2022 Half-Year Results

Thursday 8 September 2022

Jacques Riou: Hello, everyone. Thank you for the time you are dedicating today to the RUBIS Group. We are together today to present the Group's business during the first half of 2022. The main parameters governing its operations remain ultimately the same. By this, I mean, first of all, the energy price market, and in particular the price of oil products. This year again, the aforementioned has been variable and volatile, increasing by 123% over the previous period. The rise in the price of oil products was thus extremely brutal. Of course, you are all familiar with the causes behind this, which have been widely reported on in the press.

Concurrently, we can now consider that the Covid period ended at the end of 2021. Although the year was very much influenced by the health crisis, we often get the feeling that 2020 was more so. Yet, Covid impacted the 12 months of 2021, while the first quarter of 2020 was excellent. In any case, we are observing that the pressure from this crisis is easing up. Moreover, the disruptions are now amplified by events in Ukraine. The current environment is thus not the most conducive to business development.

Nevertheless, the first half-year delivered an excellent result, with a growth rate close to 20%. We will go into greater detail on these figures. For the time being, I would like to go back over the sequence of events over the last two or three years. Financial year 2019 was the last before the outbreak of the health crisis. That same year, the Group's results reached an all-time high. In 2020, prices collapsed, and the global economy went into a kind of limbo. Concurrently, the Group's results were about 9% off with respect to the record, without any subsidies. We were even able to deliver exceptional bonuses to all our employees for the work they had carried out.

In 2021, the rapid rise in oil prices may have caused some concerns. However, we improved our results and came very close to the record set in 2019. The conditions were not necessarily easier in 2022, but we managed to deliver very good results. The record-high result set in 2019 for the half year was then exceeded in the first half.

I wanted to talk about these prospects beforehand, to remind you of how resilient our business model is. I would remind you that an oil price of 120 dollars is nothing new. We hardly remember it, but such increases are common. I invite you to observe, for example, the price curves over the last ten years or so. You will notice that these range between $20 and $120. In other words, our Group is used to working in such a context, and is used to delivering such performance.

Over the period, volume growth was very significant, amounting to 7%. We are also seeing an increase in unit margins, which is not very customary. When prices on the international rise sharply, margins generally remain fairly stable. It tends to be difficult to increase them, and yet we have done so over the period. As to our results, they have thus been excellent.

Over the year, we also made a very sizeable acquisition, that of PHOTOSOL. This group specialised in renewable energy was integrated during the second quarter. It is more specifically specialised in the production of photovoltaic energy in France. This acquisition is particularly significant, with an enterprise value amounting to around €800 million.

In addition, at the beginning of the half-year we sold a major terminal which we owned in Turkey. The sale was carried out under good conditions, and came along with a capital gain. The reasons for this transaction are ultimately quite simple. The characteristics of the terminal were slightly different from those of the other terminals in the fleet. There could have been significant volatility, depending on economic or geopolitical conditions in the region (located near the Turkey-Syria border). Consequently, we deemed that it would be more difficult to operate over the next few years, and opted for this disposal. Today, our joint venture RUBIS TERMINAL is thus focused on continental Europe.

I would like to stress that following these changes, the balance sheet remains extremely strong. The ratio of corporate debt to EBITDA reached 2.1, which is entirely reasonable (despite the acquisition-related changes). Lastly, we continued to develop and deepen our policy on ESG. With FY 2022 results we have increased our objective of CO_2 emissions reduction from 20% to 30% by 2030 compared to 2019.

Key figures — Solid performance

Volumes increased by 7% compared to 2021, and by 8% compared to 2019. Over the period, unit margin increased by 6% compared to 2021, though it remains lower than in 2019. For the period, it is nevertheless necessary to take into account changes to the mix, with the entry of businesses that earn structurally lower unit margins. EBITDA increased by 22% and 16% compared to 2021 and 2019 respectively. It reached €314 million. EBIT came to €244 million, +30% compared to 2021 and 14% compared to 2019. Growth is extremely well distributed across the three geographic regions from which we operate (Europe, the Caribbean and Africa).

Net income amounted to €170 million Group share, in other words +25% compared to 2021 and +8% compared to 2019. In addition, we have calculated adjusted net income. The significant acquisition of PHOTOSOL naturally generates very significant costs. At the same time, the sale of the terminal in Turkey entails a capital gain. The difference remains small, with a gap of €1 million between reported net income and adjusted net income. Nonetheless, I felt it would be helpful for me to share that detail with you. Adjusted net income reached 17% growth and adjusted earnings per share amounted to 20%. From our point of view, earnings per share are a very important criterion for our shareholders.

Business lines and joint ventures — Strategy

Our Group currently covers three business lines, positioned on the energy sector. Our traditional businesses are focused on Retail & Marketing and Support & Services. Ultimately, they form a coherent economic entity. They are established in nearly 40 zones, which are spread over three continents.

These businesses include the distribution of LPG and bitumen, the service station networks, and distribution to key accounts (Commercial & Industrial). In addition, we have a "Renewable energy" division that has become significant. As of today, it amounts to 20% of the Group's asset value. The investment we have made is thus both massive and significant. It is by no means a communication ploy, something we refuse to do. It will support photovoltaic electricity installations in France. These are ground mounted and intended to be as widespread as possible.

We also have our joint venture specialised in storage, RUBIS TERMINAL. You are familiar with this legacy business. It is in this branch that the Turkish terminal was sold. Now, it is based in Rotterdam and Antwerp, it also has several deposits in France, and four in Spain. Today, no other group has such broad presence in Europe. From this point of view, our Group is one of the major European players, and is recognised as such.

The evolution of the business is also remarkable. Since 2019, RUBIS TERMINAL has been posting growth every year. In 2020, 2021 and 2022, the growth we delivered amounted to nearly 5% per year. At the same time, the type of product stored has been modified. Non-oil products have become the majority and within the product mix stored by RUBIS TERMINAL depots, they have now reached 55%. This new set-up has come into place over the last two years. Now, we provide storage capacities primarily for chemicals, biofuels and agri-food products.

In Europe, the bulk of our operations is positioned in LPG. LPG is of course a fossil fuel, but is nonetheless considered a transition energy. This form of energy is mainly geared towards rural or suburban areas, where the product is difficult to substitute. In Europe too, we generate photovoltaic electricity, therefore renewable. Lastly, we have the storage activity referred to above. Outside Europe, we are positioned primarily in conventional fuels, LPG and bitumen. These are more carbon-intensive products, but perfectly suited to economies whose the development and structure are very different from European economies.

<u>PHOTOSOL – French player in photovoltaic production – Strong growth expected</u>

The acquisition of PHOTOSOL is important for our future, in the same proportions as in the businesses to which I referred earlier. As of end of 2021, 313 MW were installed, as compared to 330 MW currently in operation. In total, the global secured portfolio comprises nearly 480 MW. At the same time, 90 MW are under construction, and 55 MW have been awarded, *i.e.,* all the authorisations have been secured, and the contract has been signed (in particular with the CRE).

As to the pipeline, all the approvals have been secured, for a total of 65 MW. We can now participate in tender offers in order to win contracts and implement these production capacities. In addition, the Advanced development pipeline amounts to 1.1 GW. Schematically, this can be defined as land which we have secured. In other words, we still need to obtain the building permit, and draw up the contract with the customer.

The Early stage pipeline is defined as operations for which an agreement has been concluded with the owner of the land. In this case, the land is located near a connection point. From our point of view, it is thus perfectly eligible for our operations. In order to be able to achieve production, we need to initiate the technical work, and in particular the permit applications.

Furthermore, one of our most recent news items concerns 57 MW awarded. Naturally, our subsidiary is very engaged in these discussions. Today there is a topic on signed contracts that will lead to construction, and on the backlog of a significant inflationary phase on the investments made. Discussions are thus underway with the government, in order to offset the additional cost that affects the development projections for these specific operations. These discussions have moved forward satisfactorily, and an agreement has been published. It will thus be possible to develop the allocated part.

Of course, we will not be able to make final investment decisions if the balance of the model is challenged by increases in construction costs (which have occurred in recent months). Our targets in this area include high growth. Initially, we announced growth rates amounting to around 40% in EBITDA over the coming years. For 2022, we expect €25m EBITDA on a full year basis. We also believe that this growth will remain steady over the next few years.

In this area, we have an advantage over our counterparts, since PHOTOSOL specialises in agrivoltaism (*i.e.,* the use of agricultural land, particularly that dedicated to livestock). For this business, the IRRs range from 7% to 9%. This is lower than in our traditional businesses, but the cost of capital is very different. In the photovoltaic power generation business, the contracts are very long term - at least 20 years. Before the interest rate increase by the ECB, it was possible to base almost 100% of the financing on rates below 2%. In the end, the cost of capital amounts to 3%. It should thus be seen in the context of the 7% to 9% IRR rates sought on assets.

We are seeing growth in France, and will of course be looking at other European markets. We will in particular take an interest in hydrogen complements, or in battery electricity storage complements. We are also entering the corporate market. Today, green photovoltaic electricity is not only bought by EDF. Other large companies are making long-term requests, which are proving to be extremely reliable. Consequently, contracts will be signed in the near future.

Capital allocation – Dividend policy maintained, investment in organic and external growth.

We wanted to share our vision for the period 2022-2025. In the Retail & Marketing and Support & Services divisions, we can expect cash flow from operations amounting to over €1.5bn. The pure maintenance investments over the period can be estimated at €500m, and the expansion investments at around €300m. At the same time, free cash flow reaches €900m. After maintenance investment and before expansion, we thus have a 100% cash conversion rate.

We can take one of our previous net results as a benchmark, which was 300 million euros. On this basis, we generate free cash flow that covers all net income over the period. As a result, we can consider external investments. We will also be able to continue our dividend policy, which has always been proactive. The distribution rate is close to 60%, and the dividend has increased each year. Significant investments are also planned for PHOTOSOL. Over the period, we will commit nearly €700m. However, these investments will be self-financed by PHOTOSOL. They will thus not affect the generation of free cash flow.

Strong balance sheet — Supporting a targeted acquisition strategy.

These transactions did not affect the strength of the balance sheet. In 2021, net debt/EBITDA ratio was 0.9. With the acquisition of PHOTOSOL, *proforma* could reach 2.5, then be three times the EBITDA in 2025. Nevertheless, a factor specific to this business line needs to be taken into account. Each photovoltaic installation is housed in a SPV – special purpose vehicle, and the debt is non-recourse. Apart from this non-recourse debt in the sub-subsidiaries, the projected corporate debt ratio is 1.5 in *proforma* in 2021 (1 in 2025). The strength of the balance sheet/corporate debt to EBITDA ratio, excluding PHOTOSOL, therefore remains in line with what we have been aiming at for several years.

At the same time, we are working towards our objective of external growth. After these acquisitions, we still have between €200m and €300m at our disposal. Lastly, we are aiming for double-digit profitability on our historical markets. Firstly, we are capable of achieving this profitability. In addition, the cost of capital outside photovoltaics or renewable energies is higher. I suggest that we go on now to the description of the different business lines. For this, I will give the floor to Bruno Krief.

Bruno Krief: Hello, everyone. I would like to discuss the main subsidiary of RUBIS ÉNERGIE, which includes Retail & Marketing, our downstream, and our upstream (*i.e.,* to Support & Services, with refining, storage and maritime transport).

A solid business model — Control of infrastructures & logistics diversification

In light of the current economic and geopolitical context, I want to reassure you about the availability and supply of petroleum products. Each year, we buy about 5 to 6 million cubic meters of these products. As you can see from the map currently on-screen, these supplies are not the subject of any interaction with Eastern Europe (whether Russia or Ukraine). Crude oil for the refinery comes from the North Sea. Bitumen is sourced in the Mediterranean, Spain, Turkey, Greece and Italy. It is taken directly to our facilities in Lomé, Togo.

In addition, we transport it using our own fleet of ships. In Europe, LPG is in large part supplied locally (North Sea). In addition, we do not rule out shipments from the United States for a large Portuguese warehouse (of which we are shareholders). In similar fashion, LPG in Africa relies on certain local refineries, particularly in South Africa. The significant storage we have in Morocco is filled using US supply. The fuel in Africa comes from Asia or the Middle East.

Finally, the Caribbean area is supplied by the American continent. This includes in particular the East Coast and the Gulf of Mexico, and Trinidad for certain segments and products. This configuration thus protects us from the repercussions of current events. It does not, however, protect us from price increases, as the price is international.

The business is fragmented by segment and geographic region. The gross profit is spread over the five or six segments of LPG, fuels, lubricants or aviation. The operating results are generated in Africa, the Caribbean and Europe. In addition, we are exposed to currency risk, stemming from the currencies with which we work. Today, the euro and dollar account for 80% of the Group’s currencies. The remaining 20% is made up of all the other countries in which we operate (for example, Morocco, Nigeria, Kenya and Jamaica).

However, 80% of currencies are strong currencies. Given the current appreciation of the dollar against the euro, our supplies of raw materials are more expensive (they are stated in dollars). However, this increase is passed on to the customer. In contrast, the profits made by our subsidiaries, particularly in the US zone, benefit from the conversion into euros.

A solid business model — Supported by low volatility in volumes and price elasticity

Our business is a “cost plus” business. We tend to pass on the supply price to the end customer (both upwards and downwards). The graph that appears in the presentation clearly shows the low volatility of the unit profit, compared to the high volatility of the product price. Over the last half-year, supply prices increased by 123%, while unit profit increased by 6%. As an example, the 30% drop in the cost per barrel in 2015 generated a 15% increase in the unit profit. However, the unit profit remains stable and resilient over an extended period.

In a context of very sharp price increases, it is important to keep in mind that the product we market is a primary, basic-necessity product (both for the consumer and for the manufacturer). Over a period of 20 years, for example, price volatility has little impact on the consumption trajectory. It remained stable, growing by 7%. The only decrease shown on the graph came between years 2020 and 2021, and thus reflects the health crisis. This drop in consumption at that time was due to mobility restrictions.

Retail & Marketing — Rebound in volumes, increase in unit margin

The volumes and unit profit increased by 7% and 6% respectively, *i.e.,* an additional 13% gross profit. This amount of approximately €50m explains the performance of the EBITDA and EBIT over the half-year. In addition, this performance is part of a fairly difficult economic and political context. We are also seeing a normalisation of volumes following the repercussions of the health crisis. For the past four or five quarters, we have been seeing successive improvements. They will now be more moderate, as we are gradually returning to a more usual level. During the first half of the year, volumes increased by 9%, compared to 4% in the second quarter. We thus expect this normalisation to continue in the second half of the year.

Concerning unit profit, the graph shows low volatility over three years. In addition, the 2022 performance on the unit profit is significantly higher than that of the two previous years. However, this is not the case for the Caribbean, which in 2020 benefited from the significant results posted by Haiti. Yet these results fell sharply during the period.

Strong development in all regions — varied market types and opportunities

The markets of the African continent are developing. The Caribbean is positioned in niche markets, and Europe mainly in LPG. LPG is a mature product, associated with markets that are also mature. These generate a high level of cash flow, which the Group uses to finance developments in the Caribbean or Africa.

Retail & Marketing — EBIT by geographic area

EBIT increased by 26% to €184 million. All our geographical areas are growing, both compared to 2021 and 2019 (apart from the Caribbean area, due to the specific situation in Haiti). In Africa, the half-year was marked by a sharp increase in results. This increase amounts to 30% if we do not take Madagascar into account. In Madagascar, oil prices have been capped by the government for 18 months. Nevertheless, this situation is largely offset by the excellent performance achieved, particularly in East Africa (with an 80% increase in the contribution).

Support & Services

The upstream branch is highly profitable. Over the half-year, its EBIT increased by 22%. The Caribbean region is the main contributor. Due to our market share in this region, our niche positions, and our ability to source, transport and supply third parties, €33m in EBIT were generated over the course of the half-year. Similarly, we have a strong presence in West Africa for bitumen. We carry out trading operations on other continents, in particular on the American continent. We supply Canada and the United States when these countries have low levels of bitumen. Today, the economic situation in this sector is thus very good for RUBIS.

Renewable energy

We have already touched on the first consolidation during the quarter, with a contribution of €7m EBITDA from PHOTOSOL's EBITDA. In addition, PHOTOSOL's results are taking off. It is important to keep in mind the target of €25m EBITDA for the whole financial year. Above all, we forecast a contribution between €100m and €125m for 2027-2028. This amount can be achieved thanks to the development of the pipeline and its acceleration.

Moreover, recent developments are marked by the success of submissions to and granting from the CRE. A total of 25 additional megawatts were granted. This figure needs to be put into perspective with the 250MW granted in France to the profession as a whole, for installations deemed of significant size. Ultimately, it thus amounts to market share of 10%.

At the same time, PHOTOSOL is making every effort to support the growth of its pipeline. In particular, it is stepping up its development teams, the size of which will increase by 25%. We will also participate in the construction of solar farms, in direct collaboration with industrial players. Such operations are thus no longer part of the assisted sector and the CRE, but of the sector entitled "corporate PPA". We sign long-term contracts with companies, including electricity supply at set prices.

This booming segment will become substantial in the coming years. Consequently, we are getting prepared, to be well positioned on this growing market. As at the end of 2022, installed capacity is expected to reach nearly 440 megawatts, compared to 330 megawatts at the end of the half-year. A larger number of construction projects will thus be undertaken.

RUBIS TERMINAL - Storage of liquid products

The RUBIS TERMINAL joint venture has moved to 3rd position, but is very important within the Group. It generates nearly €120m in EBITDA. In this rather difficult environment, revenues have increased by 4%. In addition, growth has accelerated in the 2nd quarter vs 1st quarter.

The segments on which we are positioned are operating reasonably. This applies in particular to the demand for biofuel storage, in France and Spain.

Demand is significant in chemicals. The capacity utilisation rates in Northern Europe are now close to 100%. All our new facilities are receiving requests. Regarding the fertiliser and edible oil segment, the situation in Ukraine and in Russia is encouraging precautionary supply and storage. The logistics for these products is under quite a bit of pressure, and we are benefiting from this. In addition to biofuels, revenue from conventional fuel remains stable. The very sharp rise in oil prices over the half-year generated a backwardation effect. Transactions in our small trading segment have thus decreased.

RUBIS TERMINAL's free cash flow amounts to approximately €50m after financial expenses, taxes and maintenance investments. The half-year stood out for the near-completion of the refinancing of the instrument put in place in April 2020. The duration of this instrument was set at 5 years, with 5.5x leverage. We have managed to extend the maturity period to 7 years and increase leverage to 6x.

RUBIS TERMINAL is well anchored in the infrastructure sector. Despite the sharp rise in interest rates, we will enjoy a lower rate than that experienced on the previous instrument. The operation is thus less expensive, longer and carries greater leverage. It is important for RUBIS TERMINAL and will generate an additional dividend for shareholders.

Results

As the results have already been commented on, I will go through them quickly. The share of net income recorded at Rubis increased from €1.2m in 2021 to nearly €12m over the half year. This increase is largely due to the capital gain earned from the sale of Turkey.

Consequently, the recurring amount is thus close to €2.3m. Financial expenses increased from €18m to €33m. These include the additional expenses due to the expenses related to the PHOTOSOL acquisition. They also include the financial expenses for the debt taken over. We also note unrealised foreign exchange losses for the portion corresponding to RUBIS ÉNERGIE.

These are due to a rise in the dollar and its increasing scarcity on certain markets. This is the case of Kenya, Madagascar and Nigeria, for example. These issues are relatively recurrent, and contributed to these exchange rate losses over the half-year (up by €10m as compared to H1 2021). Adjusted net income reached €169m. Ultimately, positive exceptional items are offset by negative items, and they indicate a certain quality in the outcome.

Cash flow

Free cash flow increased by 7%. Working capital requirements also rose sharply, due to the increase in supply prices. In any case, the balance sheet remains solid, with the ratio net debt to EBITDA at 2.6x. Excluding the portion of debt found in the PHOTOSOL SPVs, ratio of corporate debt to EBITDA stands at 2.1x.

Change in working capital

Over the longer term, this change is largely due to changes in oil prices. In 2014 and 2015, the significant drop in prices had generated nearly €150m in working capital. In 2021 and in H1 2022, the very sharp increase instead entailed an outflow of cash to finance this need. That being, it is reassuring to note that these movements are very close to neutral over a 10-year period.

Net debt development

The acquisition of PHOTOSOL naturally had a significant effect on net financial debt. In addition, the dividend was paid in full in cash for the first time, for a total amount of €191m. The change in working capital amounts to €179m, which also has an impact on the financial situation. The €1.4bn debt covers two topics. It includes the PHOTOSOL/SPV non-recourse debt. This is very long debt, for which maturity is established at 20 years. This debt starts at variable rates and is hedged at 80%. We thus acquired a swap, which largely covers the current rise in interest rates.

Furthermore, the corporate debt is associated with a shorter maturity of 5 to 7 years (for an average duration of 3.5 years). In addition, we always opt for hedging. Today, the fixed portion amounts to nearly two-thirds. Lastly, we have credit lines for acquisitions, which can be mobilised to an extent of €400m. These can be exercised at any time. They make it possible to meet our needs stemming from acquisitions. I now hand over to Clarisse Gobin-Swiecznik.

Clarisse Gobin-Swiecznik: Hello, everyone. I would like to present the progress of our initiatives around the CSR approach. I will also provide an update on our governance, and more specifically on the Supervisory Board.

A proactive CSR approach - State of progress

The 2022-2025 CSR roadmap was published one year ago. This is limited solely to the RUBIS ÉNERGIE division, and is structured around the three main areas of sustainable development (environment, social and societal). Completion of PHOTOSOL's acquisition took place in April and our teams are currently studying the data available and CSR issues at stake relating to the solar electricity production sector. These studies are aimed at identifying priority workstreams. They also aim to set out a roadmap, which will be available in 2023.

I would like to come back to three points included in the current roadmap. These three points concern the decarbonisation of our activities, the place of women on the Management Committees, and ethics. Decarbonisation is now a key point for our organisation. In March

2022, we announced a target of -30% for scopes 1 and 2 of our carbon footprint, on a constant basis. This target must be achieved by 2030, and we confirm it today. To achieve it, we have called upon decarbonisation experts. They will thus be supporting RUBIS ÉNERGIE and its subsidiaries. The roadmap includes an identification of priority projects, the decarbonisation curve between 2022 and 2030 and the CAPEX that could be associated with it.

The main decarbonisation levers identified are connected primarily with energy efficiency projects on our industrial facilities (notably SARA). They also include the replacement of a number of ships, as well as the use of bioproducts (biofuels, bio-LPG and LPG for some ships). Lastly, they concern solarisation projects at our service stations for the Retail & Marketing part, as well as the decarbonisation of our transport fleet. The budget estimate for all these actions amounts to nearly 8% of RUBIS ÉNERGIE’s annual CAPEX between 2022 and 2030.

We are also aiming to have an average of 30% of our management committees made up of women by 2025. Today, the average rate is 27% at RUBIS ÉNERGIE and subsidiaries, and 50% where Group Management is concerned. Identical or possibly even higher objectives will be set for PHOTOSOL. At our subsidiaries, they might be raised. Lastly, we have made it an objective to ensure that 100% of our employees receive an ethics training in 2023. For this purpose, we have set up an e-learning module. As at the end of 2021, 76% of them were trained. We expect to quickly reach 100%. I would remind you that the ethics and anti-corruption programme is aimed at all subsidiaries.

<u>A determined approach to CSR – Our ambitions for 2022/2023.</u>

Our action in favour of the climate is structured in three priority areas. First of all, we will need to define a scope 3A reduction target. As you will recall, this scope concerns emissions from outsourced transport, fixed assets and purchases of goods and services. In contrast, it does not include products sold, which fall under scope 3B. Today, we are working on the carbon intensity of our products sold. We hope to be able to set a target for a limited scope over the course of 2023. In addition, we are working on an internal carbon price, which will make it possible for the Group to integrate climate issues into its strategy. We have also initiated a study to assess biodiversity impacts and challenges in each of our branches.

Regarding the working environment, we aim to have 100% of drivers trained in road accident prevention in the countries most at risk. This objective, which also applies to our external service providers, will need to be reached in 2023. At the same time, we are setting up a tool to better detect and build loyalty in key employees, to support the Group’s development over the long term.

Lastly, our efforts as pertains to society will focus on mapping human rights and implementing a sustainable and responsible procurement approach within the Group. Our actions for 2022-2023 carry forward the dynamic set 2021. A progress report will be presented at the annual results.

<u>Supervisory Board — changes in membership and stepped up expertise</u>

Over the past two years, four new independent members have been appointed to the Supervisory Board. The first joined in 2021, and the other three joined this year. These four new members enhance the work of the Board by contributing their specific skills in the fields of CSR, safety, human resources and industry. The Board today is well-balanced, whether in terms of diversity, independence or skills. Since 2021, it has added a further meeting to its annual agenda, specifically dedicated to governance and CSR issues.

Key take-aways and Outlook

Jacques Riou: I will not go back over the results of H1 2022. Over the year as a whole, earnings growth is expected to be satisfactory. Instead, I would like to detail the growth levers which we can enjoy in the medium and long term. Our growth is strong and constant. Firstly, this dynamic is due to our presence in the zones where the population is growing substantially. Number is an important factor in terms of energy, as energy demand by definition meets basic needs. These populations are growing, and their purchasing power in the long-term is part of a significant growth dynamic. This factor thus constitutes a very solid lever for our businesses.

In addition, our businesses are aimed at meeting basic needs (*e.g.,* transport, heating or cooking). As it happens, these needs are extremely insensitive to price levels. It should be added that we have a diversity of markets and structures that ensure us excellent resilience in the face of any external shocks. Furthermore, these markets have an essential feature. The transmission of international product prices is a rule up to the end-customer level. We have always seen this constant on conventional fuel markets.

In the area of renewable energy, the fundamental levers are directly connected with French and European ambitions. Achieving only part of the targets set would already generate very sizeable growth for operators. Green electricity generation of course encompasses hydrogen-related issues and markets. Today, no one is capable of predicting how these will develop over the next decade. Nevertheless, green electricity generation is at the threshold of what will happen in the field of hydrogen.

At the same time, major companies are increasingly looking for long-term contracts for green energy, which is an important market. This market will therefore be combined with the regulated and state-controlled market. In the medium term, the contribution of the renewable segment is expected to reach 25% across the Group.

The terminals and storage business are also extremely solid. When the economy is healthy, volumes increase and storage needs increase. When it slows down, disruptions occur in logistics. Customers then engage in preventive storage and the use of stored energy becomes essential. Despite the issues in oil logistics in Europe, current commercial activity strongly sustains the activities of this branch.

Similarly, the competitiveness of chemical activities in Europe declines when prices rise. As a result, chemicals are imported from the United States or the Middle East. Insofar as we are positioned in large industrial ports, these imports are also a source of sustenance for our terminal activities in Europe. This business line thus also benefits from deep and long-term drivers, which have always been observable. In conclusion, we thus reiterate our very strong confidence in the Group's solidity and development. To date, that confidence has always been confirmed by the figures. I now invite you to ask any questions you may have.

Question & Answer session

Participant 1: I would like to ask four questions. The first three pertain more to the Retail & Marketing division. They are aimed at better understanding how results outperformed expectations. Firstly, I would like to know what the main changes in the mix are, by region, compared to 2021. Unless I am mistaken, page 10 of the presentation deals with year 2021, not year 2022. Furthermore, could you remind us whether some governments are currently subsidising fuel price increases?

The third question concerns M&A. Are you seeing new intentions or opportunities for external growth, arising from the financial deterioration of small local players? I am referring for instance to the current controversy in Kenya over petrol stations. In addition, you provided the outlook for this division. I would like more details on your expectations for the second half of the year. The last question concerns PHOTOSOL. Could you detail the government mechanisms aimed at offsetting inflation on solar panels and rising interest rates?

Bruno Krief: I would like to answer the question about the product mix. The diagram showing the breakdown of volumes or margins is based on the whole of the financial year 2021. This choice is due to the seasonal effects in certain segments of Retail & Marketing. A breakdown over the half-year would not have lined up with a 12-month period. All in all, sales are fairly stable. Of course, we are seeing a sharp rise in aviation. Nevertheless, this segment was much lower the previous year. We are also seeing an increase of around 40% in fuels in East Africa.

Bitumen is marketed mainly between January and June. Marketing ceases during the rainy season, which starts in July and ends in September. During this time, it is by definition difficult to do any spreading on the roads. These operations thus resume from the 4th quarter. Similarly, the first half of the year for LPG in Europe is always more important than the second half (temperatures are lower during this period of the year).

You also mentioned the question of subsidies. For example, Nigeria is a country that largely engages in subsidies. In Kenya, the sharp increase in prices over the past 12 months has led the government to cap the sale price. In return, it reserves a subsidy intended to compensate distributors for the shortfall. In addition, we are affected by certain payment terms. That being said, the price formation rule has not changed. It always includes a cap and a subsidy.

Jacques Riou: I would like to answer the question you asked about M&A. Once again, this is one of the objectives we are pursuing. Aside from the PHOTOSOL acquisition, we have not done any M&A in the historical businesses. During the health crisis (Covid), we assumed that the situation would generate acquisition opportunities. In the end, though, we did not identify any opportunities. It is possible that, while currency values are low, many players will not feel encouraged to opt for a sale. Today, several external growth projects can be re-examined. At this stage, however, it is not possible to say much more on the topic.

Notwithstanding, we remain vigilant about the possibilities for supplementing our businesses in all areas (whether Retail & Marketing, Support & Services, Storage or photovoltaic). Our focus is nonetheless more on internal growth. You also mentioned the difficulties faced by certain operators in Africa. Yes, we have been able to benefit from this, particularly in Kenya. In Nigeria, our competitors came up against quite significant stock shortages. However, this context did not give rise to any M&A opportunities.

Bruno Krief: You asked about H2 2022 at RUBIS ÉNERGIE. You will have noted the very good performance posted in the first half. For the second half of the year, we expect volumes to become normal again due to the gradual fading of the Covid effect. Growth will necessarily have lulled. However, we are confident as regards the whole of the financial year. The 20% gain achieved in the first half of the year is expected to remain largely in place. All in all, the fiscal year is thus expected to turn out positive.

Clarisse Gobin-Swiecznik: I would like to answer the question asked about government compensation mechanisms. On 1st September, the CRE authorised electricity producers to sell part of their production capacity at market price for 18 months. This measure also concerns the capacity that will soon be put into production. For PHOTOSOL, this measure is expected to cover nearly 110MW of production capacity (planned between October 2022 and March or April 2023). The measure will be in effect for 18 months. In addition, the European Union is currently reviewing a plan to cap the market price at €200 per MW. At this stage, we are not in a position to provide further information on this subject. Today, the price amounts to €600 per MW, and €60 per MW for the CRE price.

Jacques Riou: We do not know which mechanism will be implemented. However, it is interesting to see how responsive the French government has been in dealing with this subject. This problem is positioned between the signing of the contract with the CRE and the system's commissioning. During this period, we are exposed to price inflation on items relating to the construction of photovoltaic farms. In any case, this is a temporary issue, and we are confident about its outcome. All the stakeholders have understood that it would be problematic for a 25-year project to start from an imbalanced situation.

Participant 1: Could you provide an order of magnitude for the share of volumes-margins distributed at the "Retail and Marketing" division that are subsidised?

Bruno Krief: Kenya and Madagascar are expected to account for nearly 20% of all volumes in Africa. This configuration does not concern all products, but the segment that is aimed at consumers (in particular service stations). In Kenya and Madagascar, we are not positioned only on the Retail segment. We also operate in the industrial, BtoB or aviation segments, and these are not subsidised.

Jacques Riou: Generally speaking, we avoid subsidised markets. These markets usually become so during times deemed critical by governments (i.e., those during which they fear possible backlash). Outside these periods, we avoid these subsidised markets as much as possible. In all countries, we encounter difficulties when it comes to receiving payment of subsidies. Regulated markets are attractive, as are non-regulated markets. Regulated markets are generally aimed at the general public, and often function well. Subsidised markets, in contrast, are more difficult for operators to understand.

If you have no further questions, I suggest we bring this presentation to a close. I hope to see you again for the next presentation of our annual accounts. Thank you for your attention.

[END OF TRANSCRIPTION]