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REP.MC - Q1 2024 Repsol SA Earnings Call

EVENT DATE/TIME: APRIL 25, 2024 / 10:30AM GMT

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PRESENTATION

Operator

Hello, and welcome to the Repsol's First Quarter 2024 Results Conference Call. Today's conference will be conducted by Mr. Josu Jon Imaz, CEO; and a brief introduction will be given by Mr. Ramon Alvarez-Pedrosa, Head of Investor Relations. I would now like to hand the call over to Mr. Alvarez Pedrosa, Sir, you may begin.

Ramón Álvarez-Pedrosa - *Repsol, S.A. - Head of IR*

Thank you, operator. Good afternoon, and welcome to Repsol First Quarter 2024 Results Conference Call. Today's call will be hosted by Josu Jon Imaz, our Chief Executive Officer, with other members of the executive team joining us as well.

Before we start, let me draw your attention to our disclaimer. 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 in the disclaimer.

I will now hand the call over to Josu Jon.

Josu Jon Imaz San Miguel - *Repsol, S.A. - CEO & Executive Director*

Thank you, Ramon. Hello, good afternoon to everybody, and thank you for joining us today. I'll begin this presentation with a review of the main (inaudible) followed by our business performance and results. After the presentation, we will be available, of course, to answer your questions.

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To begin with, last February, Repsol released its strategic update for the period 2024 to 2025, a story of value growth built on our strengths. This updated road map preserves the foundation of our previous strategic plan, adapting them to the new energy context and a better positioning of Repsol.

Our longer-term vision remains doubly unchanged: being committed to our decarbonization targets and the profitable business opportunities identified in the energy transition. The new plan prioritizes shareholder distributions in order to provide certainty, predictability and upside to our dividend. In the next 4 years, our commitment is to allocate between 25% to 35% of the cash flow from operations to remunerate our shareholders, including dividends and share buybacks.

We'll distribute EUR 4.6 billion in cash dividends guaranteed regardless of the scenario. This year, we will increase the dividend by around 30% to EUR 0.9 per share. And from 2025 to 2027, we'll increase the funds distributed as dividends by 3% per year.

On top of this, in our central case, remember that we talked about a central case 8 weeks ago, we will devote up to EUR 5.4 billion to buybacks for a total of EUR 10 billion in shareholder distributions in the 4 years of the plan. Hence, DPS or distribution per share will grow well above the 3% baseline, reaching in the best scenario up to a 12% annual growth from 2025 to 2027.

Our second priority is to maintain our current rating and have strong balance sheet, ensuring the delivery of our remuneration objectives and investment plans.

And thirdly, we have our investment plan. We'll target a net CapEx figure after disposals and asset rotation of EUR 16 billion to EUR 19 billion, with around 35% deployed in low carbon. The total net CapEx, and this net CapEx is going to be delivered and fulfilled over the period, in the horizon of the plan won't surpass this EUR 16 billion to EUR 19 billion threshold. So in the case of slower portfolio rotations or lower level of divestment, so you don't have -- I don't have any doubt, we will slow investment plans to maintain ourselves within our capital framework. So we are going to fulfill this net CapEx concept in any case.

Continuing now with our performance in the first quarter. The adjusted income reached EUR 1.3 billion, 6% higher than in the previous quarter and 33% below the same period a year ago. Persistent volatility, derived from geopolitical tensions and inflation concerns, continue to affect commodity prices. And in this scenario, oil prices remain well supported at around $80, while the price of natural gas show further signs of decline.

Refining margins remained solid, having improved strongly over the last quarter of 2023. And in chemicals, margins displayed a modest recovery.

Cash flow from operations was EUR 1.4 billion, 26% lower year-over-year. Cash generation was negatively impacted by a EUR 0.9 billion working capital buildup, mostly associated to seasonally higher inventory levels. And remember that we have a plant turnaround in Puertollano, and because it's a landlocked, an inland refinery, well, that requires a higher level of stocks. And also from La Pampilla, I mean assuming the same level of prices as at the end of 2023, this working capital effect will be fully reversed as we advance towards the end of the year.

Net debt stood at EUR 3.9 billion by the end of March, a EUR 1.8 billion increase compared to December. This increase was mostly driven by the closing of the ConnectGen acquisition, the above mentioned investment in working capital, the payment of the January dividend, and new leases associated to our trading fleet.

Net CapEx was EUR 2.1 billion in the quarter, of which EUR 0.7 billion corresponds to ConnectGen. And the contribution of divestment and asset rotation was EUR 0.1 billion in the quarter.

The investment level of the first quarter is aligned -- fully aligned with our objective of achieving a net CapEx of EUR 5 billion in the year. So we have a net CapEx of EUR 5 billion in the year after disposals and rotations. We don't expect CapEx to be backlogged towards the end of the year, and we plan further proceeds from divestment and rotation to materialize as we progress in 2024. We have launched all the processes and we have taken all the measures to materialize these divestments and rotations as we progress in 2024.

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With regards to shareholder remuneration, last month, we started the 35 million share buyback program approved in February. Remember that we have the objective of canceling 40 million shares before the end of July. This will be complemented with additional buybacks later in the year to comply with our 30% to 35% of cash flow from operations distribution commitment for 2024.

On the operational side, we managed some progress towards the development of our leading renewable fuel platform in Iberia, thanks to the strategic partnership with Bunge, the acquisition of a 40% stake in renewable gas producer, Genia Bionergy, and the start of operations of our advanced biofuels plant in Cartagena.

In low carbon generation, the acquisition of ConnectGen adds a material onshore wind platform in the U.S. that also includes solar and energy storage projects. Also in the U.S., we completed the construction of a Frye project, our largest solar facility to date, with almost 1 million panels. And we are working on closing our first renewable asset rotation in this country.

Looking briefly to the main macroeconomic indicators of the quarter, Brent oil averaged $83 in the period, 1.3% below previous quarter and 2.5% above the same quarter a year ago. The geopolitical tensions that drove the oil price in the first quarter have persisted in April. The Henry Hub averaged $2.3 per million BTU, a 20% reduction over the previous quarter and 32% lower than a year ago. The downward trend in gas prices has continued so far in the second quarter driven by high production levels and technical restrictions limiting U.S. exports.

Repsol's refining margin indicator averaged $11.4 per barrel in the quarter, 27% above the previous quarter and 27% below the same period last year. Market dynamics reflected the threat of supply disruptions, intensifying geopolitical conflicts, and heavy global refinery maintenance.

The euro-dollar exchange rate averaged [$1.09], in line with previous quarters.

Moving on now to the performance of our businesses, starting with the upstream. Our focus remains on the efficient delivery of the next batch of projects that will contribute to the upgrades of our portfolio through new production and higher margins. In the U.S., we are closely monitoring the gas price situation, to limit our exposure to the depressed Henry Hub. First quarter adjusted income was EUR 442 million, 20% lower compared to the previous quarter and 7% lower than a year ago, mostly due to the -- sorry -- mostly due to the lower gas price realization and lower volumes.

Production averaged 590,000 net barrels of oil equivalent per day, 1% below the previous quarter and 3% lower year-over-year. Compared to the same period in 2023, quarterly volumes were impacted by the sale last year of our Canadian position, and a lower working interest in Corridor in Indonesia following the extension of the PSC. These effects were partially offset by the full consolidation of U.K. and the contribution of new wells in the Marcellus.

In Libya, production in El Sharara was temporarily shut down some days due to force majeure in January, with an impact of around 4,000 or 5,000 barrels per day, compared to the first quarter of 2023.

In unconventional production, we are currently running 1 rig in Eagle Ford and 1 rig in Marcellus. In the current gas price environment, the rig in Marcellus will be released in June.

Our exposure to Henry Hub has been mitigated through the hedging of approximately 20% of our North American gas production in 2024, 50% in 2025 and 50% in 2026. On average, around 40% of our North American production in 2024-2026 has been hedged through derivatives.

In Alaska, in the Pikka project, we are approaching almost 50% of the development of scope in order to reach first oil, including 7 wells already drilled.

Finally, in Mexico, we have reached an agreement for the preservation of an offshore production facility, which will substantially contribute to reach (inaudible) in 2025.

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Continuing with Industrial, our strategy in this division is twofold. On the one hand, we aim to maximize the value capture in this cycle on the conventional side of the business. And on the other hand, we are developing new low-carbon platforms to generate a leading renewable fuels and materials platform in Iberia.

Looking at the first quarter performance, the adjusted income was EUR 731 million, 30% higher quarter-over-quarter and 43% below the same quarter a year ago. Year-over-year results were negatively impacted by a lower contribution of our refining business, trading and wholesale, and gas trading.

In refining, the average margin indicator stood at $11.4 per barrel, 27% above fourth quarter 2023, thanks to strengthening of gasoline and naphtha differentials and lower energy costs, partially compensated by narrower middle distillates spreads. The margin premium over the indicator was $2.4, mostly due to program optimization, the contribution of buyers and the availability of heavy crudes.

Our refineries continue to receive crude from Venezuela for around 2 million barrels processed in the first quarter. The average utilization of our distillation capacity was 89%, while the run rate of the conversion units reached 99%. Maintenance activity included the multichannel turnaround of Puertollano that is going to be finished next week, next Monday or next Thursday, more or less.

Refining margins have been softening over recent weeks as a steady inflow of imports into Europe has strengthened inventories ahead of maintenance season. In April, the indicator has averaged around $7 a barrel, impacted by weaker middle distillate and naphtha spreads.

In chemicals, demand in Western Europe improved over the previous quarter due to lower imports and unplanned downtimes in some facilities. In this scenario, petrochemical margins recover from the historical loss achieved in the second half of 2023, mostly due to a strengthening of intermediate products and lower energy cost.

Repsol's petrochemical margin indicator averaged EUR 205 per ton, 24% over the previous quarter and 3% over the same period last year. Still, the EBITDA contribution of the Chemical business remained negative at minus EUR 32 million. The margin improvement has continued in April with the margin indicator surpassing EUR 300 per ton month to date.

Let me now review the progress of our industrial transformation projects. Starting with Cartagena. The C43 project was complete, and the new advanced biofuels plant reached large-scale production in April. In Puertollano, the project to retrofit an existing gas oil hydrotreater to produce HBO continues progressing as planned.

Establishing strategic partnerships with key players to ensure feedstock availability will be critical for our plants in renewable fuels. In this sense, the agreement reached last quarter with Bunge that increases our access to a portfolio of low-carbon intensity feedstocks will support our transition from first generation vegetable oils to other lipidic feedstocks. That remaining 3 plants operated by Bunge in Spain located near Repsol's industrial sites.

Finally, in the biomethane route, we reached an agreement to purchase a 40% stake in Genia Bionergy, Spanish company integrating the entire biogas and biomethane value chain. The gas producer will be used both for Repsol's internal consumption and for marketing to customers. This agreement creates a growth platform in the emerging renewable gas industry, consider strategic buy in the European Union.

Continuing now with the Customer division. First quarter performance benefited from the resilience of the commercial businesses and the development of our multi-energy proposition despite a less favorable market situation. First quarter adjusted income was EUR 156 million, 53% higher over the previous quarter and 10% lower than in the same period a year ago. Year-over-year, the lower results in mobility and LPG could then be fully offset by the higher contribution of retail power and gas, and from lubricants and aviation.

In mobility, sales and service stations and wholesales were partially affected by alleged fraud practices of some operators aiming to increase their market share. As control measures on fraud are effectively implemented by Spanish administration, market condition should go back to normal during 2024.

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The number of digital clients, which includes the users of Waylet, grew to 8.3 million by the end of the quarter. In electricity market in Spain, the average power price was EUR 45 per megawatt hour, 40% lower quarter-over-quarter and 55% -- 54%, sorry, below the same period last year due to the increase of the contribution of renewable energy.

In retail power and gas, Repsol continue increasing its client base, reaching 2.3 million customers as of the end of March. The EBITDA contribution of this business remained solid in the quarter at EUR 49 million despite the lower demand.

Finally, in low-carbon generation as part of our strategy to achieve double-digit return and to limit our financial exposure, we are currently working on our first asset rotation in the U.S. First quarter adjusted income was minus EUR 6 million, which compares to a positive result of EUR 34 million a year ago, driven by a lower full price in Spain, a lower contribution of combined cycles, and overall, the integration costs, I mean, they are one-off costs associated to the purchase of ConnectGen. The acquisition of ConnectGen adds a material onshore wind platform to our U.S. portfolio with a deep project pipeline that also includes solar and energy storage projects.

In the U.S., we expect to achieve between 3 and 4 gigawatts of installed capacity by 2027. A major milestone in our growth plans in this country has been the completion last quarter of the Frye Solar project in Texas with a total installed capacity of 637 megawatts, of which more than 600 already under operation. As part of our strategy to lock in returns, we have agreed a long-term PPA for 89% of the output from the project.

We have 2 other major solar projects under construction in Texas, the 629 megawatts Outpost with expected commercial date between 2024 and 2025; and the 825 megawatts Pinnington facility with planned start-up between 2025 and 2026.

In global terms, in 2024, we expect to add 1.3 gigawatts of the new renewable operating capacity, thanks to new additions in Spain, the ramp-up of Frye, and the start of production in Outpost, reaching around 4 gigawatts of total installed capacity by year-end.

Moving now briefly to the financial results. In this slide you will find a summary of the figures that we have discussed when reviewing the performance of our businesses. And of course, as usual, for further details, I encourage you to refer to the complete set of documents that were released this morning.

Moving now to our outlook for the year. I mean let me say that the full guidance provided in February remains unchanged. In terms of cash generation, we are expecting a cash flow from operation in the EUR 6.5 billion to EUR 7 billion range. We are comfortable with this figure.

Net CapEx after disposals and asset rotation is forecast, as we did in February, at EUR 5 billion this year, 2024. In refining, year-to-date, the indicator has hovered on average around $11 per barrel, and this is well above the assumption of $8 in our full year budget. That is the guideline we have for the whole year, $8 a barrel.

Our shareholder remuneration objectives are also maintained, with the commitment to distribute this year 30% to 35% of our cash flow operations in the higher end of our distribution range for 2024 to 2027.

To conclude, we are positive that our updated Strategic Plan for 2024 to 2027 will translate into an attractive story of value with a clear and committed growing dividend proposal. During the next 4 years, we will lever on capital discipline and our integration advantage to evolve our portfolio, developing new business platforms that will contribute, no doubt about that, to the increase of cash flows and returns to our shareholders.

We will remain committed to our decarbonization ambitions and clean energy transition, ensuring the efficient delivery of energy products and providing affordable, reliable and decarbonized energy to society.

In 2024, we have started the year with a solid set of results working along the guidance of our updated strategy to maximize value in the current environment, helped by a robust operational performance across all divisions. These strategic partnerships agreed last month to boost our supply of renewable fuels and biogas are significant milestones towards the development of new industrial low-carbon platforms in Spain.

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And following the ramp-up of the C43 project, we have become the only player in Iberia with a plant fully dedicated to the production of renewable fuels for nonindustrial scale.

Finally, in renewables, we are ramping up the development of our use platform, incorporating a higher share of wind to our portfolio, and deploying a new operating model.

With this, I think we can move on to the Q&A session. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Ramón Álvarez-Pedrosa - *Repsol, S.A. - Head of IR*

Thank you, operator. We will move now to the Q&A session. Our first question comes from Sasikanth Chilukuru at Morgan Stanley.

Sasikanth Chilukuru - *Morgan Stanley, Research Division - Equity Analyst*

I had 2, please. The first was on refining. I was wondering if you could provide the margin levels that you're currently seeing, you'd highlighted the April average to be around $7 per barrel. If you could comment on the current European environment -- refining environment, the changes that you have witnessed over the past 2 weeks and your expectations on how this would likely change over the next 2 to 3 months, that would be quite useful.

The second one was on CapEx. You've expressed confidence in meeting your full year guidance through disposals and asset rotation. From an acquisitions perspective, you still have the $300 million payments out of stake in the Bunge partnership. I was just wondering if you could -- if it was possible to expand more on the bridge between the 1Q and the full year guidance. Any color on the organic CapEx levels or the assets that could potentially be sold, that would be useful.

Josu Jon Imaz San Miguel - *Repsol, S.A. - CEO & Executive Director*

Thank you, Sasi. I mean, going to your first point, the current refining margins averaged $7 a barrel over the whole April, at around $6 a barrel this week.

And we are firmly comfortable about the guidance of $8 a barrel in average for the whole year. But let me say, I still think that it's a prudent assumption for the whole year.

What is behind -- first of all, we have in April, I mean you know that there is a seasonality in refining margins. If you check Repsol's refining margins last April, 1 year ago, we were at $4.7, $4.9 a barrel and the average of the whole year was $11 a barrel.

What is the rationale about all that? I mean, first, the turnaround of the U.S. refineries from the Gulf of Mexico is over. So that means that the products are on track of being produced. The driving season is not yet there.

And there is a flow of products towards Europe and the inventories in Europe are higher. So the diesel, gas, oil and so on consumption in winter also in Europe is over, and we are not still entering in the driving season.

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So I think that there is a clear temporary effect. We don't see, let me say, structural threats to this refining margin. Saying more, what I see are some threats on the supply side because, I mean, when we check the attacks to Russian refineries and so on, 1.3 million barrels more or less have been attacked over the last months, I mean, Russia is a black box, but today we have some crude at probably -- a figure close to 1 million barrels a day are out of running today in Russia. So the threat is still there.

The potential conflict in the Red Sea, I mean you know that there is an addition of margins because the travel along the African Coast for products coming from India, Middle East and so on towards Europe.

And when we look at next year, 2 years ago, 3 years -- even 3 -- to 1 year, 2 years or to 3 years from now, what we are seeing, taking the potential new capacity that is going to enter in the system, the potential closing processes of refineries in Europe and in the world and increase of demand, I mean, we are closer to see a tight supply demand balance than the framework of low refining margins.

So we are comfortable with the figure. I think that $8 a barrel for the whole year is a prudent assumption, taking into account the best approach we have for our system. And seeing the performance of the business over the first quarter, let me say that I'm also quite comfortable with the assumption of $2 a barrel as a premium for the whole year. So that means that $10 a barrel is today the best approach we have for the whole refining margin figure for the whole year. And I'm quite comfortable with this figure, let me say, in the lack of, I don't know, some kind of macroeconomic disruption in the world that we are not seeing now.

Going to the CapEx, I mean the full year guidance today, I mean, EUR 5 billion of net CapEx this year. I mean that is going to be written on a stone. So it's true that we have EUR 2.1 billion of CapEx, this net CapEx this quarter, and that could be a bit surprising for you. But it's fully aligned with the guidance we have for the whole year.

Why? Because we have seen -- well, first of all, going to your question about Bunge, I mean, there is not going to -- we are not going to have a cash out of Bunge this year. That is going to happen in 2025, this EUR 300 million approach of this transaction. And I mean, we are seeing an asset rotation process this year that is going to be above EUR 1 billion, including U.S. and Spain.

Divestment, all in all, are going to be at around EUR 0.5 billion, EUR 0.6 billion. I mean we have -- I mean that is not a big figure, but even this quarter, we were above EUR 100 million of divestment. I mean that is going to happen.

And the gross CapEx is going to be, in any case, below EUR 6.4 billion, EUR 6.5 billion including the inorganic transaction of ConnectGen we mentioned before.

So I'm fully comfortable with the EUR 5 billion CapEx. And again, and I said 8 weeks ago, and of course, I'm more committed to that even than 8 weeks ago. I mean I can't control things that are not in our hands, but I can control CapEx.

And over this strategic period, the net CapEx figure is going to be, in any case, in the range from EUR 16 billion to EUR 19 billion. And that is going to happen.

And let me say, in any potential situation that I don't see today that, I mean, that could hypothetically happen, of having any kind of difficulty to divest or to rotate the asset, we will cut in a dramatic way the gross CapEx.

So the net CapEx figure, in terms of the strategic plan we defined 8 weeks ago, is going to happen. That is in our hands.

I mean, let me say, Sasi, that I was talking about refining margin. That is my view, but that is not in my hands.

I mean I can't commit what I'm saying our refining margins because things could be in environment -- the business environment different. But CapEx is in my hands. And again, that is going to happen. Thank you, Sasi.

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Ramón Álvarez-Pedrosa - *Repsol, S.A. - Head of IR*

Next question comes from Biraj Borkhataria at RBC.

Biraj Borkhataria - *RBC Capital Markets, Research Division - Director, Co-Head of European Energy Research Team & Lead Analyst*

Just a couple of follow-ups actually on the similar topics. So on refining, it's obviously been incredibly volatile. Over the last couple of years, we've seen a big tilt to diesel in terms of output from refiners as the market is tight. How are you thinking about -- and in your refineries, have you tilted your product now towards gasoline? Because you do see a big split in the cracks between diesel and gasoline. Just wondering, and maybe some broader perspectives on how you're seeing the 2 end products.

And then just on the divestment front again, you threw out some numbers there, so that you're planning on or have launched processes of EUR 1 billion in terms of asset rotation and the divestments -- on the divestments for EUR 500 million, EUR 600 million, was that related to the upstream?

Just could you help me understand the breakdown how you're thinking about rotation within res and then the divestments? Or is that primarily the upstream or are they all mixed together?

Josu Jon Imaz San Miguel - *Repsol, S.A. - CEO & Executive Director*

Thank you, Biraj. I mean going to the refining, it's true that, I mean, when we compare in historical terms, perhaps gasoline cracks are performing in a better way than, in historical terms, comparing with diesel cracks at this moment. I mean that is happening.

But my point is, I mean, we have flexibility to cope with this potential, let me say, focus on diesel or gasoline. More or less 4%, 5% of our total production in the refineries, and that is a big figure, could be shifted from the current maximization of middle distillates towards gasolines. And I mean, this 5%, when you compare this figure with the current gasoline production, that could be 18% more or less of the total system, that means that we have the capacity to increase in that 25%, 30% the volumes of gasoline that we could put in the market in case of seeing a higher gasoline cracks.

I don't know what is going to happen. Seeing that we are not in the American driving season, hypothetically, that will happen. In that case, we have, Biraj, the flexibility to shift from the current middle distillates production to more gas volumes.

And I mean, with no investment, we are talking about operational conditions. And I mean, in our programming, we are, in some way, day after day, optimizing this system to optimize also the yields in economic terms of the production we have.

When we go to -- I mean, roughly speaking, Biraj, because, I mean, things could be a bit different. But I will say, if we take the year more or less EUR 1.5 billion as a whole in terms of disposals, rotations and so on, more or less the figure related to low-carbon generation rotations, including U.S. and Spain, will be close to EUR 1 billion.

And in the case of the disposals of the E&P, the total of disposals will be $0.5 billion and let me say that probably an 80% of this figure is going to be related to E&P.

What you could see in this quarter, the first quarter, a figure that I think the total amount is at around EUR 120 million or something like that, is mainly -- the main part is related to the E&P and the main part is related to the disposals of part of Eagle Ford in terms of optimizing the land we have in the area.

So again, $1.5 billion all in all at around EUR 1 billion asset rotation, and $0.5 billion disposals, and probably an 80% of the disposals coming from E&P. But again, we could have higher opportunities in the way and be sure that we are going to do our best to take advantage of higher disposals of rotation opportunities. Thank you, Biraj.

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Ramón Álvarez-Pedrosa - *Repsol, S.A. - Head of IR*

Thank you, Biraj. Our next question comes from Michele Della Vigna at Goldman Sachs.

Michele Della Vigna - *Goldman Sachs Group, Inc., Research Division - Head of Natural Resources Research & MD*

It's Michele Della Vigna from Goldman. I wanted to ask you a couple of things. First of all, I've seen you've taken a charge because of the Spanish temporary energy levy, which is proving to be less temporary than what it was supposed to be. I was wondering, what should we assume in terms of cost this year and next year because of it? And are you benefiting from some of this green CapEx offset that the government was talking about it?

And then my second question is on biofuels. You are clearly the leader in Spain. You are accelerating that investment with an integrated strategy. There's also the RED III directive in Europe, which was approved last year, which now each country needs to put into place within 18 months. And I believe that should provide substantial upside to the renewable diesel blending in a variety of European countries. Do you see that potentially as a tailwind for your market in Spain? Thank you very much.

Josu Jon Imaz San Miguel - *Repsol, S.A. - CEO & Executive Director*

Thank you. I mean, Michele, going to your first question, I mean I was sorry because I was thinking about what to answer to you today, Michele, because, I mean, I don't know if that is today is the best day to forecast political issues in Spain. But I mean saying that, trying to go rightly to your question. First of all, this year, the whole figure that is fully included in the P&L already in the first quarter, and even the EBITDA, has been reduced in this figure, the first quarter, because this effect -- the total effect is EUR 335 million, our forecast for this year.

Saying that, you know that over the last weeks we have seen quite new moves from the political side. The first one coming from the European Commission at the end of November. Remember that in that report, European Commission said that there was no reason now for this kind of taxes, and the priority has to be to guarantee the security of supply and the investment in the energy sector.

I mean 3 -- 2, 3 weeks ago in a Spanish newspaper, I remember in an interview to the Spanish economy minister, Mr. Cuerpo, minister said that when we talk about this Windfall tax, thinking about the needs of investments in the energy sector has to be taken into account.

So I think, first of all, that this task -- tax, sorry, is going to have an end. I think that even from a legal point of view, I think that we will consider that there is no room in 2025 to have any kind of temporary levy even from a legal point of view. And talking about 2024 and seeing and listening to the statements from the political representatives either in European Commission or in Spanish government, I think that there is room to have our framework, or the investment is going to be prioritized on the payment of the levy.

Saying that, we prefer to be prudent. And for that reason, we have included this quarter the whole figure in the P&L.

And in terms of cash, you know that a half has been paid in February, I think, EUR 167 million, more or less. And the whole figure for the whole year has been deducted from the EBITDA of the year in this first quarter.

Going to your second question, that I mean, let me say that is, you see, an interesting question because, I mean, I like a lot what we are doing in terms of spreading the renewable fuel concept in the Spanish market because let me say that we have to decarbonize the whole economy in the world. And electrifying is important, no doubt about that, but when we see the Spanish economy, only 23% -- European economy, sorry, a 23% of the total -- the final use of energy is electrified. That's important. And electrification is, let me say, doing pretty well in terms of decarbonizing this part of the economy. But we have to decarbonizing the whole European and world economy. And we have to put our eyes on the 77% of this economy that is not electrified, and let me say that many of that is not going to be electrified in coming years.

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When we look at the Spanish car fleet, I mean electric vehicle is there, we are part of this growth in terms of electric vehicle infrastructure. But electric vehicle is today at 1.5% of the total Spanish car fleet, all in all, including planning hybrid, plus pure electric vehicle.

So it's also our, let me say, our challenge, our responsibility to cope and to solve the problem of 98.5% of cars that they are using combustion engines in Spanish roads. So for that reason, we have a clear commitment to launch, to boost, to enhance this concept of renewable fuels.

This quarter, we already have 140 service stations, providing the Spanish consumers a 100% renewable fuel to fulfill their tank. We are going to have 600 service stations by the end of December, so by the end of the year 2024, and 1,900 service stations at the end of 2027. That is that probably 60% of the total service stations (inaudible) Spain, we are leading this market and we have the larger network of service stations in the country. At 65%, 60% by 2027, they are going to be providing 100% renewable fuels. And we are shifting the concept from premium diesel, that is the current concept we have, in most of our service stations, to the premium renewable diesel with 0 emissions.

Going to the aviation, the mandatory is probably going to come in 2025 -- 2025 on. And we think that the demand is going to improve. And we are preparing the ground for this evolution. And I mean we will go on, Michele, in this way, in this pathway, to fulfill this, let me say, not only our business commitment but also our social responsibility.

Ramón Álvarez-Pedrosa - *Repsol, S.A. - Head of IR*

Thank you, Michele. Next question comes from Alastair Syme at Citi.

Alastair Roderick Syme - *Citigroup Inc., Research Division - MD & Global Head of Oil and Gas Research*

Look, I just had 1 question, and it's just really about the Spanish power prices, which have pulled back a long way in recent months. I just wanted to get your perspective on that. But also trying to figure out how that impacts on your business. Is it a negative or positive on a net basis? How does that -- how does that feed towards the different business segments?

Josu Jon Imaz San Miguel - *Repsol, S.A. - CEO & Executive Director*

Thank you. I mean, Alastair, let me say that the low-carbon generation P&L this quarter is fully impacted by some impacts, and most of them are one shot, or one-off, sorry.

The first one is the ConnectGen related to integration costs and so on, that I mean is quite a huge figure comparing with the dimension of the P&L of this business.

Secondly, going to the Spanish power price, I mean, I want to remind you that the first quarter has been, historical terms, a very rainy quarter in Spain. Today, the hydro capacity in Spain has clearly evolved the average of the last 10 years in historical terms.

So we have experienced 2 months more or less continuously with low pressure rains entering from the south of Spain, from the Gulf of Cadiz and so on towards the peninsula. And because this particular weather, the renewable production has been very high and prices dropped over the quarter.

So I mean, I don't know what is going to happen with the weather in coming quarters, but I mean, taking into account the seasonality and so on, it seems to me that is not going to be repeat in coming quarters.

So from the point of view of prices, I want to -- also to remember 2 facts. First, that probably in terms of wind, solar -- in terms of wind, at 70% more or less of the production has -- is backed by PPAs. Solar, even a higher figure in many of the assets, but we have an open asset that is Valdesolar in terms of merchant. The hydro is open to the market. So you could have a 35%, 40% of the total Spanish production that is marketed, is open at merchant prices.

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And I'd like to underline the effect of the integration, the margin integration, because that is pretty clear this quarter. At these low prices, there is a negative impact on the low-carbon generation business. But at the same time, it's a huge opportunity in terms of growth and in terms of P&L for our retail power business.

The Retail Power business, as you know, that is still a small business in Repsol with 2.3 million customers, but growing, has got an EBITDA of EUR 50 million this quarter. That is -- I mean, for this business, in historical terms, it's a pretty good figure.

So we are following, of course, these prices. I think that this one-off effect is, I mean, it's a quite one-off effect due to the special weather conditions this quarter. And on top of that, I mean, we are quite comfortable looking at the whole picture because what we have in Spain, and that is the great advantage of this business in Spain, is that we have long and strong integrated position.

So we are long and we are short. So in case of having this kind of price disruption, I mean, we have the way to capture margins either in the production side or in the retail side.

Ramón Álvarez-Pedrosa - *Repsol, S.A. - Head of IR*

Thank you, Alastair. Next question comes from Matt Lofting at JPMorgan.

Matthew Peter Charles Lofting - *JPMorgan Chase & Co, Research Division - VP*

Two please, if I could. First, just coming back to refining. I think you sort of said earlier you delivered a premium over the benchmark in excess of $2 in Q1. Can you just talk about the environment and the outlook for that premium Q2 and beyond, the extent to which sort of heavy crude availability is supporting or not that generation on a forward look?

And then secondly, just on cash flows and working cap, I mean you mentioned earlier the sizable build in working cap in the first quarter, which was probably higher than market expectations. It sounds like sort of Puertollano maintenance is an important part of that reversing. If we assume a flat price environment for the rest of the year apart from that maintenance cycle, what are the other sort of key triggers that we should look to in terms of working cap normalizing and the timing around it?

Josu Jon Imaz San Miguel - *Repsol, S.A. - CEO & Executive Director*

Thank you, Matt. I mean probably you are right that it's quite, let me say, it could be normal conditions, quite bold from me to forecast the premium over the whole year. But let me say that -- I mean, I am more comfortable than some other quarters doing that. And I'm trying to explain that.

The C43, the Cartagena's renewable fuels plant, is already operating. If we take, because I know that you have, I mean, the analysts and investors have reasonable concern about margins from -- for renewable products and so on. If we take today's margins in terms of HBO minus UCO margins, that they could be at around $700 per ton.

And taking into account the breakeven of Cartagena a -- the -- in a normal year, the EBITDA coming from this project will be, at these margins that you know that are low margins in historical terms at around EUR 90 million, EUR 92 million a year.

So when I take this figure, I think that we could think that $0.40 a barrel more or less of a new premium is going to come in coming quarters from this project.

Seeing that we could add to this option or this reality, but as I said that we have some kind of clear visibility for coming months about the supply of heavy oils, for 2 reasons. First of all, because, I mean, we anticipated some months ago the potential difficulty we would have in terms of a small reduction of Mexican Maya crude oil and so on, and we diversified our sources. And I mean, today, we have a quite reliable supply from Canada,

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from Colombia, from places like Iraq, even a small amount coming from the Mediterranean, Albanian area, but mainly from mainly -- I mean, in terms of increase from Venezuela. We have some clarity about the crude oil for coming months.

So all in all, if I take into account the bio or the renewable fuel side plus the basket of heavy oils, plus the optimization we are able to do quarter after quarter, and seeing the $2.4 from the first quarter, we are, let me say, quite comfortable about the indication of $2 a barrel of premium the whole year.

Going to the -- your second question. The answer is yes. The main trigger is going to be the reduction of storage. I mentioned before, if we take the EUR 900 million, to be fully clear and transparent, EUR 200 million, more or less, could come from prices because the price is slightly below the price we have -- below -- sorry, evolve. I mean, is higher than the price we had at the end of December. So I mean, there is a positive effect in business terms because the Brent price and so on.

But in terms of building inventories, is negative because we need more capital to maintain the same level of inventories. But the rest, EUR 700 million, EUR 750 million that come from higher inventories. That's for this year -- sorry -- for this year, the largest turnaround process we had was in Puertollano, I mean, involving the coker, you see the vacuum unit and the main part of the distillation.

And Puertollano is a great refinery and with a great market close to Puertollano, that is the main Spanish market that is Madrid, that is a Landlock refinery, more difficult than some others to be managed.

And mainly when you have to provide the products you have when you have a turnaround process.

So for that reason, the storage of products in Puertollano, it used to be higher when we need to shut down the refinery. This -- I think that some of the units are already producing. The last plant is going to start producing in next week, next -- the figure I have in mind is at the end of April next week.

And you could expect, of course, a full normalization of working capital, that at these prices, the current prices, will be, I mean, EUR 700 million, EUR 750 million less of working capital at the end of the year.

Ramón Álvarez-Pedrosa - *Repsol, S.A. - Head of IR*

Thank you, Matt. Next question comes from Alejandro Vigil at Santander.

Alejandro Vigil - *Banco Santander, S.A., Research Division - European Equity Analyst*

I have 2 questions. One is regarding the level of hedges in the U.S. gas market. You said that you have 40%, and you can give us an indication of which is the price level which you are hedging the volumes there?

And the second question is about Venezuela. You know all this volatility about the sanctions from the U.S., how you are operating the business and which is the prospects for the next quarters?

Josu Jon Imaz San Miguel - *Repsol, S.A. - CEO & Executive Director*

Alejandro, I mean, going to American gas, I mean seeing what is happening or what was happening better said, in the American market in gas terms and Henry Hub price and so on. I mean, at the very beginning of the year, we started taking measures.

The first one, to reduce the CapEx in the Marcellus. So as I mentioned before, we only have 1 rig operating in the area. This rig is going to be discontinued in June. We have reduced in an important way the CapEx level of the year. And as a consequence of this reduction, the free cash flow breakeven for the Marcellus this year is going to be at $2 per million of BTU.

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So I mean, it's not a big figure taking into account current prices, but let me say that it's okay. I mean Marcellus is not going to restrict cash for the company this year because the breakeven in cash terms is $2 per million BTUs.

Saying that, what we are doing is also because we have a more positive view for gas prices for coming years. And what we are doing is guaranteeing that the production is going to be there. This year, we are producing more or less in 135 million barrels a day in equivalent terms. I mean we are talking about gas. Next year, it's going to be 140, 135, 140 in 2026.

But my view about the market prices is not relevant at all. What is important is what market is seeing today. And because market is having a more positive effect, what we are doing over the last weeks, months, and even this last week, we are covering our hedging position for coming years.

As I mentioned before, at 20% of the production of the year 2024 for the whole American gas, Marcellus and Eagle Ford, and including both sales, is covered with a call or a put call a $3, $4.6, million BTU. That means that, I mean, we have a floor of $3, million BTU this year, and we have a call of $4.6. That means that all -- let me say, this potential upside is in our hands.

In 2025, at 50%, so half of the total American production of gas of Repsol is already hedged. Again, with a call or put call with no cost, a put of $3, million BTU, a call at $6.1, million BTU.

And 2026 at 50% of the total production -- sorry, in 2025, I said at 50s, a 60% of the total production is hedged. And in 2026 is a 50% of the total production. And in the case of 2026, the caller has a put of $3.2 and a call of $5, million BTUs. That means that, I mean, more than 40% of the total production of these 3 years is hedged with a minimum floor in all cases above $3, million BTUs. So we are quite comfortable this position.

Going to Venezuela. I mean, we have had some news over the last weeks. The first one, we achieved an agreement with Federation. And this agreement incorporates 2 new fields. The name of fields are Tomoporo and La Ceiba. And these fields are currently producing 20,000 barrels a day gross. So that means that we are -- thanks to this agreement, we are doubling the current production of Petroquiriquire. Remember in Petroquiriquire we have today a gross production of 20,000 barrels a day a 40% is the Repsol's stake in this asset, 60% is spended this year. So we are doubling the current production we have there.

Of course, there are some positive effects. The first one, potential synergies regarding the operation of -- in Petroquiriquire we have different fields Barua-Motatan, Mene Grande that could in some way integrate some synergies with these 2 fields. And what is also important, the potential upside to improve the recovery factor of fields which more -- I mean, the new fields, they have more than 5 billion barrels of oil in place. That means that last week we have increased in the Repsol assets, they're all in place with a figure, the 5 billion barrels.

So as a summary of this agreement, this transaction, we are improving the Repsol -- Repsol's position in oil production in Venezuela, first of all, allowing us to recover a path commercial debt, thanks to this new production in the oil field. Secondly, a production increase that you are going to see in coming months because we are in the closing process and all that of these contracts. And third, we are going to improve in an important way the cash flow profile of Petroquiriquire, that is the JV, the oil JV we have with PDVSA in Venezuela in order to pay the financial debt to Repsol. And of course, as I mentioned before, I mean, a collateral consequence is that we are improving the feedstock profile of our refining system. That's related to the oil production.

If we go to Cardon, Cardon is cash production, the JV we have with Eni, let me say that we maintained the total normal conditions of Cardon under the comfort letter we have since 2022 providing us the proper framework to continue operations as we have been doing so far even with sanctions in force. So in other words, that the general license on the last decision of last week is not impacting, is not affecting our operations in Cardon IV. So Repsol lifts cargoes. And we go on in the process of that recovery of Cardon. And we continue with the liftings with swap, you know that PDVSA needs diluents for high crude oil production, so we swap them and we lift cargoes and we swap shipping some diluents to Venezuela in the framework of this operation.

So let me underline, Alejandro, we are -- and will go on, of course, fulfilling the whole national in Venezuela and an international legality regarding our operations in Venezuela as of today. But again, the comfort letter that was issued by the American Department of State, I mean, it's giving us some kind of comfortability about the operations we have in Venezuela.

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In any case, we are in real time in talks and in a very transparent way in touch with Venezuelan authorities, with American authorities, with everybody. And we see today reasonable conditions to improve our position in Venezuela without further financial exposure, and contributing to increased production either in Cardon gas production or in Petroquiriquire oil production.

Gracias, Alejandro. I'm sorry, I mean, expectation on this quarter, I mean, again, we are current. We are not changing our metrics in terms of EBITDA, cash flows and so on because this agreement. I mean that is there. I think that is going to happen. We are going to do our best to make these things happen. But we prefer to be prudent. And for this reason, we maintain in the current terms or the guidances we have for 2024.

Ramón Álvarez-Pedrosa - *Repsol, S.A. - Head of IR*

Thank you, Alejandro. Our next question comes from Alessandro Pozzi of Mediobanca.

Alessandro Pozzi - *Mediobanca - Banca di credito finanziario S.p.A., Research Division - Equity Analyst*

Yes. The first one is on capital flexibility. It looks like you're fairly confident that you can achieve the net CapEx number of EUR 5 billion, and therefore, you are quite confident in closing those disposals. By for any reason they don't, where -- which are the projects where you can pull back some of the CapEx? I guess, maybe in the upstream, U.S., it could be an area. You mentioned that you already -- you're giving back 1 rig. I was wondering maybe if in renewables, or in industrial, what is the CapEx flexibility that you have there?

And also second question is on the industrial. I think wholesales in trading had a really strong result in Q1. Certainly, there's a bit of seasonality there. But I was wondering whether you can give us more color behind those positive results.

Josu Jon Imaz San Miguel - *Repsol, S.A. - CEO & Executive Director*

Alessandro, yes, I'm confident about this figure of EUR 5 billion of net CapEx. In terms of CapEx reduction, going to the divestment, let me say that the main divestments, they are growing, as I mentioned before, from the E&P. I'm not going to put names to the assets and the countries where potentially we could divest. But I mean, I ask you to be or to rely on our track record over the last 5 years. We have been able to dispose Vietnam, Malaysia, Ecuador, in Canada, parts of exploration and production in Romania, in Greece, in Papua New Guinea, in Australia, Russia with production assets. So I mean, we have a track record in terms of disposing assets.

In the logical mindset, I expressed -- when I presented the strategic plan some weeks ago of having better barrels in terms of cash flow from operations. Now we are operating in 13 countries. We have reduced in a dramatic way the scope of countries where we operate. And I mean we will be comfortable being in 9-10 countries as a whole, and we are going to go. Of course, there are not names. We are going to analyze materiality, we are analyzing also the capacity we could have to create value. And at the same time, we are adding new barrels in better places with higher cash flow from operations. And we have a clear target and ambition of increasing from $14.4 to $18.5 more or less towards barrel the cash flow from operations from any barrel coming from the E&P.

But I'm quite comfortable. And again, I mean, if we don't fulfill the net CapEx figure, I'm ready to dispose additional assets also in some other businesses, because we have a lot of liquid assets in our portfolio.

So what is going to happen is that we are going to fulfill the net CapEx figure. As I mentioned when I present the strategic plan, our priorities are: distribution for our shareholders, first priority. Second priority, transforming the company with a CapEx that is going to be over the period fully included in this EUR 16 billion to EUR 19 billion range. And third, doing that under a strong balance sheet and fulfilling our commitments with rating agencies.

Going to the industrial trading businesses and so on, as I mentioned also 8 weeks before when I presented the strategic plan, I mean, this, let me say, hidden businesses, I mean, hidden because, I mean, they are not in the front as some others like refining or E&P or renewable are, they have a combined EBITDA of EUR 1 billion a year in 2024. So 2 hidden businesses.

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Saying that, I think that the -- I mean that was the EBITDA. If we go to the EBIT, I think that -- I mean, an approach for this year could be that the trading business could have an EBIT at around EUR 400 million of EBIT this year 2024. And the gas business is more volatile because, I mean, it depends on -- sometimes on gas prices, the capacity we would have to operate the Saint John in Canada and so on. But we could think something close to EUR 300 million, of EUR 330 million of EBIT this year. All in all, we will have over this year more than EUR 700 million of EBIT coming from this business.

Going to this quarter, I mean, trading is aligned with the view for the whole year. And in the case of North America, because -- I mean, generally it's included and is in general terms seasonally a good month. The figure for the gas could be a higher -- it could be higher than the proportional part for the fourth quarter.

Ramón Álvarez-Pedrosa - *Repsol, S.A. - Head of IR*

Thank you, Alessandro. Next question comes from Henri Patricot at UBS.

Henri Jerome Dieudonne Marie Patricot - *UBS Investment Bank, Research Division - Associate Director and Equity Research Analyst*

Two questions from my side. The first one, on the production outlook for the year. Is it fair to expect that you'd be in the upper half of that range given the current portfolio of assets that you have?

And then secondly, I wanted to follow up on C43 and the ramp-up of that asset. So you're not really full capacity for the projects. And are things developing in terms of SAF production. Should we expect a ramp-up in SAF over the next few months? And where do you think that can take the EBITDA contribution? Because you mentioned, I think, EUR 90 million based on current margins. What could be realistic expectations for the full year?

Josu Jon Imaz San Miguel - *Repsol, S.A. - CEO & Executive Director*

So I mean 8 weeks ago, I had -- I did, I expressed our guidance for the whole year for the uptrend, something in between 570,000 to 600,000 barrels a day. I mean today, it seems to me that we are going to be in the upper part of the range, so something close to 590,000, 600,000 barrels a day with the best information I have today. So that would be the production, of the estimate for the whole year.

The ramp-up of C43 is okay. I mean there are always small operational problems, but the plant is performing 80%, 85% already. And the SAF production is going to depend, of course, of the submarket. So you know that we have the capacity to produce more (inaudible) speaking, if we take 250,000 tons a year and excluding some bio-LPGs and things like that, or bio-NAFTAS, we could have more or less the capacity to produce 100% diesel, renewable diesel, with some kind of operation. And shifting towards SAF, we could produce a 65%, 70% more or less of SAF, with a 1/3 -- a bit higher, I mean, probably 75% of SAF, with that 25% of renewable diesel.

It seems to me that because today the renewable diesel market is higher, the plant in this first step is going to be mainly focused to produce renewable diesel. And I mean, we are going to produce a part of SAF, but this figure of SAF, probably, it makes sense to be increased from 2025 on when the mandatory regulation will come.

The EBITDA contribution, I mean, in -- if we take last year margins, in our full year the EBITDA will be something between EUR 150 million, EUR 160 million for this plant. Taking today's margins, the EBITDA of this plant will be close to EUR 90 million over the whole year. And taking into account that -- I mean if you have to take for 2024 that we put in operation the plant in March and with the ramp-up and so on, I think that taking a 65% for the whole year of this figure will be accurate.

For next year, I mean, something between EUR 100 million and EUR 150 million for the whole EBITDA coming from C43.

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Ramón Álvarez-Pedrosa - *Repsol, S.A. - Head of IR*

Thank you, Henri. Next question comes from Pedro Alves at CaixaBank.

Pedro António Alves - *Banco BPI, S.A., Research Division - Research Analyst*

So it's a couple of clarifications on the CFFO guidance regarding the working capital. I think I heard you mentioned EUR 700 million of recovery until year-end. So does this mean a recovery from the EUR 900 million of outflow that you had in first quarter, so meaning that the movement that you are assuming in your guidance is EUR 200 million of outflow in the full year?

And also on the tax payments, after this unusual inflow of taxes of almost EUR 300 million, what is the expectation for the full year? And also you mentioned the recovery of chemicals in April. What is your expectation in terms of EBITDA for the full year?

And the second question is on shareholder remuneration and you are working with the higher end of your target, 30% to 35%. As we head through coming months and go in July for the first half results, just trying to understand what could be your time frame to decide to be more in the 35% instead of 30%, and if eventually it will be, with the macro scenario and operationally aligned with our targets in terms of CFFO, would you be eventually in a position to decide in July to -- or indicate to the markets will be more in the 35% payout?

Josu Jon Imaz San Miguel - *Repsol, S.A. - CEO & Executive Director*

Pedro, I mean, going to your first question, I mean, if we take -- as I mentioned before, I mean, roughly speaking, if we have EUR 900 million of the building process over this quarter in terms of working capital, and EUR 200 million could come from the price side and EUR 700 million from the volume activity side, let me say that, under the same assumptions, I mean, at these prices -- today's prices, we will recover, roughly speaking, EUR 700 million from now to the end of the year because the price effect, roughly speaking.

My point is that we are going to control the inventories and the activity over the whole year. Of course, the price effect is going to impact in one direction or in the other direction.

If we see lower prices, of course, the effect will be negative in P&L terms, but it will be positive in terms of building working capital. So we could expect this working capital recovery as you mentioned, over the whole year.

Going to the tax payment over the whole year, that is true that you have seen, let me say, a quite -- also one-off effect this quarter. That is mainly related to the repayment of some corporate tax that's coming from the Spanish administration. So what we could expect in terms of taxes for the whole year, let me say that it's the normal tax rate for our activity. I mean from the rest of the quarters, probably for the E&P, the tax rate will be something close to 45% more -- 42% more or less in the case of the upstream activity, probably closer to 40% than to 45%. And in the case of the Spanish activities, I mean the tax rate will be at around 25% of Spanish Corporate Tax. But again, in cash terms, we have a positive impact coming from the repayment of some concept coming from the corporate tax and so on.

Going to the chemical business, I mean what we are seeing, as I mentioned before, are a bit probably higher demand and probably higher prices that mainly comes from the shortage of import material in Western Europe. The demand for petrochemicals in Western Europe, strength in this quarter, but mainly because the supply of imports, problems caused by, I mean, the attacks on vessels in the Red Sea and so on, we are also seeing mainly coming from Asia, a better picture that we were being before.

And let me say that in general terms, people from our business, they expect a better situation for 2024 compared with 2023. If current markets -- I mean, for instance, in April, it seems to me, I'm betting in favor of that. I know I can't say that in 100%, but I think that the EBITDA of the business in April is going to be positive. And that is clearly a good news. Because if we take last year figure, the EBITDA, would be -- was negative in EUR 157 million. And this quarter the EBITDA was negative in EUR 32 million. So having a positive EBITDA in April, I think that is a quite positive shift in this business. And today, if current market situation remains for the rest of 2024, I think that the EBITDA for 2024 could be positive for the whole year, even in a figure above EUR 25 million, EUR 30 million.

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And let me remind to you that we are also doing our best to go on in our investment process of the chemical business. Because if we take, for instance, the potential impact of Sines that is going to be operating the upgrading of Sines at the end of next year, Sines will be even, at this current margins, adding EUR 100 million a year of EBITDA. The projects on track of cable -- differentiated cable plus the ultrahigh molecular weight polyethylene from Puertollano, they will be a combined EUR 40 million, EUR 45 million EBITDA.

So all in all, probably with these projects this year, even in this bad environment, we will have an EBITDA at around EUR 200 million and a positive EBIT even in this negative environment arena. So we are doing our best to improve performance of this chemical business.

Going to the distribution, the time line for the decision, I -- mean, probably -- you know that we are now in the share buyback purchasing program we committed in February. This program is going to be finished and canceled in the second half of July. Probably in the next quarter conference call, this program will be already redeemed, amortized, and probably I will be announcing the second program for the second half of the year, taking into account that, I mean, if we see that this cash flow from operation is on track and this 30%, 35%, I mean, it's giving us room for having a total shareholder distribution that could be taking our guidance, I'm not committing anything, a figure something between EUR 2 billion, EUR 2.1 billion. I mean, taking into account that the cash would be at around EUR 190 million, the dividend cash this year. So I mean, I think that there is room for a second buyback program for the second half of the year.

But I will be more comfortable taking this commitment in July. So that is going to be the time line for the decision.

Ramón Álvarez-Pedrosa - *Repsol, S.A. - Head of IR*

Thank you, Pedro. Our next question comes from Kim Fustier at HSBC.

Kim Anne-Laure Fustier - *HSBC, Research Division - Head of European Oil & Gas Research*

They're both on biofuels. The first one is a follow-up on C43. It's now started up, but I think there's been a delay for about a year because if I'm correct, at one point, it was meant to start up in the first quarter of last year. So what happened there at C43? And what have you learned from an execution standpoint that it could apply to future projects?

Secondly, on the Bunge venture, how much of your biofuel's feedstock needs have you now covered with this joint venture? And what level of internal coverage would you like to achieve in the medium term?

Josu Jon Imaz San Miguel - *Repsol, S.A. - CEO & Executive Director*

I mean, going to your first question, you are right. When we approved this project 3 years ago, in the midst of the pandemic, because it was approved in 2020, the startup, the first oil -- the first renewable oil, let me use the term, was forecasted for October. And the 4 months delay in gross cost mainly because the shortage and the break of supply chains over this period related to Ukrainian crisis and so on, we have suffered in these disruptions in terms of raw materials, supply chain and so on and so. And I mean, we have learned in some way to cope with quite challenging conditions when you are launching a project, because let me say what we have experienced in Europe in the period 2023 has been quite unusual in terms of supply chain guarantee and so on in some sectors. And all that has impacted, of course, also the building process of this project.

Going to Bunge is going to cover more or less the 82%, 85% of the total needs. We are going to have a feedstock for the projects we are going to put on track by 2030. When we talk about 2030, I mean, the indication I have in mind, we are talking about a production of renewable fuels or biofuels, all in all, in our figure EUR 2 million, EUR 2.3 million -- sorry, tons, by 2030. So all in all, an 82%, 85% is going to be covered by 2030, thanks to this agreement we achieved with Bunge.

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Ramón Álvarez-Pedrosa - *Repsol, S.A. - Head of IR*

Thank you, Kim. Our next question comes from Matt Smith at Bank of America.

Matthew Smith - *BofA Securities, Research Division - Research Analyst*

I had a couple, please. The first one was a clarification on the CFFO guidance for the full year. Reiterated as before, the EUR 6.5 billion to EUR 7 billion, I understand. I just wanted to double check, how is the commodity price assumptions been refreshed in that view? I guess, Brent is running ahead of what you presented 8 weeks ago, but Henry Hub is running low. So I just wanted to clarify whether you had updated the commodity price deck that underpins that. And sorry, if I missed that.

And then the second question was back on refining. Thank you for all your comments so far and the indicator for April. I think that's all very useful. I just wanted to touch on any comments on demand specifically, if you could. Because as I look at the margins throughout April, gasoline has been very strong, margins going up throughout April, and diesel, the inverse. Some of the demand indicators we track seems to suggest that gasoline demand has been particularly strong, perhaps above expectations. And again, perhaps the inverse is true for diesel and middle distillates. So I just wanted to see whether that was consistent with what you're seeing or whether you would just characterize this as usual seasonal demand trends, please?

Josu Jon Imaz San Miguel - *Repsol, S.A. - CEO & Executive Director*

Thank you, Matt. I mean the general guidance was $80 a barrel Brent, $3 a barrel Henry Hub. It seems to me that seeing what is happening in terms of the current oil price over the year, and the part we have hedged of Henry Hub, I mean there is no downside from this combination, 83, and the refining margin $8 a barrel, the indicator. And as I mentioned before, we will have $2 a barrel of forecast premium. That is the guidance for getting this EUR 6.5 billion, EUR 7 billion, this range of, billion euros, in terms of cash flow from operation.

I mean you are right about -- you said about refining. I think that there are both factors. One of them going to the middle distillates, I think that there are seasonal factors. I mean the weather in Europe over the last 2 winters has been a bit milder than it used to be. So that is impacting in a negative way in the demand side on middle distillates.

From the other side, we have the tension on the supply side. I mentioned before on the potential disruptions, many of them coming from Russia. And that is the most important one-off effect.

But it's also true that there are some structural effects in the car fleet. One of them is that the distillation of European fleet is changing. That means that more and more new cars, they are hybrid, gasoline cars, and we are seeing less new middle distillates or diesel cars. But it's also true that because the new retail and purchasing trends in the society, I mean, more Amazon, more online purchasing process and so on, the number of vans and trucks and so on using diesel is also increasing in some parts of some European geographies.

But in general terms, I think that there are some kind of change from gasoline -- from middle distillates to gasoline in structural terms in Europe. We are quite comfortable with that because we are gasoline exporters from Europe to America and we have a huge shortage of middle distillates in Europe. I mean, only in our own border markets in France, the import figure of middle distillates is higher than the total middle distillates production of Repsol V refineries. And France is a market that is in our -- I mean, we have 2 refineries, Tarragona and Bilbao, that are closer to all the Southwest French market at any French refinery.

So I mean that is happening, you are right. And we are, let me say, following and trying to react to adapt our own production and our own commercial activity to these trends. Thank you.

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Ramón Álvarez-Pedrosa - *Repsol, S.A. - Head of IR*

Thank you, Matt. Our next question comes from Anish Kapadia of Palissy Advisors.

Anish Kapadia - *Palissy Advisors Limited - Director & Head of Energy*

I just had one question about the renewables business, the power generation business in the U.S. I wanted to just get a sense of some of the current market trends and how they're kind of impacting the market.

So we're seeing kind of interest rates stay quite sticky and higher for longer. There also seems to be some kind of pain amongst many of the solar developers in the U.S.

So just wondering how -- just how that kind of market environment is impacting you.

And also, I suppose there's some positivity looking forward about electricity demand in the U.S. So if you could just talk about that, too.

Josu Jon Imaz San Miguel - *Repsol, S.A. - CEO & Executive Director*

Yes. Thank you, Anish. I mean there are different effects we are seeing in the American market. The first one, demand is eternally growing. And mainly the demand for renewable energy. Why? Because all the new activities related to artificial intelligence, data center, new technologies, the transport of data and so on is growing. So there are even some trends, some forecasts that say that, by 2030, the world is going to need more or less up power generation for all the activities related to the IT, closer to the total current American consumption. So 13% of the total global. So a new United States, let me say, in terms of power consumption in the world.

And what we are seeing is that all these, let me say, agents or players in the IT, the new [IA] arena, they only want to -- mainly want to be provided with renewable energy, renewable power.

So demand is growing. What we are seeing is a very positive impact coming from the IRA. In the areas where we are developing our main projects, what we are seeing is that a figure with upward of 30%, and in many places, even at 40% of the total CapEx, is supported either by ITCs or PTCs, depending on the different formulation to be supported. At the same time, we are seeing a reduction -- a dramatic reduction in terms of CapEx, mainly in the solar side, partners, the partner side because you know that you have the BOP and you have the panel. In the panel, the reduction has been closer to 40%, sorry, 40% comparing with the prices we had 2 years ago in the States, and a negative effect, as you mentioned, coming from the interest rates.

What is going to happen? I mean I don't know what is going to decide, the American Federal Reserve in case of seeing some kind of easing the monetary policies from June on as some analysts are forecasting. In that case, the impact will be even positive because, at the end of the year, we'll have a better interest rates arena than what we have today. In any case, remember that even in the worst of these interest rates values, in October, we were at the peak of our interest rates, we were able to rotate the last rotation we did in Spain with Pontegadea, including solar and wind assets.

So in general terms, we are quite comfortable with this -- some positive and some negative effects we are seeing in the American renewable business arena. Thank you, Anish.

Ramón Álvarez-Pedrosa - *Repsol, S.A. - Head of IR*

Thank you, Anish. That was our last question. At this point, I'll bring our first quarter conference call to an end. Thank you very much for your attendance.

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