

Second quarter and first half results 2021

Galp presents today its 2Q21 and 1H21 results. To access the report and all documents related with the results, please click [here](#).

Galp's financial performance during this first half was robust. Our assets have been able to capture the continued recovery of the macro context, namely higher Brent prices and increased Iberian demand for oil products, crucial for Galp to deliver a solid set of results, generating a free cash flow of over €0.7 bn and strengthening its financial position. However, Covid restrictions are still impacting operational performance, refinery margins and commercial sales volumes. Nevertheless, we are already at our targeted leverage ratio, which allows us to have confidence on the outlook for our financial performance and on the capacity to keep delivering a highly competitive and differentiated investment proposition.

In our latest Capital Markets Day in June, Galp presented an updated strategy, with a clear capital allocation framework aiming to continue to deliver growth from one of the most efficient portfolios in the industry, whilst progressively transforming and decarbonising our activities. We have progressed on that direction during the first half of the year, advancing on key developments that will support our path. We have also refreshed our organisational structure and, with that, made some changes to our Executive Team, as we aim to adopt a leaner and more agile management model to embrace the exciting challenges ahead.

These are important times in Galp's history and I am confident that we will thrive through the energy transition.

Andy Brown, Galp's CEO

Second quarter 2021

Galp's adjusted operating cash flow (OCF)¹ reached €470 m, up €231 m YoY, considering the very challenging macro conditions during 2020, supported by a higher Upstream contribution as well as a better downstream performance. Cash flow from operations (CFFO) was €440 m.

FCF generation was strong at €228 m, with net capex during the period of €186 m.

Net debt at the end of the period was €1,711 m, with net debt to RCA Ebitda decreasing to 1.0x.

RCA Ebitda was €571 m, with the following highlights:

- **Upstream:** RCA Ebitda was €467 m, a €263 m increase YoY, reflecting the higher oil price environment, which more than offset the lower production and the depreciation of the USD against the Euro.
- **Commercial:** RCA Ebitda of €73 m, up 22% YoY, reflecting the higher demand of oil products from a partial relief of lockdown measures in Iberia.
- **Industrial & Energy Management:** RCA Ebitda was €50 m, up €31 m YoY, with margins still pressured by the international environment. Energy Management Ebitda benefited from timing differences on trading gas derivatives, which should be partially reverted during 2H21.

¹ The adjusted operating cash flow 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.

- **Renewables & New Businesses:** No relevant RCA Ebitda as most of the operations are not consolidated. The pro-forma Ebitda² of the Renewables operations reached €17 m in the period, driven by robust Iberian solar capture prices in Iberia.

RCA Ebit was up €362 m YoY to €305 m, supported by the stronger operational performance, whilst including €50 m of impairments in exploration assets in Upstream.

RCA net income was €140 m. IFRS net income was €71 m, with an inventory effect of €68 m and special items of -€137 m.

First half 2021

Galp's OCF¹ was €914 m, 68% higher YoY, while RCA Ebitda was €1,071 m, 41% higher YoY, given the improved macro conditions.

Capex totalled €402 m, with Upstream accounting for 71% of total investments, whilst the downstream activities represented 11% and Renewables & New Businesses 16%. Net capex represented a gain of €8 m, considering the proceeds from divestments during the period, most notably the stake in GGND.

FCF amounted to €746 m, with the strong cash generation supported by operational performance and the GGND divestment.

Considering dividends paid to shareholders of €290 m and to non-controlling interests of €78 m, as well as other adjustments, net debt decreased €354 m, compared to the end of last year.

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

€m (IFRS, except otherwise stated)

Quarter					First Half				
2Q20	1Q21	2Q21	Var. YoY	% Var. YoY		2020	2021	Var. YoY	% Var. YoY
291	499	571	281	97%	RCA Ebitda	760	1,071	311	41%
204	438	467	263	n.m.	Upstream	490	906	416	85%
59	69	73	13	22%	Commercial	149	142	(7)	(5%)
19	(6)	50	31	n.m.	Industrial & Energy Management	109	45	(64)	(59%)
(4)	(2)	(6)	2	58%	Renewables & New Businesses	(5)	(8)	4	79%
(57)	284	305	362	n.m.	RCA Ebit	161	588	428	n.m.
(32)	314	290	322	n.m.	Upstream	113	603	490	n.m.
36	44	48	12	32%	Commercial	104	92	(13)	(12%)
(60)	(67)	(9)	(51)	(85%)	Industrial & Energy Management	(51)	(76)	25	50%
(9)	(3)	(5)	(4)	(45%)	Renewables & New Businesses	(16)	(8)	(8)	(52%)
(52)	26	140	192	n.m.	RCA Net income	(22)	166	188	n.m.
(154)	161	71	225	n.m.	IFRS Net income	(410)	232	642	n.m.
(18)	34	(137)	119	n.m.	Special items	(26)	(103)	77	n.m.
(84)	101	68	152	n.m.	Inventory effect	(362)	169	531	n.m.
239	445	470	231	96%	Adjusted operating cash flow	544	914	370	68%
123	390	346	223	n.m.	Upstream	255	736	481	n.m.
55	67	69	14	26%	Commercial	145	136	(9)	(6%)
49	(9)	64	15	31%	Industrial & Energy Management	134	55	(79)	(59%)
(4)	(2)	(2)	(2)	(56%)	Renewables & New Businesses	(4)	(4)	(1)	(12%)
160	377	440	280	n.m.	Cash flow from operations	404	817	413	n.m.
(149)	195	(186)	37	25%	Net Capex	(360)	8	368	n.m.
16	518	228	212	n.m.	Free cash flow	107	746	639	n.m.
(86)	-	(78)	(8)	(9%)	Dividends paid to non-controlling interests	(194)	(78)	(116)	(60%)
(318)	-	(290)	(28)	(9%)	Dividends paid to shareholders	(318)	(290)	(28)	(9%)
1,932	1,552	1,711	(221)	(11%)	Net debt	1,932	1,711	(221)	(11%)
1.1x	1.1x	1.0x	0.0x	n.m.	Net debt to RCA Ebitda¹	1.1x	1.0x	0.0x	n.m.

¹ Ratio considers the LTM Ebitda RCA (€1,697 m on 30 June 2021), which includes the adjustment for the impact from the application of IFRS 16 (€184 m on 30 June 2021).

Other highlights

Galp Capital Markets Day 2021

On June 2, Galp presented a refreshed strategy, aiming 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. The 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. Galp' strategy also incorporates a commitment to the progressive decarbonisation of its operations and customers' sales, as it is committed to be a net zero emissions Company by 2050, with clear intermediate targets by 2030.

The capital allocation framework relies on a solid financial position, with the Company targeting to keep a net debt to Ebitda ratio of c.1x. 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. The shareholder's remuneration framework considers a baseline dividend of €0.50/sh and an additional variable component which should be triggered by net debt to Ebitda ratio being below 1x. Total base and variable distributions may reach 1/3 of CFFO depending on maintaining the net debt to Ebitda ratio at c.1x. More information [here](#).

Final investment decision for Bacalhau phase I in Brazil

On June 1, Galp, through its subsidiary Petrogal Brasil, together with its partners Equinor (operator), ExxonMobil, and Pré-sal Petróleo SA (PPSA) have decided to sanction the development of the Bacalhau field in the Brazilian pre-salt Santos area. The investment estimated is of approximately \$8 bn. Bacalhau is a highly competitive project, with an NPV₁₀ breakeven below \$35/bbl and a low carbon intensity of c.9 kgCO₂e/bbl. The project first oil is expected in the second half of 2024 and will add c.40 kbpd to Galp's working interest production once at plateau, through a 220 kbpd capacity FPSO. Phase I recoverable volumes are estimated at over 1 bn bbl. More information [here](#).

Subsequent events

Changes in Galp's Board of Directors and Executive Committee

Following Galp's strategic update presented at its Capital Markets Day by the recently appointed CEO Andy Brown, the Board of Directors approved on July 23 changes in its composition and in the Company's Executive Committee (Exco) to enhance the potential of each of its activities, adopting a leaner and more agile management model. The new Exco structure is the following:

- Andy Brown, CEO
- Filipe Silva, CFO
- Carlos Costa Pina, COO Corporate Office
- Teresa Abecasis, COO Commercial
- Thore E. Kristiansen, COO Production & Operations, which will include Upstream and Industrial businesses

The Board of Directors is in the process of recruiting the new COO for the Renewables & New Businesses unit, which will be, in the interim, managed by CEO Andy Brown. Additionally, the development of Energy Management businesses will be led by Andy Brown.

The changes in the organisational structure will not impact Galp's reporting segments during 2021, which should follow the structure announced in the Capital Markets Day 2021 presentation.

More information [here](#).

Galp Energia, SGPS, S.A.

Investor Relations:

Otelo Ruivo, Head
Inês Clares Santos
João Antunes
João G. Pereira
Teresa Rodrigues

Contacts:

Tel: +351 21 724 08 66
Fax: +351 21 724 29 65

Website: www.galp.com/corp/en/
Email: investor.relations@galp.com

Address:

Rua Tomás da Fonseca,
Torre A, 1600-209 Lisbon, Portugal

Reuters: GALP.LS
Bloomberg: GALP PL

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