFO) was €175 m, impacted by a working capital build, which includes temporary margin accounts of €373 m related to hedges to de-risk gas sourcing and supply prices.

Considering the above-mentioned effects, free cash flow (FCF) generation was negative at -€113 m, with net debt at €2,028 m, also reflecting dividends paid to Galp's shareholders of €207 m. Net debt to RCA Ebitda was 1.1x at the end of the period.

RCA Ebitda was €607 m, with the following highlights:

- **Upstream:** RCA Ebitda was €522 m, a €220 m increase YoY, reflecting the higher oil price environment, despite an increased discount on realisations, which more than offset the lower production. OCF was €364 m, compared to €253 m in 3Q20.

¹ 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 3Q21 report.

- **Commercial:** RCA Ebitda was €87 m, lower 17% YoY, while OCF was €84 m, down 17% YoY, despite increased sales volume, as 3Q20 benefited from a higher contribution from high value segments.
- **Industrial & Energy Management:** RCA Ebitda was €15 m, up from -€12 m in 3Q20, following an improved refining environment, although impacted by a negative contribution from Energy Management, mostly due to natural gas sourcing restrictions during the period, increased regasification costs in Portugal and a negative impact in supply from the lag in the pricing formulas for oil products.
- **Renewables & New Businesses:** No relevant RCA Ebitda as most of the operations are not consolidated. The pro-forma Ebitda² of the Renewables operations reached €28 m in the period, capturing the robust Iberian solar capture prices in Iberia.

RCA Ebit was up €261 m YoY to €369 m, following the stronger operational performance.

RCA net income was €161 m. IFRS net income was -€334 m, with an inventory effect of €50 m and special items of -€545 m, which include mark-to-market swings from derivatives.

First nine months 2021

Galp's OCF¹ was €1,383 m, 59% higher YoY, while RCA Ebitda was €1,678 m, 45% higher YoY, supported by the improved macro conditions. CFFO was €992 m, also reflecting a working capital build, from derivatives margin accounts.

Capex totalled €680 m, with Upstream accounting for 69% of total investments, whilst the downstream activities represented 12% and Renewables & New Businesses 17%. Net capex was of €253 m, considering the proceeds from divestments during the 1H21, most notably the stake sale in Galp Gás Natural Distribuição (GGND).

FCF amounted to €633 m. Considering dividends paid to shareholders of €498 m and to non-controlling interests of €78 m, as well as other adjustments, net debt decreased €38 m, compared to the end of last year.

Other highlights

Full year 2021 updated guidance

Galp updated its guidance for 2021, based on the past performance and the updated macro and operational outlook.

Group RCA Ebitda is now expected to surpass €2.3 bn (vs. >€2.0 bn previously):

² Pro-forma considers all Renewables projects as if they were consolidated according to Galp's equity stakes.

ANNOUNCEMENT

October 25, 2021



- **Upstream:** RCA Ebitda expected at c.€2.0 bn, now assuming average Brent prices at c.\$70.0/bbl while also reflecting the working interest production adjustments.
- **Commercial:** RCA Ebitda estimated at c.€300 m, following a slower oil products demand recovery in Iberia.
- **Industrial & Energy Management:** RCA Ebitda expected at <€100 m, as the higher Industrial performance offset by lower contribution from the Energy Management.
- **Renewables:** Estimated pro-forma Ebitda (not consolidated) is expected at c.€60 m, following the higher power prices in Iberia.

Group OCF is estimated at >€1.8 bn (vs. >€1.7 bn previously), while net capex is expected in the range of €0.5 – 0.6 bn (vs. €0.5 – 0.7 bn previously).

Financial data

€m (IFRS, except otherwise stated)

Quarter					Nine Months				
3Q20	2Q21	3Q21	Var. YoY	% Var. YoY		2020	2021	Var. YoY	% Var. YoY
401	571	607	206	51%	RCA Ebitda	1,161	1,678	517	45%
302	467	522	220	73%	Upstream	792	1,428	635	80%
105	73	87	(18)	(17%)	Commercial	255	229	(26)	(10%)
(12)	50	15	28	n.m.	Industrial & Energy Management	97	60	(37)	(38%)
(2)	(6)	(6)	4	n.m.	Renewables & New Businesses	(6)	(14)	8	n.m.
108	305	369	261	n.m.	RCA Ebit	268	957	689	n.m.
133	290	375	241	n.m.	Upstream	246	978	732	n.m.
81	48	58	(23)	(28%)	Commercial	185	149	(36)	(19%)
(108)	(9)	(43)	(66)	(61%)	Industrial & Energy Management	(159)	(119)	(40)	(25%)
(2)	(5)	(6)	5	n.m.	Renewables & New Businesses	(17)	(14)	(3)	(20%)
(23)	140	161	184	n.m.	RCA Net income	(45)	327	372	n.m.
(85)	(137)	(545)	460	n.m.	Special items	(111)	(648)	537	n.m.
2	68	50	48	n.m.	Inventory effect	(360)	219	579	n.m.
(106)	71	(334)	228	n.m.	IFRS Net income	(516)	(102)	(414)	(80%)
325	470	468	143	44%	Adjusted operating cash flow (OCF)	870	1,383	513	59%
253	346	364	112	44%	Upstream	508	1,100	593	n.m.
101	69	84	(17)	(17%)	Commercial	246	220	(26)	(11%)
(18)	64	31	49	n.m.	Industrial & Energy Management	116	86	(30)	(26%)
(2)	(2)	(2)	(0)	(17%)	Renewables & New Businesses	(6)	(6)	(1)	(13%)
391	440	175	(216)	(55%)	Cash flow from operations (CFFO)	794	992	197	25%
(432)	(186)	(261)	(171)	(40%)	Net Capex	(792)	(253)	(540)	(68%)
(49)	228	(113)	64	n.m.	Free cash flow (FCF)	58	633	575	n.m.
(29)	(78)	-	29	n.m.	Dividends paid to non-controlling interests	(223)	(78)	(145)	(65%)
-	(290)	(207)	(207)	n.m.	Dividends paid to shareholders	(318)	(498)	179	56%
2,091	1,711	2,028	(63)	(3%)	Net debt	2,091	2,028	(63)	(3%)
1.3x	1.0x	1.1x	-0.2x	n.m.	Net debt to RCA Ebitda¹	1.3x	1.1x	-0.2x	n.m.

¹ Ratio considers the LTM Ebitda RCA (€1,902 m on 30 September 2021), which includes the adjustment for the impact from the application of IFRS 16 (€186 m on 30 September 2021)

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