

CEPSA HALF YEAR 2024

>> JAIME CIFUENTES: Good morning, ladies and gentlemen and welcome to the CEPSA's 2024 2nd quarter results presentation. Thank you for joining us today. My name is Jaime Cifuentes, CEPSA's Head of Investor Relations and Corporate Strategy. Before we start, please, let me take a moment to remind you that the financial information contained in this document is unaudited and some figures are non-IFRS. This webcast, including the Q&A session, may contain forward-looking statements, which reflect the company's estimates, intentions, and current expectations concerning, among other things, the company's operations, results, financial condition, liquidity, growth, and strategy, but do not guarantee future performance of the company. Please, take a moment to read the disclaimer included in the presentation. You can send us your questions through the "Ask a question" tab located at the bottom of the screen at any time during the presentation. We will do our best to answer all of them at the end of the session. Today's conference call will be conducted by Carmen de Pablo, CEPSA's Chief Financial Officer. So, without any further delay, Carmen, the floor is yours.

>> CARMEN DE PABLO: Thank you, Jaime and good morning, everyone. I'm Carmen de Pablo, CEPSA's CFO and I welcome you all to the CEPSA's 2024 2nd quarter results presentation. I hope you're all well and thank you all for joining. During today's presentation, we will cover the following topics. First, we will briefly introduce you to the main highlights of the second quarter, including key milestones in progress we have made on our strategy Positive Motion. Second, we will go through the market and operational performance highlights. We will then continue with the financial performance for the first half of the year before making some closing remarks and opening up for Q&A.

And now moving on to slide six, please. The second quarter results have been bolstered by a supportive market environment and a general improvement in operational KPIs, highlighted by a solid refining margin, robust crude oil prices, and a strong performance across most business segments. Nevertheless, it is worth highlighting that these results are being penalized by illegal practices in the Spanish fuel market. CEPSA's refining margin averaged \$7.7 per barrel below the figure for Q 1 2024, but it's still at healthy levels compared to those of Q 2 2023. Refining utilization rates remain strong at 94%, enabling us to capitalize on favorable market conditions during the period. This figure is slightly lower compared to the previous quarter, but due to several shutdowns, which remains still on the high end. Commercial and chemicals product sales reached 4.9 million tons, an increase compared to the previous quarter driven by demand recovery and seasonality. Our upstream business average working interest production exceeded 34,000 barrels per day, slightly lower than Q 1 2024, mainly due to several ongoing workovers. On the financial side, during the second quarter, we reported a robust clean CCS EBITDA of €515 million. Cash flow from operations after working capital reached €417 million, surpassing the operating cash flow generation of the first quarter of 2024. Net debt stood at €2.5 billion. And our liquidity position significantly increased to €5.4 billion which includes the recent seven-year bond issuance for €750 million, providing ample coverage for our debt maturities and underlying CEPSA's conservative and prudent financial policy.

And now moving on to the next slides, we will review the progress achieved in the implementation of our Positive Motion Strategy. In June, we signed a €250 million loan agreement with the European Investment Bank for the construction of our first advanced biofuel plant to be located next to La Rábida Energy Park in Palos de La Frontera, Andalusia. The plant, which we are building together with Bio-oils, will produce sustainable aviation fuels, SAF, and renewable diesel, HBO, from organic waste such as used cooking oil or from agricultural waste, contributing to the circular economy. Once operational the facility is expected to process as much as 600,000 tons of waste and produce up to 500,000 tons of second-generation biofuels annually. We are grateful for EIB's support to this project, which is key to our Positive Motion Strategy and to Spain and Europe's progress towards the necessary energy independence. This plant will enable us to take a giant step forward in the production of green molecules with the aim of facilitating the immediate decarbonization of land, sea, and air transport by reducing CO₂ two emissions by up to 90% compared with traditional fuels. With this new agreement, the third financing operation with CEPSA in the last two years, EIB is continuing to support the CEPSA's decarbonization strategy. The continued support by large public institutions like EIB and other diversified tier-one lenders underscore their willingness to contribute to the execution of our Positive Motion Strategy focusing on sustainability and energy transition.

And now, on slide eight. In addition to the milestones already mentioned during the last few months, we have made good progress accelerating the implementation of our Positive Motion Strategy. We recently celebrated a key milestone in the execution of our strategic objectives, the integration of Ballenoil into the CEPSA Group. The transaction was successfully completed following CNMC approval in May and, consequently, CEPSA has taken control of 249 service stations of Ballenoil, which we will be managing independently. Through this transaction, we not only reinforce our position in the market but also demonstrate our firm commitment to driving growth in this segment and becoming a benchmark in sustainable mobility. In addition, as a significant milestone in our ongoing commitment to ESG excellence, I'm pleased to announce that CEPSA has been awarded the Ecovadis Gold Medal for the second year in a row. This prestigious recognition places us among the top 3% of companies worldwide out of more than 50,000 evaluated. We have achieved an impressive score of 75 points, an increase of two points compared to 2023. This rating provides a benchmark for companies to assess the sustainability of their supply chains, reflecting our unwavering dedication to integrating sustainable practices across our operations.

In CEPSA Chemicals, also, we started the construction of a new isopropyl alcohol, IPA, plant. This product is used not only in hydroalcoholic gels but also in household and industrial cleaning products. The new IPA plant backed by a €75 million investment will be located in Palos de La Frontera, Huelva, and will be the first plant of its kind in Spain to use green hydrogen and is capable of replacing fossil-based raw materials in the production of isopropyl alcohol with sustainable alternatives. This will expand our chemicals range of more sustainable products in line with our Positive Motion Strategy.

Following our strategy, we also, we recently signed an agreement with the Canadian company, PetroTal to sell our upstream business in Peru including Los Angeles Oil Field. The completion of this transaction is subject to conditions precedent including regulatory approvals. This transaction supports our transformation and our strategy to make CEPSA a leader in the

energy transition by the end of the decade. And the investment of these assets will not materially affect future cash generation as their current production volume was no longer significant in the company's portfolio. Nevertheless, it is yet another important step in our Positive Motion journey.

Making progress in other strategic ambitions, in May 2024, we selected Thyssenkrupp Nuceraas the preferred supplier of a 300-megawatt alkaline water electrolyzer for our green hydrogen plant in Spain. Under this agreement, we awarded the electrolyzer specialist a contract to provide a basic engineering design package. As one of the world's leading suppliers of this technology, they will assist in the design and engineering of the facility through to the FID. Additionally, and in connection to the above, CEPSA has selected Siemens Energy, one of the world's leading energy technology companies, for the supply of 100 megawatts of proton exchange membrane, PEM, electrolysis technology for green hydrogen production at La Rábida Energy Park. The decision to use both technologies is part of a multi-supplier approach to create a European value chain for green hydrogen, an essential vector to decarbonizes industry and heavy ground, air, maritime transport across the continent this decade. And as well, as mentioned earlier, to increase Europe's energy independence. And as part of our commitment to innovation and sustainability, we launched our start-up accelerator, CEPSA Light Up, an initiative aimed at fostering the development of emerging technologies geared towards facilitating the energy transition. With this project, we aim to position ourselves at the forefront of the energy sector and address the challenges in our business lines, such as the production of sustainable energies based on green molecules, sustainable mobility, innovative solutions in circular economy, renewable energy storage, and the chemicals industry, amongst others. We will work to ensure that entrepreneurs receive the support needed to transform their innovative ideas into viable commercial solutions.

And now on slide 10, we will briefly cover market and operational performance. During the second quarter of this year, crude prices fluctuated within a \$77 to \$91 per barrel range, averaging \$85 per barrel, mainly reflecting geopolitical tensions, the continuation of voluntary production cuts by OPEC, and global demand and supply dynamics. This led to a slight upward, yet volatile, trend in crude oil prices versus the previous quarter. During the second quarter, we maintained a robust refining margin of \$7.7 per barrel. This figure, although below that of the first quarter, mainly due to lower-than-expected gasoline demand before the peak in driving season, remains at healthy levels and above historical averages. The refining margin was pretty much consistent with the same period last year. The euro-dollar exchange rate continued its stable trend from previous periods in the second quarter, averaging 1.08 dollars per euro. And lastly, Spanish fuel demand increased when compared to the first quarter of 2024, driven by the seasonality effect especially in June.

Now we will briefly review the business performance on slide 11. Starting with our energy segment, EBITDA stood at €875 million in the first half of the year, well above the same period last year, driven by a robust refining margin and refining utilization rate along with a solid commercial business performance. Refining production stood at 10.8 million tons and the utilization rate reached 96%, both higher than in the first half of 2023. Mainly due to improved performance of the energy par park segment and lower energy cost also contributed to this improved performance. Commercial product sales remain in line with the same period of last year. Even though first half of 2024 commercial sales were penalized by fraudulent practices in

the Spanish market. Our chemicals business achieved very strong results with an EBITDA of €146 million, 18% higher than the first half of last year. These positive results were driven by strong volumes recovering in Europe and lower natural gas prices, reaching 1,233,000 tons of product sales in the period when you compare just over one million tons in first half of 2023.

Moving to the upstream business, EBITDA for the period amounted to €156 million, except for the effect of the sale of the Abu Dhabi assets in March of last year. EBITDA figures in the first half of this year are higher than the same period of 2023, mainly driven by higher brand prices and the RKF production start-up after a scheduled turnaround.

And now, moving on to the next slide, we will review the financial performance of the Group for the first half of the year.

On the back of solid performance across most business segments, we recorded an EBITDA of €1,099 million for the first half of 2024 and a net income of €398 million. Both on CCS basis. A significant improvement when compared to the figures from the same period last year. These results are particularly strong considering that first half of last year included Abu Dhabi production until March 15th, and that the mobility business is still suffering from fraudulent practices in the Spanish fuel market this year. Our cash flow from operations, including the impact of the windfall tax, remained robust at €735 million. Once again, exceeding first half 2023. CAPEX significantly increased compared to the first half of last year, reflecting the accelerated execution of our Positive Motion Strategy with a growing proportion allocated to sustainable investments, as shown further in the presentation. Net debt has stood at €2.5 billion, consistent with first half of 2023 levels. And this is following our conservative financial policy as we maintain a strong liquidity position of €5.4 billion providing a substantial buffer that is sufficient to cover maturities in the coming years. As already mentioned, this figure includes the recent issuance of a new seven-year €750 million bond issued in early April, which reinforces our financing metrics.

And now moving on to slide 14, as mentioned, cash flow from operations for the first half of the year stood at €735 million exceeding the figure of the last previous year. It should be noted that the cash flow from operations in the first half of this year includes the first payment of the extraordinary tax imposed to Spanish energy companies amounting to €122 million and which, in total, will amount to €243 million for the year. Investments have continued to rise during the period, reflecting our commitment to the Positive Motion Strategy. We remain focused on the objective of strengthening our financial position, ensuring that investments align with our long-term vision of growth and transformation while delivering attractive returns. Increased cash generation and efficient capital allocation has resulted in a slightly positive free cash flow for the period. This underscores our firm focus on creating sustainable value for our shareholders and stakeholders. Dividends paid to shareholders for the second quarter accounted to €185 million.

And now, moving on to slide 15. In terms of CAPEX, during the second quarter, organic CAPEX amounted to €203 million for which 45% was dedicated to sustainable investments. For the first half of the year, organic investments totaled €421 million marking a 21% increase, when compared to the same period of last year. This underscores our commitment to executing our Positive Motion Strategy as our sustainable investments in the first half of the year improved by more than 30% compared to the first half of 2023. Organic sustainable CAPEX. During the first half of the year was primarily devoted towards clean energy initiatives, biofuels production, hydrogen

development, expansion of EV charging infrastructure across our service station networks, and innovative sustainable chemical solutions. Our capital allocation process ensures that we retain significant flexibility to defer specific investments when necessary to safeguard free cash flow generation.

In conclusion, let me summarize today's presentation with some key takeaways. During the first half of this year, we reached an EBITDA of €1.1 billion. Solid results driven by healthy refining margins, higher refining production, and a strong sale in chemicals business. Following the last quarter's trend, 45% of organic investments was devoted to the energy transition, mainly focused on biofuels, hydrogen and EV charging. We remain strongly committed to the key objective of leading the energy transition in Iberia. In this context, we continue to make progress. We signed a €285 million loan with EIB to finance the 2G Biofuels plant. We started building in the first quarter. We closed the acquisition of Ballenoil after the CNMC officially approved the operation. We reached an agreement with Petro Tal for the sale of our upstream assets in Peru. And we began the construction of the first chemical plant in Spain to produce the base for hydroalcoholic gels using green hydrogen and sustainable raw materials. Our liquidity position remains robust at €5.4 billion providing a sustainable buffer, comfortably managing future debt maturities until the second half of 2028. This strong liquidity underscores our financial resilience and ensures we are well prepared to meet our obligations, while continuing to invest in growth opportunities. Committed to a sustainable future, we are dedicated to decarbonizing our operations and assisting our clients in the energy transition by investing in green hydrogen, advanced biofuels, electric mobility, and sustainable chemical solutions we strive to reduce emissions and lead the industry towards a greener and more sustainable path.

And with this, we conclude today's presentation. Thank you all for joining us and I will now hand it over to Jaime for the Q&A session. Thank you.

>> JAIME CIFUENTES: Thank you very much, Carmen. Just let me remind you how to send us your questions. There is an "Ask a question" tab located at the bottom of your screen and you may type your questions directly into the dialogue box. We will now give you some time to post your questions. Thank you very much.

Carmen, we do have two questions for the time being, the first one is around our outlook on refining margins if we can comment on that. And the other one is regarding our credit rating, if we are satisfied with our -BBB rating.

>> CARMEN DE PABLO: Okay. Maybe, I'll start with the first question in terms of the refining margin environment. It's true, we have seen some softening of the overall refining market, however, it still at a very solid levels and, and in the upper range, when you look at the historical ranges. And maybe despite the drop that we have registered in the latter part of June, as we stand today, we actually see some recovery and especially when we see diesel and gasoline, gasoil markets that are still are very tight. And any disruptions could certainly impact the way that we see the market going forward.

In terms of demand, effectively, European gasoline demand has been at very healthy levels, when we look at year to date. And maybe less so in the US where we are in the middle of the driving season, but the demand has been lower than registered last year. So, there is less incentive to import European product. However, we do not see that, overall, this should continue in the context of, also, when you look at jet demand which is expected to peak during this now summer season, everyone moving around, they should be also supporting for middle distillate complex. And we see some effective recovery for the second half by a number of reasons, energy prices, which is also a big component, have been positive in terms of basically natural gas prices, which have been fairly stable and lower prices. So, all in all, I think we see scope for strengthening cracks in the second half. Less Russian gas-oil exports and demand upside where we see, you know, still a very constructive refining margin environment and on the upper range of historical ranges and above our budget overall. And also, recent recovery supports this view.

To the second question in terms of rating, as we have said, this is an important topic for us. It is always, always our ambition to continue to improve and find the right balance between, of course, our commitment to investment grade, our remuneration to shareholders, and our investment program for Positive Motion. So, I would say that we will continue to support the dialogue with the three rating agencies, as you know, the three Fitch, S&P, and Moody's reiterated our outlook stable and our investment grade rating. We will obviously endeavor to continue to work with them and having balanced capital structure whilst developing our strategy. In terms of our CAPEX, there is flexibility also and how we deploy our capital intensity. And that's the balance that we will continue to achieve. I think once we go through this investment phase now during this year and the next 18-24 months, we will clearly endeavor to continue to strengthen our balance sheet and obviously seek for, you know, an improved rating overall.

>> JAIME CIFUENTES: Thank you, Carmen. Let's take 1 or 2 minutes to see if there's any new incoming questions.

There's one further question around the reasons for the increase in EBITDA in our energy segment in Q2 2024 versus the same period last year.

>> CARMEN DE PABLO: Well, there are a number of reasons, right? The energy segment actually includes a big number of businesses from our energy parks to our commercial mobility, and the also trading amongst others. So, there is obviously different movements when you compare one quarter to another and, in particular, one year to another, maybe some of the key highlights. You will have seen that we have had an improved refining margin, but also an improved utilization rate of our energy parks in addition to higher production levels, when we compare to last year and, in particular, and one of the key areas as I mentioned earlier was, basically, lower energy costs throughout this quarter when you compare to also last year. It's also true that the performance, as it relates to our trading business, has been also different from the positions that we had last year compared to this year. And I think, all in all, and it's a big segment to provide you with, you know, the specificities provided that upside that we have seen during this quarter. I think, overall, the constructive outlook that we have, as I mentioned, on refining environment for

the upper end of historical averages that we have seen, and also the delivery that we continue on efficiency programs, and the initiatives that we are undertaking to continue to add value to our different businesses should be continuing to provide with an improved overall performance when you compared vis-a-vis last year.

>>JAIME CIFUENTES: Thank you, Carmen. There's a question around the fraudulent activities in the Spanish market and what's the estimate of the impact in our financials.

>> CARMEN DE PABLO: Yes. Well, sorry, I will not be able to give you the full details. We don't get into that level of disclosure, but it is quite known that fraudulent activities that are taking place in the Spanish market are clearly penalizing our results and also the results of other companies in the space. And we have lost significant volumes, overall, to some of these less well-known companies that are taking these illegal practices. We are, obviously, looking to work around with the authorities to help effectively stopping and getting back to what has been a more normalized market. But it's true that this has had an impact also, even though I would say in the overall context of our results, it is not significant when we look at our mobility business itself, it is certainly taking a hit and, in particular, those volumes, if there is obviously now, a number of measures in place, we should expect to recover during the second half.

>> JAIME CIFUENTES: Thank you very much, Carmen. We don't seem to have any further questions. So, maybe we can close the session here.

>> CARMEN DE PABLO: Yeah. And we thank you all for attending in particular just on, basically, almost holiday season. And we remain at your disposal, should there be any further questions through our IR team. And we take the opportunity to wish you all a very well-deserved holidays and a good summer break. Thank you very much everyone.

>> JAIME CIFUENTES: Thank you all.