Cepsa generates Clean CCS EBITDA of €453 million in the first quarter of 2020

- **Cepsa's Clean CCS EBITDA in Q1 2020 is 3% lower than Q1 2019, driven by lower crude oil price and the initial impact on refining margins and demand of Covid-19**
- **Strong performance in Marketing and Chemicals partially offsets the lower earnings in the other business units**
- **Refining and marketing operations continued regularly, despite Covid-19 disruptions, ensuring energy supply to the Spanish economy**
- **Launching several resiliency initiatives to protect cash flow generation this year**
- **Strong balance sheet and liquidity; Fitch and Moody's re-affirm Cepsa's investment grade rating while Standard & Poor's leaves it unchanged.**

Philippe Boisseau, CEO of Cepsa: *"This year's first quarter results clearly demonstrate the reality of the marketplace for the coming months.*

We are experiencing a crisis on two fronts, firstly the oil supply where prices have fallen drastically and secondly COVID-19 that has triggered a substantial drop in demand towards the end of the quarter.

We have instigated a broad range of initiatives to maintain the solidity of the company in this new situation. Our integrated business model operating throughout the whole of the oil value chain and the demonstrated ability of our professionals, leave us well positioned to rapidly adapt to this very challenging environment."

In Q1 2020, Cepsa registered Clean CCS EBITDA of €453 million, 3% lower than Q1 2019. The reduction in Clean CCS EBITDA is mainly driven by the decline in crude oil prices and the softening in the demand for fuels that comes from the lower international trade. The weak performance in Exploration & Production and Refining is partially compensated by the strong performance of Marketing and Chemicals.

In the first quarter of 2020, Brent price decreased by 20% relative to the first quarter of 2019 (from $63.2/barrel to $50.3/barrel), due to the combined effect of the sharp contraction in demand and the increase in supply triggered by the absence of agreement by the OPEC member countries and Russia to adjust production to current levels of demand.

Clean CCS EBITDA of the Exploration & Production business unit for the first quarter of 2020 was €165 million, compared to €216 million in the first quarter of 2019. The decrease was mainly due to the lower price of crude oil and lower sales.

Clean CCS EBITDA for the Refining business unit in Q1 2020 was €95 million, compared to €113 million in the first quarter of 2019. Market refining margins have remained low, with Cepsa's main refining margin indicator (VAR) averaging $4.8/b. This figure although slightly above the one registered in the same period of the previous year, was penalized by lower contribution from cogeneration plants and lower export premiums and trade margins than previous year

The Marketing business unit registered a strong performance in the first quarter of 2020, recording a Clean CCS EBITDA of €124 million, 33% higher than the same period in 2019. Results were mainly driven by higher margins than in the previous year.

The Chemicals business unit recorded a Clean CCS EBITDA of €79 million in Q1 2020, 33% higher than in Q1 2019. Results were mainly driven by the strong performance of the LAB segment (raw material for detergents, currently in high demand given the Covid-19 situation) and the recovery of margins in the Phenol-Acetone line (raw material for plastics and fibers).

Cepsa's Clean CCS Net Income for the first quarter of 2020 was €85 million, compared to €124 million for the same period in 2019.

Net income for the financial year to date, under International Financial Reporting Standards (IFRS), was negative by €556 million, compared to gains of €151 million in the first quarter of 2019. These results include both the write off due to lower realizable value of inventories of crude oil and oil products, with an impact after taxes of €350 million, and a net impairment of €188 million on Exploration and Production assets, mainly caused by the fall in crude oil prices in this quarter (both Spot and Forward prices).

Impact of COVID-19 on Cepsa's business and measures taken

The current economic situation has no precedent in recent times and affects all companies in all sectors. Companies in the energy industry are affected by the significant drop in crude prices and the reduction of demand for refined products that comes from the lower international trade and domestic lockdown policies connected to COVID-19.

Cepsa, like every other company in the energy industry, is affected by these market phenomena. The Spanish market is particularly impacted, with a significant drop in energy consumption due to the lockdown. However, we believe that Cepsa is particularly well positioned to withstand what we believe is a temporary market disruption, thanks to our Company's favorable cost structure, integrated business model, and the actions taken by our management team. Cepsa, as an essential player within the Spanish energy system, is working closely with the local and central government to guarantee the continued supply of energy to the country and support society in general and, very especially, regarding the communities closest to our activity.

To weather the crisis, Cepsa is taking a number of actions across each of its businesses and functional areas.

- First and foremost, to ensure the health and safety of all of its employees, suppliers and customers, by implementing prevention measures to help halt the spread of COVID-19. Thus, for example, all possible work is done remotely: since the first days of the crisis, more than 3,500 employees have been doing it concurrently.

- In order to coordinate the company's efforts in respect of the current situation, several committees have been established under the umbrella and oversight of a global Crisis Committee. These committees address the company's response in different areas including personnel, facilities, operations and processes, and are in charge of identifying and analyzing different scenarios, whilst searching for formulas to address the present situation and subsequent recovery.

- From an operational stand-point, Cepsa is committed to continuing with its operations to guarantee the supply of energy products and services to its customers and society at large, which is crucial in the current emergency situation, observing all instructions and guidelines issued by public authorities in each jurisdiction in which we operates. Mobility has been restricted to the bare minimum and virtually all non-essential commerce and industry has remained closed until now.

- Cepsa has also put in place several resiliency initiatives to protect the company's cash flow generation. These initiatives include:

    - The reduction of fixed operating expenses across all business units and operations, with the objective of achieving savings of €100 million in 2020 with respect to 2019.

    - A reduction in the 2020 capital investment program of approximately 20%, equivalent to €210 million, compared to the figures planned before the onset of both crises. The integrated nature of its business and presence across the whole energy value chain provides Cepsa with great flexibility when it comes to investment decisions, being able to adjust or defer capital investments if required, in accordance with the economic situation.

    - Strict working capital management.

    - Specific actions in our network of Service Stations: following the criteria of the Government regarding essential services, Cepsa offers flexibility in resizing its workforce. In order to achieve this flexibility, temporary lay-offs of staff are necessary.

- Among these measures, the Board of Directors has prudently agreed to delay decision-making on the distribution of the interim dividend until such time as there is more visibility on the evolution of the crisis and the real impact on our markets.

At the same time, the company has launched through its Foundation, another series of assistance-type actions to help vulnerable groups during this pandemic.

Activity and business

The integrated nature of Cepsa's business, operating in the whole energy value chain from the Exploration and Production of crude oil, to crude Refining, all the way down to Marketing of petroleum and Chemical products and the supply of natural gas & electricity, provides a natural hedge against commodity price fluctuations.

At the present time, it is very difficult to predict the final impact that the crisis will have on any company; its impact depends mainly on the speed at which the economy recovers at a global level and, especially, on the way out that is drawn for our main markets. Below is further commentary on our individual business segments:

- Cepsa's E&P portfolio has a low average extraction cost, because of its producing nature, the technical characteristics of its assets, and favorable provisions in several of its concession agreements that mitigate the effect of the lower crude prices through tax offsets.

- Cepsa's refining assets have a competitive cost structure and, being located on the coast, provide the optionality to access the global market for refined products, providing an attractive outlet while the consumption in Spain is temporarily reduced. In addition, we have taken advantage of present low crude oil prices to hedge and lock-in energy costs, at historically low levels, which will protect our refining operations until the end of 2021.

- With respect to the other business units, which have contributed approximately 30% of EBITDA in recent years, we would highlight our strong commercial position in Spain and Portugal, both in the Marketing and Gas & Power business units.

- Cepsa has a relevant international activity in the chemical business, being leader in some of its business units. Our raw material plays a key role in other industries, some of them critical in this crisis.

Cepsa maintains a robust balance sheet, with Net Debt (excluding IFRS 16 impact) as at 31 March 2020 of € 2,991 million and a Net Debt to EBITDA LTM ratio of 1.6x.

Cepsa also has a strong liquidity position, with cash and available committed credit facilities in excess of €3,500 million with an average debt maturity of 4.2 years. Cepsa continues to have access to both the bank and capital markets at attractive terms, and has recently raised new capital, including by successfully placing a €500 million senior unsecured bond maturing in 2028 with a 0.75% coupon in February and secured new bank facilities for a combined amount of €550 million.

Cepsa is rated investment grade by the three main rating agencies. Both Fitch and Moody´s have reaffirmed their ratings during the month of April (Fitch: BBB-, stable outlook; Moody's: Baa3, negative outlook), while Standard & Poor's leaves it unchanged.

Main Indicators

Millions of euros

	Q1 2020	Q1 2019	Q1 2020 vs Q1 2019	FY 2019
Revenues	5,110	5,668	(10%)	23,857
Clean CCS EBITDA	**453**	**468**	**(3%)**	**2,058**
Exploration and Production	*165*	*216*	*(23%)*	*963*
Refining	*95*	*113*	*(15%)*	*433*
Marketing	*124*	*93*	*33%*	*463*
Chemicals	*79*	*59*	*33%*	*246*
Corporation	*(10)*	*(12)*	*(19%)*	*(48)*
Clean CCS Net Income	**85**	**124**	**(31%)**	**610**
Exploration and Production	*(6)*	*43*	*(114%)*	*194*
Refining	*-*	*31*	*(100%)*	*124*
Marketing	*57*	*40*	*44%*	*221*
Chemicals	*41*	*21*	*95%*	*107*
Corporation	*(7)*	*(10)*	*29%*	*(35)*
CCS adjustment: Replacement cost valuation	(443)	13	n/a	(49)
Non-recurring items	(199)	14	n/a	259
IFRS Net Income	**(556)**	**151**	**(469%)**	**820**
Net Debt[1]	2,991	3,074	(3%)	2,746
ND / LTM EBITDA[1]	1.6x	1.7x	n/a	1.4x
Clean CCS ROACE	8.3%	9.8%	(15%)	8.9%
€/$ Average exchange rate	1.10	1.14	(3%)	1.12
Brent price average ($/b)	50.3	63.2	(20%)	64.3
Refining margin VAR ($/b)	4.8	4.5	7%	4.3

[1]Excluding IFRS 16 impact

ANNEXES

Main indicators

Exploration and Production - Main Figures

Operational Figures	Q1 2020	Q1 2019	Q1 2020 vs Q1 2019	FY 2019
Brent price average ($/b)	50.3	63.2	(20%)	64.3
Average realised crude price in $/b	55.8	62.7	(11%)	64.0
Crude Oil Sales in Mb	4.5	5.7	(20%)	20.8
WI production in kb/d	84.2	92.7	(9%)	92.6
Algeria	41.5	42.7	*(3%)*	44.3
UAE	*26.3*	*26.1*	*1%*	*26.4*
Latam[1]	*11.3*	*14.1*	*(20%)*	*12.6*
SEA / Other	*5.1*	*9.8*	*(48%)*	*9.2*
Net Entitlement production in Mboe	6.4	6.5	(2%)	27.9

[1]Latam WI production includes 2.6 kb/d from Perú assets currently classified in the Balance Sheet as Held For sale

Millions of euros

Financial Figures	Q1 2020	Q1 2019	Q1 2020 vs Q1 2019	FY 2019
Clean CCS EBITDA	165	216	(23%)	963
Clean CCS Net Income	(6)	43	(114%)	194
Organic investments	56	53	6%	212

Refining - Main Figures

Operational Figures	Q1 2020	Q1 2019	Q1 2020 vs Q1 2019	FY 2019
Refining margin VAR ($/b)	4.8	4.5	7%	4.3
Utilization rate refineries (distillation) in %	88%	86%	2%	89%
Refining output in Mt	5.4	5.3	2%	21.5

Millions of euros

Financial Figures	Q1 2020	Q1 2019	Q1 2020 vs Q1 2019	FY 2019
Clean CCS EBITDA	95	113	(15%)	433
Clean CCS Net Income	-	31	(100%)	124
Organic investments	64	114	(43%)	469

Marketing - Main Figures

Operational Figures	Q1 2020	Q1 2019	Q1 2020 vs Q1 2019	FY 2019
Number of service stations	1,800	1,800	0%	1,806
Product sales in mt	4.3	5.3	(19%)	20.7

Millions of euros

Financial Figures	Q1 2020	Q1 2019	Q1 2020 vs Q1 2019	FY 2019
Clean CCS EBITDA	124	93	33%	463
Clean CCS Net Income	57	40	44%	221
Organic investments	13	31	(58%)	107

This business unit includes the network of service stations, marketing of fuels through wholesale channels, marketing of biofuels, marketing of kerosene for the aviation market, sale of bunker fuels, as well as the sale of lubricants, asphalts and liquefied petroleum gas (LPG).

Chemicals - Main Figures

Operational Figures	Q1 2020	Q1 2019	Q1 2020 vs Q1 2019	FY 2019
Product sales in (kt)	725	721	0%	2,893
LAB /LABSA	*173*	*161*	*7%*	*680*
Phenol / Acetone	*404*	*417*	*(3%)*	*1,638*
Solvent	*148*	*144*	*3%*	*576*

Millions of euros

Financial Figures	Q1 2020	Q1 2019	Q1 2020 vs Q1 2019	FY 2019
Clean CCS EBITDA	79	59	33%	246
Clean CCS Net Income	41	21	95%	107
Organic investments	26	9	202%	109

Cash Flows Statement

Millions of euros

	Q1 2020	Q1 2019	Q1 2020 vs Q1 2019
Clean CCS EBITDA	453	468	(3%)
Income Tax	(103)	(77)	(35%)
Other adjustments to EBITDA[1]	3	(17)	117%
Clean CCS Cash Flow from operating activities before changes in working capital	353	374	(6%)
Changes in working capital	(252)	(46)	(449%)
Cash Flow from Operations	**101**	**328**	**(69%)**
Organic investments	(250)	(254)	1%
HSSEQ & Maintenance	(96)	(84)	(15%)
Growth	(154)	(170)	10%
Acquisitions / Disposals	-	-	0%
Divestments	-	20	(100%)
Cash Flow from investment activities	**(250)**	**(234)**	**(7%)**
FCF before net debt expenses and dividends	**(149)**	**95**	**(258%)**
Interest paid	(35)	(26)	(36%)
Operating leases (IFRS 16)	(30)	-	(100%)
Cash Flow from bank borrowings	**(65)**	**(26)**	**(151%)**
Free cash flow before dividends	**(215)**	**69**	**(413%)**
Dividends	-	-	0%
Net Free Cash Flow	**(215)**	**69**	**(413%)**

[1]Q1 2019 "Other adjustments to EBITDA" includes Operating Leases (IFRS 16) payments amounting €31.1M

Financial Debt

Millions of euros

	Q1 2020		Q1 2019	
	Excl. NIIF 16[1]	Incl. NIIF 16	Excl. NIIF 16[1]	Incl. NIIF 16
Non-current bank borrowings	2,329	2,921	2,804	3,495
Current bank borrowings	738	854	592	717
Bonds, obligations and similar issuances	993	993	-	-
Cash and cash equivalents	(1,069)	(1,069)	(322)	(322)
Net Debt	***2,991***	***3,698***	***3,074***	***3,890***
Equity	***4,602***	***4,602***	***5,534***	***5,534***
IFRS Capital Employed (ND + E)	***7,592***	***8,300***	***8,607***	***9,423***
Gearing Ratio (ND / (ND + E))	**39.4%**	**44.6%**	**35.7%**	**41.3%**
ND / LTM EBITDA	**1.6x**	**1.8x**	**1.7x**	**2.0x**

[1] Excluding IFRS 16 impact in Q1 2020 and Q1 2019 figures. On January 1, 2019, IFRS 16 became into force, by which operating leases are capitalized in the Group's balance sheet. As of March 31, 2020, the impact of IFRS 16 in Cespa's books is an increase in financial debt of €707 M, and an increase in EBITDA of €30M.

Cepsa is a global energy and chemical company operating end-to-end in every stage of the oil and gas value chain. It also manufactures products from raw materials of plant origin and is active in the renewable energy sector.

It has 90 years of experience and a team of over 10,000 employees, who combine technical excellence with adaptability. It operates across all five continents through its business areas: Exploration and Production, Refining, Chemicals, Marketing, Gas and Electricity, and Trading.

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