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PRESENTATION

Operator

Hello, and welcome to the Repsol Second Quarter 2026 Results Conference Call. Today's conference will be conducted by Mr. Josu Jon Imaz, CEO, and a brief introduction will be given by Mr. Pablo Bannatyne, Head of Investor Relations.

I would now like to hand the call over to Mr. Bannatyne, Sir, you may begin.

Pablo Bannatyne - *Repsol SA - Director - Investor Relations*

Thank you, operator, and good morning to everyone joining us today. Welcome to Repsol's Second Quarter 2026 Results Presentation. Today's conference call will be hosted by Josu Jon Imaz, our Chief Executive Officer, with other members of the executive team joining us as well. At the end of the presentation, we will be available for a Q&A session.

Before we begin, let me remind you that during this presentation, we may make forward-looking statements based on estimates. Actual results may differ materially depending on a number of factors as indicated on our disclaimer.

With that, I will hand the conference call over to Josu Jon.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Thank you, Pablo. Good morning, and welcome to everyone. Repsol delivered a strong set of results and strategic execution in the second quarter of 2026, operating under a highly volatile commodity environment shaped by a complex and evolving geopolitical scenario. Tensions, as you perfectly know, around the Strait of Hormuz disrupted energy trade flows, resulting in an estimated 1.3 billion barrels of oil supply lost due to the crisis and the shutdown of nearly 3 million barrels per day of refining capacity.

Despite multiple attempts to deescalate the situation, agreements for the reopening of this trade were repeatedly broken down until a cease fire was announced in June. The collapse of these negotiations in July has generated extreme volatility to this date. The conflict brought into focus the importance of security of supply, diversification of energy sources, production of domestic resources and protection of European Union refining capacity. In this context, Repsol remains fully committed to ensuring security of supply while continuing to deliver on its well-established priorities, growing cash flow, enhancing shareholder returns and allocating capital in a disciplined manner, all while preserving a strong financial position.

Furthermore, our performance demonstrated once again the strength of Repsol's business model. Our advantaged Atlantic Basin positioning, flexible Tier 1 refining and diversified sourcing capabilities allow us to maintain stable operations, ensuring continuity of supply to our customers while capturing value across the portfolio. In particular, the Industrial division benefited from the strong momentum in the refining, chemicals and trading businesses as market dynamics evolved into a scenario of actual physical supply disruptions.

In the Upstream, the first oil achieved at Pikka represents a major milestone to consolidate the United States as one of the primary drivers of our growth, incorporating our world-class assets with our long-life plateau. And low carbon generation, we continue to execute our successful asset rotation strategy as we transition the business into a self-financed growth model in renewables.

In terms of results, second quarter adjusted net income was EUR1.8 billion, more than EUR1 billion higher year-on-year, largely reflecting the stronger contribution for industrial. First half adjusted net income was EUR7.2 billion, 135% higher compared to same period in 2025. Cash flow from operations stood at EUR1.9 billion, 24% higher year-over-year for an accumulated EUR3 billion delivered in the first half of 2026. Cash generation was impacted by EUR1.3 billion working capital buildup mainly related to inventories. This reflects our focus on reinforcing security of supply, increasing storage and ensuring availability of diesel and jet fuel in Spain and in our natural hinterland in a highly disrupted market environment.

Excluding working capital movements, operating cash flow generation amounted to EUR3.3 billion in the quarter and EUR5.7 billion accumulated to June. Net debt stood at EUR3.7 billion by quarter end, a reduction of EUR1.1 billion compared to March, and this included the deconsolidation of approximately EUR0.6 billion of debt associated with the renewable assets divested in Spain. The gearing ratio stood at 11.3% as of June and at 3.1% if we exclude leases. Shareholder remuneration remain aligned with our cash distribution framework. Following the payment of the second dividend earlier this month in July, the total cash dividend for 2026 reached EUR1.051 per share, approximately 8% higher than in 2025.

With respect to share buybacks, the initial program of EUR350 million launched in March was complete this week and the corresponding capital reduction was executed through the redemption of 15.8 million shares. Additional share buybacks will be implemented in the second half of the year to deliver as promised on our 30% to 40% cash flow from operation distribution target. I will provide further details when we touch on the outlook of the remainder of 2026.

Turning now to the evolution of the main macroeconomic indicators. Brent Crude averaged $104 per barrel, 53% higher year-on-year, as you could see in the slide, driven by geopolitical tensions and disruptions to oil supply. Henry Hub averaged $2.9 per million Btu, 15% below the same quarter last year, mostly reflecting weaker seasonal demand in North America. European gas prices experienced very different dynamics. Main references rose more than 40% year-on-year due to geopolitical risk and of course, the disruptions to critical LNG export infrastructure that increased concerns over security of supply.

Repsol's refining margin indicator averaged $14 per barrel, supported by stronger diesel, jet fuel and gasoline spreads together with wider heavy to light crude differentials. At the exchange rate, the U.S. dollar averaged 1.16 against the euro, a depreciation of approximately 3% compared with the second quarter last year.

Jumping into the Upstream performance, let me express our deepest condolences and support to Venezuela following the devasting earthquake that struck the country last month. As a long established partner in this country, Repsol stands in solidarity with its people during this difficult time. Second quarter adjusted net income was EUR371 million, 19% higher year-on-year, driven by stronger oil and gas price realizations, higher volumes and an increased contribution from equity affiliates, partially offset by the Indonesia country exit that remember was executed in 2025.

Production on average 558,000 barrels of oil equivalent per day is the highest level in two years and 4% above the previous quarter. Quarterly volumes were supported by higher contributions from the U.K., Brazil and the U.S. The U.S. contributed more than 200,000 barrels of oil equivalent per day, representing approximately 37% of total company volumes and conventional production averaged around 175,000 barrels per day, a 17% increase over the first quarter, driven by the connection of new wells. In the Gulf of America, production averaged more than 30,000 barrels of oil equivalent per day, underpinned by the ramp-up of Leon-Castile.

In Alaska, the first phase of Pikka initiated production in May as part of its late-stage commissioning process. Current production stands at around 23,000 gross barrels per day and the first oil sales are expected in August. The project remains on track to reach the plateau of 80,000 gross barrels per day in this quarter -- in the third quarter. Production in Venezuela averaged 71,000 barrels of oil equivalent per day, broadly in line with the same quarter last year, and our activity was not impacted -- was not affected by the earthquake.

In May, we received the first cargo under the new U.S. export licenses and the framework agreed with the Venezuelan government that was associated to the gas production of Cardón. An additional 4 cargoes are expected in 2026, one to help fund the investment needed to increase gas production by approximately 10% and 3 more cargoes to monetize current production. During the quarter, an agreement was reached or was achieved to evaluate the potential development of the Horcón area. This area of Horcón is in the eastern part of the Maracaibo Lake between Barúa and Motatán fields and both of which are already part of our portfolio.

And we have, let me say, a lot of expectation regarding Horcón that is an area that we know in a deep way from the past.

Operation in Libya remained stable. Our position was strengthened through the signature of the PSCs that were associated with the blocks that were awarded in the February licensing round. In Brazil, we are currently drilling the second development well in Raia. Remember, Raia is the new name for the former Campos 33. The project, which is expected to contribute a peak production of 40,000 to 50,000 barrels net to Repsol remains on track to achieve first oil in 2028.

Looking at the third quarter, production has hovered around 580,000 to 585,000 barrels of oil equivalent per day in the first 3 weeks of July and full year 2026 expected production remains in the range we announced from 560,000 to 570,000 average barrels per day, probably in the high range of -- in the high part, sorry, of this range.

At this point, allow me to dedicate some minutes to highlight the potential of our North Slope assets in Alaska. Our position includes 3 fields within the Nanushuk play with ongoing appraisal activity to unlock future developments with Pikka scale potential. The Pikka unit is a high-quality oil development with robust economics and significant long-term growth visibility. Phase 1, that is the phase that is now producing this 23,000 barrels gross a day that I mentioned before, brings around 400 million gross barrels of 2P reserves into production with further 2C resources expected to be developed through a phase plan.

In this direction, I mean, Phase 2 refer also Pikka expansion of Pikka 2 is expected to add another 40,000 gross barrels per day of production. With all major key permits secured, the project will leverage existing infrastructure to accelerate this development.

In the Quokka unit that is located, as you could see in the map a bit in the Southeast part of the prospect, the recent appraisal confirm a high-quality light oil reservoir. Just considering the 2C resources estimated for the northern area, I could say that Quokka has the potential to become a major development that could have a similar scale to Pikka.

The Horseshoe unit that you could see in the Southwest part of this map is located. I mean, this west part I mentioned before. And in some way, represents another promising opportunity with material upside. The Stirrup-2 well planned for this winter in the window we could have to drill in winter is the next step to appraise the subsurface potential.

Lastly, our position in the play, was strengthened by the 42 new exploration licenses secured in the latest federal round in partnership with Shell with Repsol as operator supporting future development plans.

Going on now with the Industrial division. Adjusted net income was EUR1.2 billion. This figure compares with EUR103 million in the same quarter a year ago. But I remember that, that period last year was affected by the negative consequences of the blackout in the Iberian Peninsula. Results benefit from materially stronger contributions from refining, from Peru, from chemicals and also for the liquid trading business, together with the unwinding of non-transcended sales adjustment that they were registered as negative in the first quarter.

Refining was positively impacted by higher product spreads, wider heavy to light crude differentials and the normalization of the kerosene sales price lag effect that remember, I also mentioned in the first quarter conference, which have negatively impacted that first quarter. The refining margin indicator was 28% higher quarter-on-quarter and 137% above the second quarter last year. The premium generated in the second quarter averaged around $10 per barrel.

Diesel and jet fuel supply remain exceptionally tight. I mean that is curious because I don't know if the financial markets are really reflecting this tightness we are seeing in the physical market. And this situation is driven by the simultaneous disruptions in the Strait of Hormuz and it's probably more forgotten that what is happening in Russia that reduced refinery availability and low global inventories. Gasoline spreads benefit from the refinery maintenance season in Europe, the maximization of middle distillate yields and a higher seasonal demand.

The utilization of distillation capacity reached 79%, while conversion units operated at 89%. This crude processing was negatively impacted by the reduced availability of the Cartagena Topping 3 unit that is expected to restart by year-end. The HVO minus unconverted oil spread remain -- the UCO spread, sorry, remain at healthy levels. That was supported by the correlation with the mineral alternative and also the transposition of RED III directive, the European directive in Germany.

In the second quarter, biofuels generated more than EUR100 million of EBITDA. And looking forward, we expect that RED III to be transposed also in Spain this year, and that is going to bring greater regulatory certainty about biofuels in the market.

Looking ahead, we expect the refining margins to remain at healthy levels through year-end and into 2027, and that is going to be underpinned by, first, the replenishment of inventories, a resilient demand that is still very resilient and the catch-up effect of deferred maintenance. In July, the refining margin indicator has averaged more than $30 per barrel. And the premium of this refining margin in July was above $9 per barrel. So in real terms, the refining margin is exactly as of today, the average is $34 per barrel with a premium of $9 per barrel. So benefiting from lower Brent prices comparing with what we experienced in March, April, stronger middle distillates and wider gasoline spreads in the middle of the driving season where we are now.

Continuing with chemicals, the business registered its first positive operating result in two years, thanks to better international margins and higher operational rates at our plants. Repsol's petrochemical margin indicator averaged EUR569 per ton, more than 3x its value in the first quarter and the plant utilization benefit from the restart of the Sines cracker in Portugal, which has been shut down since 2023 because the low margins of the monomers.

Looking ahead, the Sines expansion project that you know includes two new plants of high-value added polymeric materials is expected to start operating between this quarter and the beginning of -- I mean, one of the plants, the linear polyethylene is going to be operational in September and polypropylene at the end of September, just the beginning of October. The liquids trading business delivered a very strong performance as well, doubling its contribution compared to second quarter 2025. Crude and gas trading activities generated more than EUR500 million of combined cash flow from operations over the first half of 2026.

Lastly, the new HVO unit in Puertollano started operations in April, becoming our second facility on-purpose facility of this kind. A third project that will be the second of retrofitting is currently under evaluation in Spain.

Continuing now with customer. The adjusted net income was very positive, EUR209 million, a 7% increase over the same quarter in 2025. And this increase was driven by a higher contribution from the lubricants, asphalts, aviation and specialties business and power and gas retail. Cash flow from operations amounted to EUR483 million in the quarter. And despite the sharp fuel price increase generated by the instability in the Middle East, we haven't seen no signs of demand destruction in the short term.

And that is, from our point of view, supported by resilient economic activity in Spain and by the measures, the positive measures that were adopted by the Spanish government to mitigate the impact of higher energy prices on consumers.

Repsol's sales of road transportation fuels in Spain were 7% higher year-on-year. Non-oil contribution margin in service station was also higher, 6% higher compared to 2025. The mobility business was logically impacted by the customer support initiatives that were proactively implemented by Repsol since March on top of adding our effort to the government measures, and these initiatives, which enhance our customer value proposition have delivered approximately EUR50 million in this period in the second quarter in discounts to both professional and retail customers since the 21st March, that was the day where we enforce these discounts.

This quarter, Repsol has extended these measures to weekends from the mid of July till the end of August because, I mean, that weekends are the days with a higher driving activity in holidays in summer, mainly in a country like Spain. But remember, this year, we will receive again more than 100 million tourists, 100 million visitors in our country.

In power and gas retail, we had 116,000 new customers, equivalent to an 18% increase year-on-year, reaching 3.3 million clients by quarter end. The number of digital clients reached 11.6 million, a 15% increase over the same period of 2025, again, with Waylet as the main contributor.

Turning to low carbon generation to renewable generation. Adjusted net income was EUR10 million, EUR2 million higher than in the same period in 2025. The average pool price in Spain was EUR55 per megawatt hour, 43% higher year-on-year with significant intraday volatility. Wind and solar production reached 2.5 terawatt hours, 59% higher compared to the same period in 2025. And during the quarter, an agreement was reached to incorporate a new partner to an operating renewable portfolio in Spain valued at EUR849 million.

The portfolio comprises 402 megawatts of wind generation capacity, 303 megawatts of solar and more than 0.5 gigawatts of hybridization opportunities. This transaction is expected to reduce Repsol's net debt by EUR700 million. The assets will be jointly controlled with our industrial partner, Masdar, which resulted in the deconsolidation in the second quarter of the EUR550 million financing secured in 2025. And in addition, Repsol will receive cash proceeds of EUR150 million that are not in our accounts in this quarter because the closing is expected in the last quarter of 2026.

Since completing our first asset rotation almost 5 years ago in November 2021, we have successfully rotated roughly two-third of our global renewable portfolio, including all our wind and solar assets in Spain. This transaction have generated an average equity IRR of 10%, demonstrate above 10%, better said, demonstrating our ability to create value while accelerating our transition towards self-funded growth in this business.

Moving now briefly to a summary of the financial results. In this slide, you may find an overview of the figures that we are covering today. For further details about these numbers, of course, I encourage you to refer to the complete set of documents that they were released this morning. Let me now update probably to the most difficult part of my speech that is the outlook for the rest of the year because believe me, I suppose that we are going to discuss a bit about that later. But in this context, it's really difficult to update and outlook about what is happening in the world.

Of course, I'm going to try being very accurate about the outlook of our own internal metrics.

In the first half of 2026, we generated EUR5.7 billion of cash flow from operations, excluding working capital movements, and that was underpinned by a solid operational performance and a supportive macro. This figure is ahead of our estimates at the beginning of the year. The duration and impact of the disruptions in Hormuz and Russia remain really difficult to assess. That said, we remain positive about the business outlook for the second half, particularly in refining and trading, but also in the Upstream, supported by higher production volumes.

Based on this outlook, our second buyback program of the year has been increased from EUR350 million to EUR500 million. Let me underline that this program, that is the second program of the year, but not the last one, has to be -- or is going to be executed before the end of October. So it's a program from now on to October. And this program already takes us beyond our initial share buyback guidance for 2026.

In our third quarter results presentation in October, probably we are going to have a greater visibility on full year cash flow from operation generation. And that day, we will announce the third and final share buyback program for 2026. So we are going to launch a third program in October, and we are going to deliver what is written on stone. I mean, the 30% to 40% of operating cash flow to our shareholders. And the amount of the program and this percentage, of course, will be announced that day, depending, of course, of the macro conditions and the situation that day.

So -- but we are going to launch a third program in October.

Our disciplined capital approach will remain at the core of our decision-making and the projected full year net CapEx is around EUR2.7 billion, in line with our expectation at the beginning of the year. In conclusion, over the first half of 2026, Repsol delivered a strong financial performance, and we continue strategic progress supported by the optimization of the industrial value chain, profitable production growth, the resilience and good performance of our commercial businesses and the ongoing evolution of our renewable platform to be more competitive, growing in a self-financed strategy.

Shareholder remuneration will remain our top priority, as you know. And aligned with this, we have already raised the total expected share buyback for 2026, but again, that is not the end. And a further upgrade will be announced with the third quarter results to deliver on our cash flow from operation distribution target.

So with this, I will turn it over to Pablo, and we are going to move Pablo through the Q&A. Thank you so much.

Pablo Bannatyne - *Repsol SA - Director - Investor Relations*

Thank you, Josu Jon, (Operator Instructions) To begin, I would like the operator to remind us of the process to ask a question. Please, operator, go ahead.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Pablo Bannatyne - *Repsol SA - Director - Investor Relations*

Biraj Borkhataria, RBC.

Biraj Borkhataria - *RBC Capital Markets Inc - Analyst*

Hi, thanks for taking my question. And firstly, thanks for the spotlight on Alaska. It looks like there's a lot of running room there. The first question is just on the buyback. Obviously, the macro is extremely strong, and you've made it clear you want to stick to the 30% to 40% payout ratio. It does suggest a very material increase in the buyback alongside 3Q results.

Obviously, if things hold. And it looks like you might be reaching the technical limits of the buyback on the liquidity front. So just trying to get a sense of how you're thinking about that as you go into Q3 and whether you're considering sort of other mechanisms to return cash to shareholders, special dividends and so on.

And then the second question is just again on refining. On the $9 premium, could you just isolate how much biofuels contributed to that? And just to recap on any maintenance activities you expect in Q3? Thank you.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Thank you, Biraj. I mean I'm going to be very clear about your first question about the outlook of the year, buybacks and so on. I mean, first, let me underline that we are entering in an unexplored period in the war that is impacting the economy and is impacting our businesses. And it's also impacting, of course, commodities, industrial activity and so on. I prefer -- I mean, because today, I could anticipate what I'm seeing for the rest of the year.

But believe me, I don't have more information that you have because what is happening is out of my control in some way, not what is happening with Repsol. I'm talking about what is happening in Hormuz, what is happening in the Persian Gulf and what is happening in Russia.

So in this sense, what I'm going to underline is, first, we are going to launch a third share buyback program in October. That is going to happen. Secondly, I'm going to respect the range of -- from 30% to 40% of total distribution by the end of the year, what we announced in the Capital Market Day. We are going to respect in any case, this percentage. And the decision about the amount of this third share buyback in October will be taken in October, knowing first what is the perception we have because we will be at October 29, I mean, with probably more clarity about the development and the performance of the year.

And of course, also taking into account what the situation in macro terms is in our economy.

So that is, let me say, the certain part of what I'm saying. We are not considering other mechanism, special dividends and so on. You have to take into account that in this sense, the only limit we could have and take this answer only technically is that excluding the EUR350 million that was the first tranche, we have the limit of the 10% of the capital of the company that was approved in our AGM in May. So technically, that is the only limit we could have. But we don't -- this 10%, I mean, represents more than EUR2 billion.

So it's not today our concern.

But again, I know that we are reinforcing our balance sheet. Let me say that, that is positive. It's positive in a time where volatility is there, the geopolitical situation is complex. And we are going to respect all the mechanisms we commit with our shareholders. It is our priority, and we are going to launch this share buyback again in October, and we'll take into consideration the information we will have at that time to take the best decision.

But in any case, that is going to be very positive for our shareholders.

Going to the premium, to the refining premium, if we take this second quarter, the contribution from biofuels could be at around $2, $2.2 a barrel. Remember that the biofuels weight now in our portfolio is higher because the operation of Puertollano’s on purpose new plant retrofitting. We have also Cartagena, we have the co-process and so on. And we are experiencing pretty good margins for biofuels and HVO in the international market. The rest is driven by crude slate, balance optimization.

And when you have such a disruption in the market, you have plenty of room to change your yields, to change the products you produce to focus more on kerosene with better margins than some other products and so on. And that is the reason behind this high margin premium. I mean, a good integration of our refineries and the capacity to adapt the programming and the planning of the refinery in terms of crude slate and yield of products to the best situation we are seeing in the market day after day. So $10.3, a barrel in the quarter as premium and $2.2 coming from biofuels.

Going to the maintenance activity in the third quarter, first -- first of all, sorry, let me say that in this July, what we have is, I mean, we are optimizing to the maximum of the distillation still in the last barrel, giving us a positive margin. We could have as average in July an 85% of distillation utilization rate and the conversion utilization rate is at 102% in July. You know that -- I mean, technically, it could be above this 100% figure because mainly the cokers that are units that they work in batch. I mean, if you are optimizing the time of the cycle, you could be able to produce above the technical 100% specification. So that is what is happening in this July.

And if we go to the maintenance program, I mean, in this context, we are trying to maximize production, of course, that's quite logical. We had in Bilbao, the coker shutdown in April and May, but that is the past. We don't have any maintenance there. In Puertollano, I mean, a partial shutdown of the conversion is going to go to the fourth quarter, so nothing in the third quarter. And in Cartagena, we have to change at the end of September the catalyst of the hydrocracker.

I mean some days, we are not talking about rocket science in terms of duration of the -- so we could say that we have theoretically a quite clean third quarter in terms of turnaround for our refineries. And probably what is happening in our conversion capacity above this 100% is reflecting this situation.

Thank you, Biraj.

Biraj Borkhataria - *RBC Capital Markets Inc - Analyst*

Thank you very much.

Pablo Bannatyne - *Repsol SA - Director - Investor Relations*

Michele Della Vigna, Goldman Sachs.

Michele Della Vigna - *Goldman Sachs Group Inc - Analyst*

Thank you very much. Congratulations on very, very strong results. I wanted to come back to the return to E&P growth, which is great to see this quarter. And I was wondering if you could give us an indication of where you think your production could end up at the very end of this year with the full ramp-up of Pikka. And then looking longer term to even beyond the end of this decade, it looks like Alaska provides you with great opportunities, so does Venezuela. Any other areas that you're looking to continue to add duration to your oil production growth? Thank you.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Grazie mille Michele. I mean, as I said before, well, you know the figures of the second quarter, 558,000 barrels a day as average. July as of today, 582,000 barrels a day. Main contributions are coming from Alaska that is starting to grow. We are going to have Alaska at the end of September with the ramp-up fully operational.

So that means that we will have 80,000 barrels gross. I mean you have to take the Repsol part of this figure. Venezuela, I mean, let me say that Venezuela is performing in the right way. I mean, on top of however, this state of emergency and this hard humanitarian situation, Venezuela suffered, and let me say that Repsol demonstrated a strong commitment and solidarity in this process, sending humanitarian aid and fully committed with the actions that Venezuela's government is promoting in this sense.

But the good news and not only for Repsol, also for the country is that the assets, hydrocarbon assets, including Repsol's assets, they didn't suffer any significant damage. And that is important because we produce the gas that sustain the power system of Venezuela and the production remains secure for the supply side. And I have to say that -- I mean, the government representatives in Venezuela, they are most -- all the attention also to go on helping companies to increase production.

We also have, and I want to underline that, all the support of the American authorities to the improvement of the situation in Venezuela. I think that the American federal government is doing pretty well, supporting what is needed to increase production in Venezuela, giving to Venezuelan government and Venezuelan people the capacity to have more revenues, more fiscal revenues to improve the social and economic situation in the country. So we are starting to see improvements in this production in Venezuela. I had 4 weeks ago, the opportunity some days before the earthquake to be in the country, to be in Caracas and to meet President Delcy Rodriguez and the Minister of oil of Venezuela. And I mean, they are fully committed with this target.

And I mean, I maintain what we said that from April on, I mean, the time where we receive all the licenses needed and so on, we are going to increase our production in a 50% in 1 year, and we are going to multiply by 3 our production in 3 years.

And taking all that into account, I can't forget what is happening also in terms of production growth in the Marcellus in the unconventional, where we are seeing some increase. In Leon-Castile, today, we could be producing 13,000, 14,000 barrels a day net Repsol. And we will be next year producing 19,000 barrels a day. So there is also a ramp-up in Leon-Castile. All in all, we are going to be at around 600,000 barrels a day at the end of this year.

So I'm fully comfortable with the range of 550,000, 570,000 barrels a day I had as indication. I mean -- and that is the indication. I have the perception that probably we are going to be in the high part of this range at the end of this year. (spoken in foreign language)

Pablo Bannatyne - *Repsol SA - Director - Investor Relations*

Sasikanth Chilukuru, Jefferies.

Sasikanth Chilukuru - *Jefferies LLC - Equity Analyst*

Thanks for taking my questions. I had two, please. The first was going back on to distributions. You, of course, reiterated your policy of 30% to 40% payout of CFFO. You generated EUR3 billion CFFO, but that includes a very huge working capital build, the EUR2.7 billion. My question was how should we think about this working capital in the second half?

And how does it impact your decision on the distributions for the full year? Where are we likely to be on that 30% to 40% spectrum?

Now the second question was regarding the Upstream. With balance sheet gearing now near single-digit percentages, I just wanted to understand your thoughts on whether you wanted to use some of that balance sheet strength to further high grade or perhaps accelerate the high grading of the Upstream portfolio?

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Thank you, Sasi. I mean, first, we have increased our working capital this half in EUR2.7 billion. Let me split a bit this figure in two tranches. The first is price. I mean, because what we have in our tanks, in our storage has a higher price.

So roughly speaking, it could be EUR1.4 billion coming from price. And another part is volume, EUR1.3 billion. And let me say that, that is the result of the focus we have now.

I mean, what is behind this decision? You could say, okay, you are not optimizing your storage. There are, I mean, solid reasons for that. The first -- I mean, I have to guarantee that when the refining margin is $34 a barrel and with a premium of $9, I can't have a problem of oil supply because I have a storm in Bilbao or in A Coruña port and so on. So I have to work, let me say, in a less -- let me use the term in terms of working capital optimized way because I have to guarantee that the refineries, they have a conversion covering 100% of our units that is happening today.

So there is a reason for that. And when I say crude oil, I'm talking about intermediate products and so on. So we have a priority now. I mean our refining system is making money.

And I have to guarantee that this process is going to go on with no disruptions because from time to time, you know, I mean, we have two refineries in the Atlantic Ocean and storms and so on, even in the Mediterranean appear from time to time. That is the first reason.

The second reason is that -- I mean, what we have seen, Sasi, is a very tight market for products. I don't know what the market is seeing, but believe me, diesel and kero so diesel and jet, they could be concerns for Europeans in coming months. So we have to guarantee that we are able, first, to supply our customers in Spain because we have a strong commitment with them. So -- and if this commitment means that we have to increase a storage, we do it. And secondly, because this company has also a full commitment with the countries where we operate.

And we have a strong commitment with the Spanish society and the Spanish economy.

And tourism is very important for Spain. 15% of the Spanish gross domestic product is -- comes from tourism. This year, probably this tourism is going to experience even a better year because, let me say, the uncertainty in some regions in the world, Eastern Europe, Middle East, more difficult to travel to Asia and so on is going to concentrate an important part of the European tourism in Spain. And we are fully committed to guarantee that these people is going to have products, jet, to come to Spain and to supply the Spanish tourism and the Spanish economy. And that is part of our business because they are our customers.

And we have increased our jet production in a 35% in our refineries. And now we are able to provide not only the kerosene that our customers, they need in Spain, but we are also providing jet to our customers in some other European airports. So we are selling jet in Paris and in some other areas because we are taking also this situation as a commercial opportunity for the future. So that is what is behind this working capital.

If you ask me what is going to happen at the end of the year, I mean, in physical terms, I mean, we can't increase this effort because we have a full use of the storage units we have in Spain. So you are not going to see an increase coming from the physical side. If we go to the price that is not in our hands. If price of products and price of oil is higher, you are going to see a higher cash flow from operations coming from the operations, and you are going to see a higher working capital coming from this price. So when we are talking about distribution, we are talking, of course, the share buyback of the cash flow from operations.

But you are not going to have surprises in this sense at the end of the year, Sasi. The only surprises you could have, they could be positive because we could have, let me say, the capacity to release in commercial terms a part of these inventories, a part of this storage.

Your second question is very interesting, Sasi, because I think that we have to use the balanced strength first to weather and in some way, to resist in a volatile scenario from this autumn on that I don't know how it's going to be developed. And secondly, because, I mean, in the future, of course, we could have opportunities in a different scenario. But again, we are going to be very prudent in the use of capital. I mean, having a strong balance sheet is always an opportunity, but we are going to be very prudent as we are in the use of capital and the use of the CapEx. And again, the distribution is going to be in -- the distribution for our shareholders is going to be the priority of the use of this capital.

And of course, we are seeing a lot of opportunities to grow in the E&P, as you mentioned, but these opportunities are mainly organic. We have a strong pipeline to grow. I mentioned before Pikka 2. I mentioned Quokka, I mentioned Horseshoe. Venezuela is also there.

Libya is there. We have opportunities in our portfolio. So we are going to use these opportunities to grow. I don't see, let me say, today, opportunities in the M&A, in the E&P because, I mean, assets are expensive because the current macro context. But that is not a concern for me now because we have a lot of opportunities to grow in the E&P in an organic way.

Thank you Sasi.

Pablo Bannatyne - *Repsol SA - Director - Investor Relations*

Alastair Syme, Citi.

Alastair Syme - *Citibank Cameroon SA (Douala Branch) - Analyst*

Thanks, Pablo. Firstly, congratulations to Spain on the Men's World Cup success. I had two questions. One on biofuels where the rates of return have been absolutely fantastic. You're talking about another retrofit but across the industry, I don't see too many other announcements of capacity expansion. So I'd be interested in your thoughts about what do you think is holding the industry back despite the record profitability?

And then secondly, on Alaska, Quokka, I think you said you'd try and utilize the processing facilities at Pikka here, but it does look like from the map that it's on the other side of the Kuparuk River complex. So I just wondered about the logistical challenges there. And I just wanted to clarify from that slide if the 1 billion barrels of 2C resources includes the possible field extensions shown at Quokka and Horseshoe.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

So thank you mainly for your first comment, Alastair, because in Repsol, we are really happy because the victory of the Spanish football team last Sunday. So thank you so much for your comment about that.

I mean going to your question, biofuels, yes, I mean, the returns have been fantastic. But I mean, what is behind that? First, we are producing mainly focused on our market. So the production we have today, probably we could be producing 70%, something like that of the needs of our clients in Spain. If we take the average for this year or what we forecast, taking into account the current HVO margins we are experiencing, probably the EBITDA of this business is going to be at around EUR300 million, EUR325 million this year.

If we add what we are getting in the commercial side in renewables plus the trading, probably the figure could be close to EUR380 million of EBITDA this year. I'm reminding you that the capital employed in this business could be at around EUR500 million. So returns are okay.

And probably what is behind is that these units are fully integrated in our refining system. We have an experience industrially to manage these kind of units. Secondly, we have worked hard over the last years building the supply chain to have the raw materials to make all that profitable. And third, that, of course, we have the impact of international focus on the international market, but we have an internal market that is in some way the focus of the production we have. You know that we are deploying also in a commercial way these renewable fuels.

We have already almost 1,700 refineries -- or refineries, sorry, service stations in Spain that are providing a diesel 100% renewable. And that is an offer for our customers. And we are seeing this offer as a part of our business.

So, I think that all that is behind the profitability we are making in this business. It's true that sometimes the international margins could be lower and probably the returns are going to be lower in this moment. But I mean, now we are quite happy. And as I mentioned before, probably we are going to enter in a third on purpose plant that is going to be probably a retrofitting in one of our refineries to cover a bit the gap between what we need in our markets and the current production we have.

Alaska, going to the -- going to this development, I mean, Pikka 2 is going to be very integrated with Pikka and with Pikka 1. Pikka 1, I mean, the current production is on track now. Pikka 2 is going to be fully connected to that. And if we go to Quokka, I mean, Quokka probably is going to have its own development plant, its own processing facility. And of course, all that is under review.

What we know today about Quokka is that the performance of the wells could be highly positive.

Remember that the drill, the production test we developed this February, March, I can't remember the exact date that was at around 3,900 barrels a day, I mean, a single well. So we are very positive about the prospect about the potential development. And we think for that reason, we say that, that could be a new Pikka. But our focus in terms of development in the short term are going to be fully focused in next weeks and months in the analysis of the FID of Pikka 2 that probably is going to be taken with a high probability in 2027 because we prefer to know, of course, all the information coming from the wells, from the production of Pikka 1 and so on before having the whole engineering project.

And when you ask about the resources, the answer is yes. I mean, the 2C figure includes Pikka, include Quokka and include Horseshoe.

Thank you, Alastair.

Alejandro Vigil - *Santander - Analyst*

Thank you.

Pablo Bannatyne - *Repsol SA - Director - Investor Relations*

Alejandro Vigil, Santander.

Alejandro Vigil - *Santander - Analyst*

Yes, thank you, Josu Jon, for taking my questions. The first one is we have just a few months since our Capital Markets Day. And in that one, you announced this growth profile in the Upstream business with a target or a guidance of 500,000 sorry, 600,000 barrels per day. But looking at this growth profile that you discussed this morning with Alaska, Venezuela, Libya, et cetera, looks like the potential is much bigger. You can quantify the '28 guidance or 2030, if possible, with all these projects coming on stream.

And the second question is about the RED III implementation in Spain. You mentioned that there is a proposal now and could justify additional investments. You can also quantify the size of this opportunity for the Spanish market. Thank you.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

(spoken in foreign language)

Alejandro, thank you so much. I mean you are right about the growth profile in the Upstream. I mean, only I want to remind you that when we take 580,000 to 600,000, we are taking into account 2026 where the average will be something between 560,000, 570,000. So I mean, that means that we are seeing growth in 2027 and 2028 and remember also that we have -- we exclude -- and I underlined that in the Capital Market Day, the Venezuela increase from this figure. I mean, if Venezuela works in the right direction, and we expect -- we hope we expect and we are fully committed with the development of Venezuela, this figure from 580,000 to 600,000 barrels a day for the period '26, '28 will be higher because we have to add the improvement we are going to get in Venezuela.

And again, what we are seeing in Venezuela is a full commitment of Venezuelan government and PDVSA to make things go in the right direction, increasing production, increasing the revenues of the country and improving the social and economic situation of the country. And we are seeing also a full commitment of the American federal government to make all that possible. So quantifying the guidance for 2028, 2030 is not an easy game now, but we are seeing the company producing above 600,000 barrels a day.

Going to the RED III, I mean, let me say that, I mean, things -- this implementation is positive. It's positive because what we are seeing is that there is a certainty and certainty means that we have more security to take investment decision. So I'm sure that this RED III is going to support the investment decision we are going to take related to this third plant in Spain to produce biofuels and going to the hydrogen, I think that is also fully justifying the current FID we took in the last month, I mean, Petronor and Cartagena. And I think that is opening the door, of course, to the Tarragona's FID and probably, I mean, a fourth one in the Spanish geography of our refinery. So positive implementation and certainty that are going to favor investment decisions in Spain.

Pablo Bannatyne - *Repsol SA - Director - Investor Relations*

Thank you, Alejandro.

Nash Cui, Barclays.

Naisheng Cui - *Barclays Services Corp - Equity Analyst*

Good afternoon. Thanks, Pablo. Hi, Josu Jon. I have two questions, please. I have two questions, please. The first one is on Venezuela. It's really nice to hear that Repsol has received its first oil cargo payment. I wonder if you could quantify the monetary impact? And how should we think about more cargoes to be received for the second half of the year?

And is this included in your new CFFO guidance, I wonder? And then my second question is on refining margin outlook. I understand, Josu Jon, you talked a lot about the tailwinds supporting the refining margin. China has started to lift some of its oil product export quotas. Do you see that as a downside risk to the refining margin outlook?

I'm just interested to hear your view on this. Thank you.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Thank you, Nash. I mean, so yes, I could quantify. Venezuela, we are receiving and we are to go on receiving the cargoes that are going to pay all the gas production and the bills of our gas production in the year in Cardón. So we had one in April, one in July, and we are going to receive 4 more cargoes for Cardón quarter this year.

And going to Petroquiriquire, we have started -- we started to receive cargoes in a regular way. And these cargoes are going to cover what is the, of course, the -- what we need to pay the OpEx and the CapEx to grow the production in Petroquiriquire. So we are going to finance with these cargoes, the investment required to fulfill the commitment of all increased production I mentioned before.

So when you talk about the guidance of the year, I'm talking now about production in the year is included because, of course, because we start in April, this game, April, May. So that means that the impact this year is going to be lower. And for that reason, I'm quite comfortable saying that we are going to be in the high range of the 560,000, 570,000 barrels a day. When we go to the metrics because this -- of course, we are Venezuela as a JV is going to be included in the dividend side in the cash flow from operations. So -- but all that is included in our figures.

Going to the refining margin outlook. So what is behind that? First, probably the main factor because everybody is talking about Hormuz and probably Hormuz is not the main factor behind the refining margins. I think that Russia could be even more important than Hormuz today for the European market because probably 50%, 45%-50% of Russian refineries are out of production now. That means that this 900,000 - 1 million barrels a day of middle distillates that Russia was exporting to Europe, they fully disappear.

So the impact is equivalent to even higher than the impact coming from the Persian Gulf. So first driver from my opinion.

The second one, Hormuz, the state of Hormuz. Of course, the figure I mentioned for Russia, probably we could quantify something similar to 800,000 to 900,000 barrels a day of middle distillates that they disappear from the European market coming from Hormuz. Third factor, I mean demand is very solid. I mean when -- even the International Energy Agency that changed the demand outlook for the year. I mean, was forecasting the figure you have in mind was a reduction of full demand in the world at around 100,000 barrels a day, but probably almost replicating the consumption figures of 2025 with at these prices where you could think that there is some kind of elasticity in parts of the demand.

So demand is very solid in the world for hydrocarbons and for products.

And when we look at our markets, our markets I'm mainly talking about Spain and Portugal because the Spanish economy is growing in a good and healthy way. And we also have this, let me say, addition of tourism side with more than 100 million visitors in the country, all that is also pushing the demand up.

So -- and on top of this factor, I'm going to add two more to be very comfortable and probably positive about refining margins, not only for 2026, also for 2027. First, when you analyze the inventories, the reserves in Europe, in U.S. and in the main markets, they are significantly lower than the average of the last years. So we need to fulfill these reserves, and we are going to need time for that. So the fourth factor.

The fifth I mean, believe me that every refinery is trying to do its best to produce as much as possible as Repsol is doing, of course. And if you look at the United States, that is happening. I mean the U.S. is exporting a lot of products. And again, thanks to our American friends and brothers, we are in Europe securing the energy needs we have, not only in gas terms, but also in product terms because the U.S.

is offsetting is covering the lack of product coming from Hormuz and from Russia.

So -- but refineries from time to time, they need maintenance, they need turnarounds, something -- sometimes you have operational penalties and so on. And all that is going to happen in coming months. So for that reason, I'm convinced that there are solid reasons to support really good refining margins, not only in 2026, also in 2027. Thank you, Nash.

Naisheng Cui - *Barclays Services Corp - Equity Analyst*

Thank you very much.

Pablo Bannatyne - *Repsol SA - Director - Investor Relations*

James Carmichael, Berenberg.

James Charmichael - *Berenberg - Analyst*

Hi, morning, guys. I'm taking my questions. You've spoken a couple of times about the cargo in Venezuela, I think, and those cargoes are going to be used to fund the growth there. Just wondering if that sort of constitutes the firm agreement and payment guarantees that you need to look at a longer-term build-out in that country. And then secondly, just looking at the renewable portfolio, I guess, the trend amongst most of your peers is sort of reducing exposure there. So just think it's still a relatively small contributor to the overall business, how you think about the part that renewables plays in your portfolio over the long term. Obviously, a lot of the focus there has been on growth in E&P.

So just wondering how you think about that renewables piece.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Thank you, James. I mean, Venezuela, crystal clear, Cardón is paying the gas bills. So that's a game. And Petroquiriquire, the cargoes, they are paying the OpEx and the CapEx we need to grow in oil assets. So I'm confident about Venezuela.

I think that there is a strong commitment from Venezuela government and PDVSA to make possible this production growth. But what we need to grow and to invest in this growth is, of course, a recurrent cargoes payment.

So -- all that is, let me say, a positive look because investment means more production, means more tax collection for the country and means more barrels for Repsol. In this sense, I mean, we are fully comfortable with the country and with the prudent financial approach we are applying in the country to grow. When we go to low carbon renewable business, I mean, renewable is a part -- is a pillar of our strategy. I want to underline that we have 24 million customers in Spain and Portugal that we have a multi-energy approach to this market that I mean, today, 25% of the total cash flow from operations of this company comes from our customer, our commercial business and it's growing, and that is crucial for the company. And probably this year, the EBITDA -- the cash flow from operation of this business is going to be at around EUR1.4 billion, EUR1.5 billion.

So that is important.

Probably this year, it's going to be a bit lower than the 25% of the cash flow from operation, but it's not because this business is performing in a bad way because they are going to beat last year figures. It's because the situation that some other businesses are experiencing that is going to grow -- is going to push the cash flow from operations of the company above these figures. And our customers, they also need power we are growing our retail power business where we are producing -- we have already 3.3 million customers, and we are growing. If we compare the figures with last year figures, we had 0.5 million new customers over the last year.

So -- and we produce power. We produce renewable power to feed the needs of our customers, either at home or either in their vehicles because I want to remind you also that we have 10,000 recharging points accessible in our Waylet tool. So in this sense, renewable is for that reason, important is not only because a transition ambition, it's because it's business. And this business is also performing in the right way, is growing now in a self-financed way as we commit in our Capital Market Day. We have an Iberian integration multi-energy strategy, and we are applying this experience in renewable production to the U.S.

where we have a significant projects that are competitive.

So in this sense, we are comfortable with this business, and we see the renewable business as a pillar in the long term of our portfolio. As I said before, growing in a self-financed way and guaranteeing this 10% of return, thanks to this rotation system that is working as we proved also this quarter with the transaction with a strategic partner as Masdar is. Thank you, James.

Pablo Bannatyne - *Repsol SA - Director - Investor Relations*

Fernando Abril, Alantra.

Fernando Abril-Martorell - *Alantra Equities - Analyst*

I have two questions, please, if I may. First, on the renewable disposal. So basically, this has been the first transaction where you also deconsolidated the associated project debt. So should we expect this to become the preferred structure for future asset disposals? And related to this, could you update us on what assets or renewable portfolios remain available for disposal in the second half of the year?

And then second, on refining, again, you mentioned that biofuels contributed around $2.2 to the premium margin in Q2. I was wondering if you can give us more detail around -- about the remaining $8 of the quarter, which were the main drivers behind this?

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Gracias Fernando. I mean, going to your first question. I mean, in this case, first, we had -- and we have and we are happy having an industrial partner as Masdar commitment in the renewable business. I mean that is not the kind of the different partners we had before that they were more financial. This is an industrial partner in the renewable I mean, with some kind of appetite to have also a cooperation in what is the operation of this business.

So we were happy giving them the co-control of the operation. That was the reason behind. And of course, Fernando, we are also respecting and delivering what we said in our Capital Market Day about the self-finance method for this business. So we don't have any kind of preference for this method. That could be an option.

But I have also to remind that -- now we have rotated all the assets, wind and solar we have now in operations in Spain. Of course, we are going to develop new assets in the future, but we are open to go back to the former or the previous 51% with consolidation we had before. If we go at the renewable portfolio available to disposal, you mentioned, I have here my notes in the second half, Pinnington. Pinnington, you know that 800 megawatts fully operational in the U.S., and we are working in the transaction that could rotate this asset. And of course, that is going to be very positive in terms of cash and debt for the company.

The remaining $8, I mean, again, let me say, Fernando, that the premium is a theoretical construction. I mean the premium is what is the result of comparing the refining margin with the construction of yield, slate of crude oil and so on we have and the real results we are getting in refining. So I know that there is an appetite to know exactly what is behind, but it's quite theoretical because this number is also a difference between two figures. So trying to approach what is behind to the other remaining $8 a barrel of premium, mainly the capacity. I mean, it could be $2, $2-$3 maximum of what is happening in Hormuz, I said, if we have a Basra, for instance, crude oil in our budget, in our theoretical budget because Basra now is out of the market with prices that are very high because it's not a reality in operational terms in the market, we substitute this crude oil by another one.

And we are capturing an additional margin above the theoretical margin we had in the IMC. So that could be $2 a barrel.

On top of that, we have the optimization of crude oil when you have a lot of volatility and you have different prices in different parts of the world, the capacity you have to optimize the rate is high. And probably the higher impact comes from the yield from the product side. I mean, if you are because -- and that is a real case, if you are shifting your production from diesel in some months towards jet because jet spreads are significantly higher for some weeks, you are optimizing your refining theoretical margin. So you are capturing an additional premium. These reasons are mainly behind all that.

Pablo Bannatyne - *Repsol SA - Director - Investor Relations*

Ahmed Ben Salem, ODDO.

Ahmed Ben Salem - *Oddo BHF SCA - Analyst*

Yes, hi, thank you for taking my question. It's on the U.S. E&P listing. So last quarter, you reiterated that an E&P listing remained an option. And following the start-up of Pikka and the increased weight of the U.S. portfolio, has your thinking evolved regarding the timing or the strategic rationale of this listing? Thank you.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Thank you, Ahmed. So it was an option and it's an option, but that is not now our priority. We are fully prepared to list the company. Theoretically, I mean, all the reports, all the control mechanisms and so on we need. But now it's not our priority.

We are convinced that our Upstream is becoming a better Upstream day after day with more production, putting Alaska in production, working in Pikka 2, improving our position in Venezuela. So because we are convinced that we have a better business day after day, we are not in a hurry to jump into the market. So the two partners, Repsol and EIG, we are fully aligned in now -- I mean, focusing full 2026 year and months to come in improving the quality of the business. So it's an option. We are prepared, but we are not going to execute this option in coming months and in any case, in 2026.

Thank you.

Pablo Bannatyne - *Repsol SA - Director - Investor Relations*

Guilherme Levy, Morgan Stanley.

Guilherme Levy - *Morgan Stanley - Analyst*

The first one, just a follow-up from a previous question on storage. You mentioned that you were running at full storage capacity. So I was wondering if there is interest from the company to increase capacity further from here? Are you happy with what you currently have in this world that we know that the Strait can be closed, reopened? And then the second one, going back to Venezuela.

How do you feel about the probability of ever recovering the $5 billion of receivables that you have accumulated over time? I know that, of course, cash is not an option, but perhaps any conversations on getting part or the total balance back with some sort of payment in kind or any sort of alternative that could lead to a compensation to Repsol over the coming years?

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Guilherme, If we go to your first question, I mean, you are right. I said that we don't have -- that we are running at full storage capacity and so on. I said that. saying that we don't have any appetite to increase in physical terms, the current capacity we have because with the capacity we have, I mean, it's not only our own physical limit that we could overcome, as you mentioned, I mean, looking for another potential storages in the country, but we think that we have enough product to fulfill the running process in the right way of our refineries and to cover the needs of our customers and to guarantee the security of supply of jet and diesel and gasoline in the Spanish market. So we are comfortable and we are not looking for new storage capacity.

I mean we have invested EUR2.7 billion to guarantee the security of supply over the last 6 months, and we are comfortable with this figure.

Venezuela, going to be very clear, Guilherme. Now from the point of view of Repsol, it's not time to talk about the debt of the past. The debt is there, but we are fully aligned with the Venezuelan government commitment, and we are fully aligned with the message from the American government that now is time to increase the production in Venezuela to improve the social and the economic situation of the country to increase production to get new revenues for the country through this increase of the production in a win-win game. And I'm sure that this time, these conversations will arrive in the future.

But now it's not on the table. And now we are fully committed in this message of increasing the production in Venezuela, of course, as I said before, in a financial way and guaranteeing that Repsol is not exposing more money in Venezuela that we are financing this growth with the money we are getting through the cargoes we will receive. This time, will arrive I think that will arrive. But now it's not on the table with regard of the year.

Fernando Abril-Martorell - *Alantra Equities - Analyst*

Perfect, gracias.

Pablo Bannatyne - *Repsol SA - Director - Investor Relations*

Henri Patricot, UBS.

Henri Patricot - *UBS AG - Analyst*

Two questions, please, from my side, quick follow-up. Just on the customer side of the business, very strong second quarter. And it sounds like you're talking about a very strong tourism season for Spain in the third quarter. So should we expect as well a very strong performance in the third quarter from the customer business you're seeing so far in July?

And then secondly, just to come back on Alaska. I think you mentioned that Quokka could have a potential similar to Pikka. And when we look on the slide, the shaded area for production for Quokka seems to be lower than for Pikka. Is that just a conservative assumption at this stage and there is upside potential to get to something similar to Pikka? Is that how we should read the slide? Thank you.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Merci, Henri. Yes, I mean, we expect a strong third quarter in the customer business because there are two -- I mean, July is going in a very positive way. And let me, I mean, simplify, of course, take it as a simplification. But this summer, on top of the second quarter, we have -- I mean, part of this 100 million visitors coming to Spain, flying, renting cars and driving in our road. So that is a part of this strong third quarter.

And you have to take into account that Canary Island and Balearic Island, they are also important destination and you have to fly there.

Secondly, you have, I mean, millions of people from France, from Swiss, from Germany, from Belgium, going to Algeria and Morocco driving through the Strait of Gibraltar, I mean, of course, using the ferry in Algeciras but crossing and traveling the Iberian Peninsula driving a car. So that is also part of the increase in summer. And of course, Spanish citizens that we are also to use the car this summer.

So yes, we could expect a strong third quarter in our customer business. If we go to Alaska, I mean, I have to say that the initial phase of Quokka appraisal is similar or it could be similar to Pikka with a potential extension towards the south that is also there. So I mean, this South potentially with the knowledge we have today, we think that it has a very good property. So I mean, we are comfortable now with the assumption that could be similar to Pikka. But again, we have to de-risk what I'm saying now, but that is our approach today.

Pablo Bannatyne - *Repsol SA - Director - Investor Relations*

Matt Lofting, JPMorgan.

Matthew Lofting - *JPMorgan Chase & Co - Analyst*

Thank you, everybody, for taking the questions. Congratulations on the results. I wanted to come back first to inventory management and security of supply for the refineries. I think, Josu Jon, you said earlier that you're approaching crude storage limits in Spain and don't think that further measures are required at this point. I just wondered, given the variability in the market outlook, whether anything could change that, for example, if Middle East conflict was to persist? And if so, are there alternative solutions that you have in your back pocket to further secure supply of the refineries, for example, accessing international or offshore storage options?

And then second, given the market backdrop, price levels, volatility, I wondered if you could also just update us on anything you're seeing around market intervention and windfall scenarios in Europe and in Spain in the context of pricing.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Thank you so much for your question, Matt. I mean I'm going to be very clear about that. We are prepared for the worst. If the worst happen, Repsol is prepared to supply the Spanish economy with the products we produce. And when I say the worst, I'm saying a worsening of the situation in Hormuz.

I'm not saying that it is going to happen. It will be great to see a solution in the short term. But in case, as a hypothesis of seeing a worsening situation in Hormuz, we are prepared with the worst. We are prepared in terms of crude oil slate coming in 100% from the Atlantic and the Mediterranean side.

We have enough storage production capacity to guarantee that all the kerosene that is going to use in Spain in the year could be provided in the quota we have, of course, by Repsol, and we could have even an excess of 30% of our production that could be used to provide the kerosene to potential customers with providers that could have run out of the product. So we are prepared for the worst. We have developed a logistic storage and production effort for that.

But I mean, I hope that what I'm saying is not going to apply. But seeing what is happening in terms of the tightness of jet and diesel and so in the European market, I mean, I'm not going to hide that I have a strong concern about the capacity we are going to have in Europe to secure this product in some countries.

So I'm going to say more. We are prepared in our small dimension, of course, to cover the Spanish needs and to modestly also help to some other European countries in our hinterland to supply them the products they could need to secure, of course, partially the needs they could have in terms of -- in case of worsening this situation. I mean, of course, let me elaborate a bit more your question about market intervention and so on.

I think that now the priority of authorities in Europe and in Spain is to guarantee the security of supply. When you are talking and we are talking about the risk of not having the product that our societies could need in coming months, I want to remind that in Spain, we are better than in some other European countries. We have a reinforced supply system, and that is thanks to companies like Repsol, like Moeve, like BP that invested hard in the refining system in Spain.

In the case of Repsol, we have invested EUR15 billion in our refining system in Spain over the last 14 years. And on top of that, as I mentioned before, we have invested more than EUR2.7 billion in the last month to guarantee the supply of kerosene and diesel. I mean, I think that it is now time to guarantee the supply. To guarantee the supply, you have to have, of course, the right incentive of profits, the legitimate incentive of making money because, I mean, today, I think that, that is not going to happen, but if someone want to introduce an unjustified and counterproductive extraordinary levy or something like that in the energy business, in the energy sector, this measure, it will undermine security of supply, will erode the competitiveness of European industry.

So I think that I want to think in some way that we are the guarantee of the security of supply that is time to guarantee the security of supply in Spain and in Europe to support the Spanish tourism season is not the time to attack the refining and industrial activity because, I mean, if you analyze the accounting of Repsol this quarter, money is not coming from the price of oil or the price of gas. It's coming from the industrial activity. So if you attack the refining and the industrial activity that makes possible the security of supply, you are, in some way, paving the way to have supply problems in the short term.

And let me, I mean, elaborate a bit more this concept of -- that some people talks about extraordinary profits and so on. I mean, if you take the net result of Repsol of the first half of 2025, I mean, this 200 -- sorry, EUR400 million, and you add something that is only an accounting effect because the oil price and the impact on your storage that is the inventory effect, EUR600 million, plus the EUR200 million that we missed last year because the blackout, we will have last year a profit in the half of EUR1.2 billion. If you take the EUR2.2 billion of this year, and we reduced this figure in the EUR800 million coming from the inventory effect that again is an accounting effect coming from the price of the storage you have. We are talking about EUR1.4 billion. So from EUR1.2 billion to EUR1.4 billion.

The net result of Repsol, if you decouple what is happening behind from year-to-year improved in at 15%. Is that okay? Yes. It's positive, yes, of course, but it's not extraordinary at all.

Matthew Lofting - *JPMorgan Chase & Co - Analyst*

Thank you very much. Appreciate it.

Pablo Bannatyne - *Repsol SA - Director - Investor Relations*

Ignacio Domenech, JB Capital.

Ignacio Domenech - *Jb Capital Markets SV SA - Equity Analyst*

Hi, Josu Jon. Thank you for the presentation and taking my questions. Just a quick one on chemicals. You mentioned, is the first quarter in a while that this segment is contributing to operating income. So I just wanted to understand if we are long past the inflection point and we should expect this trend to continue over the coming quarters or if it's simply put in the context of what we are seeing now in the market and this unit should still remain weak. Maybe if you could provide some sort of guidance for the remainder of the year, that would be helpful as well. Thank you very much.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Gracias, Ignacio. Thank you. Ignacio, thank you. So remember that some months ago, I said that we are fully committed to have a positive EBITDA in the chemical business this year and a positive EBIT, positive result in 2027. And when I said that, of course, nothing was happening in Hormuz and so on. So of course, Hormuz has anticipated what I said. So you have two different trends here.

You have something that is one shot is short term is the restriction of supply of products coming from Hormuz that increased in an important way the margins of the chemical business this quarter, and that is behind what is happening now. It's going to stay forever? No, it's going to stay as long as the restriction of products in Hormuz is there. But at the same time, we have a more important trend that is improving the quality of the business day after day. Of course, the efficiency we are applying in logistics in operational terms and so on that is reducing cost.

And what is even more important, the new EBITDA that this business is going to have, first, because the new projects now these days, the ultra-high molecular weight polyethylene plant in Puertollano is starting to produce this technical polymer that is going to add at around EUR20 million, EUR25 million of EBITDA year after year. When we go to Sines, the linear polyethylene plant is going to start production in

September, polypropylene at the beginning of October in a normal margin scenario. Sines is going to add EUR130 million, EUR135 million of new EBITDA at, let me say, low international margins, a figure close to 80%, 85% something like that. On top of that, we are electrifying the crackers. Sines is going to be on track already.

Tarragona in the first quarter of 2027, we are going to see the effect of the new propylene oxide plant in Tarragona. So things are changing for the better. That is a clear effect.

And what we saw this quarter, let me say, that probably was a 90% coming from the international arena and 10% coming from the changes we are doing in our business. Guidance for the remainder of the year because, I mean, I could say that we will go on improving the fundamentals of the business. But of course, I don't know what is going to be the effect of Hormuz. I have -- I mean, I think that from my point of view, is crystal clear. I mean, even if tomorrow, we have -- and that would be great, a full solution in Hormuz and Hormuz were fully open tomorrow.

I find that it's hard to see the refining margin for the full year below $15 a barrel, given the logistic delay, the war in Russia and so on.

And looking at the biofuel situation, I think that it's also hard to see that the premium for the full year could be below $6, $7, a barrel. So even if Hormuz and Bab el-Mandeb were normalized 100% tomorrow, and that will be great. I think that the total margin for the full year will still be above $20, $21, a barrel in the case of the refining and probably in the case of the chemical, things are not exactly the same, but we could be -- I mean, in any case, in a positive EBITDA this year. And I mean, working in this direction of having a positive EBIT in the business next year, even in the case of seeing Hormuz 100% open, that would be great.

Ignacio Domenech - *Jb Capital Markets SV SA - Equity Analyst*

Thank you. Very useful.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Thank you, Ignacio.

Pablo Bannatyne - *Repsol SA - Director - Investor Relations*

Paul Redman, BNP Paribas.

Paul Redman - *Exane Bnp Paribas - Analyst*

Hi guys, and thank you very much for your time. I just wanted to come back to one of the questions from earlier, just to be really clear. I think Sasi asked it -- Sasi raised a question. It's what takes you to the bottom or the top end of your 30% to 40% buyback and dividend range this year? And then just following on from that debt, where do you see an optimal balance sheet? Your balance sheet is looking at a net debt over gear capital employed of about 3.1% at the moment?

Like where do you see, Josu Jon, an optimum balance sheet? Thank you.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Paul, I'll take that decision in October, of course. Better said, I propose this decision to my Board, and the Board will take this decision in October. And I'm going to take into account what is the macro scenario and what is the volatility of our market in October. And at that time, I will decide in which point of the range from 30% to 40%, we are going to be. But we are going to be in this range, no doubt about that.

I mean I'm comfortable with the balance sheet. When you have a volatile and uncertain scenario, you need a strong balance sheet. You need a low leverage because, first, because this sector is volatile. We have ups and downs, and we have to be prepared for any situation.

And again, because you have to take opportunities. And as I said before, we have a lot of opportunities in our portfolio today that in a prudent way could be developed and giving us the opportunity to grow in a scenario and in conditions that could be favorable for the company. But seeing the lack of certainty that we have, I'm comfortable today with the balance sheet and the low leverage level we have today. Thank you, Matt. Sorry, Paul.

Operator

That was our last question today. With this, we will bring our second quarter conference call to an end. Thank you very much for your attendance.
