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REP.MC - Full Year 2012 Repsol SA Earnings Conference Call

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OVERVIEW:

Co. reported 4Q12 CCS adjusted net income of EUR517m.



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PRESENTATION

Angel Bautista - Repsol SA - Director, IR

Good day, ladies and gentlemen. This is Angel Bautista, Director of Investor Relations at Repsol. On behalf of our Company, I would like to thank you for taking the time to attend this conference on Repsol's fourth quarter results, and a summary of the year 2012.

This presentation will be conducted by Mr. Antonio Brufau, CEO. Other members of the Executive Committee will be joining us as well.

Before we start, I invite you to read our disclaimer note. We may make forward-looking statements which are identified by the use of words such as will, expect, and similar phrases. Recent results may differ materially depending on a number of factors, as indicated on the slide.

I now hand the conference over to Mr. Brufau.

Antonio Brufau - Repsol SA - Chairman & CEO

Thanks, Angel, and thank you for attending this conference. I will be addressing four topics during the call. First, the main events of the year, marked by the YPF confiscation, and the updated strategic plan that follow. Second, an update on the financial situation. Third, the quarter and year results. And fourth, our preview of 2013.

2012 was a year marked by the illegal confiscation of YPF by the Argentinean Government. On April 16, the Argentinean Government decided to expropriate 51% of the company, taking the shares exclusively from our stake.



After the YPF confiscation, we presented a strategic plan update, which explained how the Company's ability to grow wasn't affected, and how we would be solving, in the short term, the challenges to strengthen our balance sheet.

Our decision to make the absent division the growth engine of the Company, supported by the cash generated by our Downstream business, remains unchanged.

We maintain our midterm Upstream growth focus on 10 projects, which are the support of our production increase and reserve replacement ratio level.

Five of these projects are currently producing. Margarita-Huacaya in Bolivia, which started production from the first expansion phase in May 2012; this is a gas field with prices in the range of 10% [Brent] per million Btu. The second phase is on schedule to start delivering additional volumes in the fourth quarter this year. The field is expected to deliver a total net production of 17,000 barrels of oil equivalent per day by 2014.

Mid-continent in the US started to deliver production from the Mississippian Lime back in February 2012. For the time being, the results are in line with the estimates we used at the time of the acquisition. We expect Mississippian Lime to be around 2% of the 2013 production level. We expect to drill around 700 wells during this year.

The alliance with Repsol Oil & Gas joint venture in Russia started to book production with the assets incorporated in August from the Samara region oilfields, and later on, in December, of the Tatarstan region oilfields.

We are currently producing around 10,000 barrels net to us, and expect to have additional 4,000 more from the SK assets, which have started production last week.

Lubina-Montanazo in Spain started production in October. It contributes 6,000 barrels of high margin barrels. Sapinhoa in Santos mine, Brazil, which came on stream in January this year, and will add, net to Repsol, 20,000 barrels by 2014, and 45,000 barrels by 2016. This project will increase not only our oil production, but also the average margin per barrel.

The remaining five projects are progressing as follows. Kinteroni in Peru, [welfare] facilities are complete. We have a short delay in first gas, due to heavy rain season, and the completion of final details in the commercial agreements. We expect to start production in a matter of weeks.

Cardon IV, first stage, in Venezuela, to produce 300 million cubic feet a day of gas in gross terms, is progressing on schedule with first gas planned by 2014. Carabobo, again in Venezuela, is in the early stages of conceptualization with engineering, seismic and stratigraphic wells under execution.

We are pursuing an accelerated production project, to be decoupled from the main one, with all oil initially being processed and exported from existing facilities. The first well started production on December 28, 2012, and we are now drilling additional development wells. Carioca, our second Santos 9 development project, is progressing as scheduled.

We are currently carrying forward engineering studies in order to be able to declare commerciality by year end. First oil is scheduled for the end of 2016, as planned. Reganne in Algeria, where we expect the front-end engineering and design for surface facilities to be completed by June this year. First gas is in line with our previous estimates and is scheduled for second half 2016.

Operationally, we progress consistently on several forums in 2012. Starting with the Upstream business, in the development and production areas, we have delivered a reserve replacement ratio of 204%, making 2012 the third year in a row with this ratio higher than our strategic plan's midterm goal of 120%. The 2012 organic reserve replacement ratio has been 194%.

We increased production from our 2011 average of 299,000 barrels to 332,000 barrels per day. The production outcome was mainly increased by Libyan volumes back to normal, and Margarita barrels in Bolivia. Trinidad and Tobago, that was affected by maintenance both in the trains on the fields' facilities, had a negative impact.

In the exploration side of the business, our team is delivering every year the targeted contingent resources. In 2012, we had nearly 400 million barrels from exploration, plus around 300 million barrels coming from non-organic regions of US Mid-continent and Russia. The year-end resources inventory reached more than 2.1 billion barrels, compared to the 1.5 billion barrels as of the end of 2011

The main discoveries behind the added resources are; Pan de Azucar in Campos 33, ranked as one of the top 10 discoveries in the world in 2012, and Sagari in Peru, along with smaller discoveries in Colombia and Algeria. We maintain the focus in constantly renewing the exploration acreage to have a robust portfolio.



During 2012, we added more than 68 blocks, 44 of which are in the United States, an area where we are focusing on for future growth, while we still keep on diversifying, adding Angola, Aruba, Australia, Bulgaria, Namibia and Romania to our current geographical presence.

These new areas [cope] with the stated strategy, with regards continued building a balanced portfolio, with more concentration and focus on our geological expertise.

In the Downstream business, the Refining division significantly improved performance, delivering a 2012 Refining margin of \$5.3 per barrel compare to \$1.6 per barrel in 2011. The macro conditions were favored by occasional events, mainly in the third quarter, such as a massive maintenance season in Europe, along with accidents in refineries in Venezuela and Mexico.

These events, besides the \$1.6 per barrel premium margin contributed by the upgrades, resulted in the margin improvement. Let me remind you that we need a margin of \$2 per barrel to break even in our CCS EBITDA and \$3.7 per barrel to break even in our CCS EBIT, at 80% utilization rate.

The Retail business results has still been resilient, even though demand has been decreasing throughout the year. The Chemical business experienced a very weak period this year, with a drop in volumes and margins that has caused a negative result. At the EBITDA level, we ended the year at break even.

We are working in order to increase the competitiveness of our Chemical business that includes; first, rationalization of our industrial assets, focusing on the most competitive ones; second, moving to higher added value products; and third, focus on energy efficiency projects and reduction of raw materials' cost to supply our crackers.

Going now to our financial position, Repsol ended 2012 with a net debt, ex Gas Nat Fenosa, of EUR4.4 billion, EUR2 billion lower than the one at the end of 2011, after YPF expropriation effects. The reduction was due to, on the one hand, the EUR1.4 billion placement of 5% treasury shares back in January 2012. To a lesser extent, was due to non-core divestments and cash generation of our businesses, higher than investments, dividends, and interest payments.

Repsol has been maintaining good access to the capital markets at very competitive terms, securing enough liquidity to pre-finance our business plan for the following years. As of December 2012, Repsol has EUR4.6 billion in cash, plus EUR4.4 billion in committed, undrawn credit lines.

Liquidity available shows a coverage ratio of 3 times in relation to short-term debt. Our leverage ratio at the end of the period was 21.6%, including preference shares.

In our strategic plan, we defined some actions to strengthen the balance sheet. Let me explain the progress made in 2012. First, the implementation of the scrip dividend was very successful, with an [effective] ratio of 64% and 69% for the final dividend of 2011 and the interim of 2012, respectively; the [probable] contributed cash savings of EUR900 million.

Second, working capital reductions, through the optimization of Refining inventories, and commercial conditions reduced cash requirements by more than EUR750 million in 2012.

Third, selective non-core divestments in Ecuador and Chile amounting to EUR551 million. Fourth, on the sale of our LNG division, we announced early this week that we've signed an agreement with Shell to sell all the assets and operations related to our LNG business outside US and Canada for an enterprise value of \$6.7 billion. Repsol's reported net debt will decrease by an estimate of EUR2.2 billion as a consequence of the transaction.

Looking at debt with the credit rating agencies' criteria, the reduction is expected to be in the range of EUR4 billion to EUR4.9 billion, which would imply a significant improvement in Repsol financial ratios. All these steps ensure the Company maintains a solid financial position, reduces debt and increases liquidity.

As for the preferred and treasury shares, we will be announcing our decision on the alternative in the short term. Our sound financial and liquidity situation, after the LNG sale, allows us to accomplish these transactions, avoiding dilution to our shareholders.

I will make a parenthesis to talk about the actions taken during the year to get a fair compensation for the YPF confiscation. We are very grateful from the broad support we have been receiving from governments, public and private institutions, and the whole international community that has severely reproved this illegal action. However, we remain open to any potential negotiation to reach a fair agreement that compensates the value of our confiscated assets.

Meanwhile, the defense of our shareholders' interest oblige us to strongly to pursue all available legal options. The legal claims we have filed in the US, Spanish and Argentina courts and, in particular, the International Center for Settlement on Investment Disputes are progressing well, according to the legal procedures.



Let me go now to the quarterly results. Fourth quarter CCS adjusted net income was EUR517 million, and CCS adjusted operating income was EUR1,053 million. These results were 115% and 109% higher, respectively, than during the same period last year. The improved results have been driven by a better performance in both the Upstream and the Downstream divisions.

In the Upstream business, the adjusted operating income was EUR492 million, 151% more than what we obtained during the same period of the previous year. In addition to the Libya production returning to normal, and the continuous increase in the Margarita ramp up volumes, we started production from the Russian, Spanish and the Mississippian Lime operations.

The other main explanation of the variation was lower exploration expenses, which were EUR48 million less than during the same period of 2011, due to lower amortization of both bonds and wells.

In the LNG division, the adjusted operating income was EUR110 million, in line with the same period last year. As mentioned in the LNG sale release, we will be booking the LNG business results until the closing of the transaction.

In the Downstream business, the CCS adjusted operating income was EUR326 million, 151% higher than the fourth quarter of 2011. The good performance comes mainly from the Refining business, due to higher distillate volumes and increased utilization rate of our system up to 83%, and our margin of \$6.3 per barrel.

The premium on the margin from the new units reached \$2.45 per barrel during the quarter, and the utilization rate in the conversion units reached 93%. In our Retail businesses, the LPG results partially offset the decrease in margins and volumes in the Retail sales.

To finish with the quarterly results, in Gas Natural the adjusted operating income of EUR226 million was 22% higher than during the same period last year. The increase is due to higher margins in the Wholesales Marketing business and better results in electricity commercialization.

Moving to the 2012 cumulative annual results, I only want to mention that the Upstream division accounted for more than 50% of the annual CCS adjusted operating income. And also that 2012 CCS net income was higher than the one obtained in 2011, which included YPF. It means to me that we have been able to offset the YPF impact in our P&L.

Now we would like to cover now the forecasted activity for 2013. In the Upstream division, we expect to increase production by 10%. January average was around 360,000 barrels per day. We are currently adding to this figure SK barrels in Russia, and we will be adding shortly Kinteroni barrels that will be on stream in the coming weeks.

As explained in the exploratory day back in January, the exploratory activity in 2013 will include 30 wells and 2 appraisal ones. 75% of investment will target oil, and 65% of the total budget above \$1 million will be spent in drilling. We will concentrate our activity offshore in Brazil, Angola, US, Norway and Canada, coupled with recovery onshore activity in Libya, Algeria and new operations in Russia.

On the LNG businesses, we are still obtaining reasonable results, regardless of the market challenges we face. Canaport is an efficient terminal, flexible with demand swings, and able to handle Q-Max and Q-Flex vessels. It also has strong synergies with Repsol's North America Gas Commercialization division.

The plan location allows us to benefit from a premium market versus other (inaudible) markets in North America, especially during winter month, as we have proved this January. Nevertheless, we plan to reevaluate the operating and strategic alternatives for these assets.

In the Downstream division we expect to maintain a high capacity utilization of our conversion units, obtain a fair evaluation of the Retail division results, and improve our product differentiation in the Chemical business.

Finally, we will persist in our efforts to get a fair compensation from the Argentina Government on the confiscated stake of YPF and, as I mentioned before, to that end we will remain open to any negotiation alternative that arises. But, in the meantime, we will continue with all available legal actions.

This year was one of the most challenging years we have had as a Company. We dealt with the confiscation of YPF and the impact of the market events affecting Europe and Spain, having a direct influence on the region risk perception. In this challenging environment, our operational units have maintained the focus on delivering the objectives to comply with the role in our strategy. 2012's operational performance and financial results are proof of this.

We are reshaping a Company with a straightforward strategy with growth denominated by the Upstream divisions, which stands above the industry average, and with a strong financial position which supports current and future projects, assured by a dynamic exploratory activity.



And now, I would be pleased to answer any questions you may wish to put to us. Thank you.

QUESTION AND ANSWER

Operator

(Operator Instructions). Thomas Adolff, Credit Suisse.

Thomas Adolff - Credit Suisse - Analyst

Congratulations on the LNG transaction. I guess, on the financial strategy, the pressure conversion is the next as you said, and probably into plain vanilla bonds, but I'm also wondering whether you will continue to pursue non-core asset sales during 2013 such as Peru Downstream, for example?

And when one considers the potential improvements to the financial position from this, by the time you complete the LNG sale with Shell by late 2013, early 2014, should we think of Repsol having excess funds over and above your credit rating requirements in 2014 that will allow you to take opportunistic steps, i.e., acquisitions in the Upstream again?

And just another one on the treasury shares, is there a preference to cancel these to offset the dilution from the scrip?

And then I guess my final question is on the Downstream; structurally and fundamentally, Europe is on the wrong side of the cost curve for Chemicals and it's great to hear from you that you're talking about rationalization of industrial assets moving to higher value added products, etc., etc., but could you possibly quantify this impact and over what timeline you're trying to implement all of this? Thank you.

Antonio Brufau - Repsol SA - Chairman & CEO

Well, thanks, Thomas, for your congratulations about LNG.

About selling non-core assets, we don't have many left in our balance sheet. Still, you know, we have the Peruvian Downstream business that we are now thinking in divesting. That is not going to be big in terms of quantity of money which is involved in Peru, but it's going to be important in terms of not requiring the CapEx that we need to improve the quality of our unit in our refinery there.

Then I would think that, other than that, the remaining non-core assets are very, very few. We do consider Downstream in Spain as a very, very core asset for us, therefore, we do not plan to sell Downstream asset in the Iberian Peninsula.

Obviously the LNG transaction, it's as Shell has mentioned, will need some time in order to get all the approvals, mainly the antitrust authorizations that may take some time. By the end of this semester, second semester, I do think we should be able to go ahead with the deal, but the antitrust authorities are not in our hands to decide when. But let's assume that that is going to happen in 2013, beginning 2014, as Shell has mentioned.

If that is the case, then obviously we will have a very good financial structure. But maybe I want to emphasize that we have done the LNG deal for two reasons.

One was because -- the one was to improve our financial structure. And when I say improve, I say improve. I mean that, after the deal, we will have a very solid financial structure that is the one that we want, therefore, no cash in excess.

The second reason for the selling of LNG is as I mentioned in our presentation of the strategic business plan. For Repsol this is a business very intensive in CapEx, and we do see that our operation was very good, but very limited, in terms in growth. And if we have to place Repsol money, I do prefer to place that at the Upstream level, that investing in liquefaction [grades], etc., etc. Therefore, the reasoning for that is changing the possibility of having a non-growth division to a growth story.



Having said so, improving our solid financial position, selling an asset, that for another company like Shell means more than for us in terms of growth. We remain very oriented, very focused in organic growth. I mean that we cannot think that what we have done very well up to now, which means growing organically, has to change.

Obviously, we have to look to everything which is moving around the world in terms of looking for opportunities. But my main priority, and the priority of the Company, is just growing organically; investing a lot in exploration, more than our competitors; placing our operations in areas where we have strength; and thinking 10 years from now.

I mean that we have to be solid, financially talking; we have to grow internally. We have to look for small opportunities that fit in our portfolio, like the Russian one, like the Mississippian Lime one, etc., but nothing more than that. And therefore, we plan to remain in the way we have done up to now.

Our treasury shares is an asset that today, in my opinion, is the best asset we have in our portfolio, because at EUR16 per share they are very -- the upside possibilities is very high.

Do we plan to use those shares for the scrip dividend today? My answer is no, we do prefer to have capital increases. There are not significant dilution, in my opinion; there is no dilution through the scrip dividend, because everybody may have the right to go to buy shares for cash. And therefore, the treasury shares we have, it's good to have those, again, to be solid, financially talking.

And your last point about Chemicals. In Chemicals, we have three different positions. We have first, as important to put the frame. Chemicals account for 3% of the total capital employed. And in the worse scenario that has been in 2012 we have break-even at the EBITDA level. That means that we cannot suffer much from this business; 3% capital employed, break-even at the EBITDA level.

But having said so, that's not enough for Repsol. We are just working in closing units that are not very efficient. Obviously, we try to close these units in broad analogies; I mean that we try to move people from the Chemical units to the Refining businesses, etc., in order not to interfere much in our labor stability. But we are very determined, and we have done that in the past, to close non-efficient units.

Second, we are just trying to move from low-value added to high-value added, even though that means loss in sales, etc.; that means increasing margins.

And lastly, we are just investing our money in chemicals in order to be more efficient in terms of energy reduction, energy consumption. I mean that this is, again, the cost, in terms of closing units, just focusing our efforts in value-added products and, lastly, reducing consumption of our own raw materials. Thank you, Thomas.

Thomas Adolff - Credit Suisse - Analyst

Thank you.

Angel Bautista - Repsol SA - Director, IR

Hootan Yazhari, Merrill Lynch.

Hootan Yazhari - BofA Merrill Lynch - Analyst

Just a quick question regarding Canaport. You've mentioned that you're looking at different options available at the moment. Maybe you can expand on what those options are, and in particular, would you address the potential to invest in the asset further to reverse flows, and make it an LNG export terminal? Obviously, there is quite a lot of interest, given the huge quantities of gas in the region. Is that something that Repsol would look to undertake itself? Or that's not of interest, and you would prefer someone else to do it? Thank you.

Antonio Brufau - Repsol SA - Chairman & CEO

Your last point, I take your last phrase, let's allow someone else to do that. I don't think today it would be a good idea to invest, let's say, \$1 billion converting or having do all the plan in the regasification and liquefaction today. If that is a good business, it will be good business for us, and for many others.



Also, in connection with that, we have to think that in the United States as far as I know and as of today, there is only one liquefaction train that has been allowed to explore LNG, sorry natural gas. Therefore, I think if that is going to be the case, it will not be tomorrow; it will take some times.

And we will have plenty of time to study other alternatives. Today what we think, that's worse. We are located in the best place in the United States, in the border in Canada, but in the area which is more attractive in terms of natural gas commercialization, in terms of high margins. We are not linked to Henry Hub. We always have a margin on top of the Henry Hub because of the market that we are. There is a lot of gas, as you said before, in Canada.

Maybe one of our strategies will be to look at the Upstream level trying to improve our positions there in order to maximize the capacity of our pipes there, to deliver gas into the US. We have a very extensive group of people, a very extensive network and a very good group of people in the United States selling and trading natural gas and electricity. That's another area where we are going to put our attention.

What I have to tell you is that Canaport was a very good -- my opinion was the best project that the United States had until three or four years ago before shale gas appeared to be the key player in this business.

Still, this is a business for 25 years. And obviously, today, this is a business that is creating more problems than opportunities. We know that; we have to manage that. But who of you and us could be sure that in four or five years, Henry Hub prices do not equilibrate with international prices? Who is sure that nobody is going to [explore] a natural gas coming from shale gas and, therefore, pushing prices up? Who is for sure, who knows what is going to happen in the LNG chain all over the world in terms of a massive quantities of LNG that will be on the sea, requiring some place to place the gas?

Many things add to the question marks. And what I'm sure is that what is today a question mark, in 25 years, we will have different situations. And for sure, we have had the lowest, lowest, lowest position in natural gas in the US. Five years ago, that was not the case; we would be at the highest. Who knows what's going to happen in five years? My responsibility, and Repsol's responsibility, is to manage that asset thinking long term, and trying to break even in the business in two or three years, and let's take that for sure, and building from that in the next years to come. Did I answer?

Hootan Yazhari - BofA Merrill Lynch - Analyst

Yes, I see. So your strategy right now is one of waiting and seeing, and there's no real urgency to do anything with this asset for now. Just to manage it for break even?

Antonio Brufau - Repsol SA - Chairman & CEO

Yes. Remember, Hootan, that we book an impairment value, or we are going to book a provision for those assets in Canada and the United States for \$1.8 billion gross. And the total CapEx that we have employed there, including the pipes, is [\$2.3 billion] to be accurate. Therefore, we have left very few room for mistakes. And the goal was let's clarify, let's clean our house in the United States in this business line not to be pushed, not to be pressed to do businesses that do not fit in our strategy.

From now on, we have capital employed, net, very low. We have a very clear idea of what we have to do near term, which means offsetting damages and building the future and analyzing the future on following the market trends to maximize the value at the time that the economy recovers for the natural gas business, or price that recovers. Okay?

Hootan Yazhari - BofA Merrill Lynch - Analyst

Thank you very much

Angel Bautista - Repsol SA - Director, IR

Filipe Rosa, Banco Espirito Santo.

Filipe Rosa - Espirito Santo Investment Bank - Analyst



Two questions, if I may? The first one E&P. You gave an outlook for production to grow 10% in 2013; could you give us some idea how do you expect the profitability per barrel to evolve under current market conditions?

And my second question goes for Refining and Marketing, you mentioned that you are trying to cut your costs at the Chemicals business. Could you give us an idea what you are doing to try to shore up the profitability in your Marketing division? And whether you expect Refining and Marketing as a division to perform in line, below or above 2012. Thank you very much.

Antonio Brufau - Repsol SA - Chairman & CEO

Filipe, your second question is about our Marketing business in Spain?

Filipe Rosa - Espirito Santo Investment Bank - Analyst

Yes.

Antonio Brufau - Repsol SA - Chairman & CEO

Okay, I will start with the second one. You know sales decline in Spain in Retail business still are very important. In 2012, at our Marketing stations, volumes of sales went down by 9%. Obviously, this declining ratio will have to reverse at a given moment, but nobody knows when.

But through the year, our operating income in our Marketing stations was EUR400 million, which was EUR100 million lower than the year before, 2011. Obviously, we have these very specific plans, first, to keep our market share. We kept that in 2012, in 2011; that's first.

Second, to keep margins at the level we had last year, and we have proven to be very efficient in keeping those margins, with exceptions; we had some periods that were very difficult. But, in general, we don't think -- I don't see that -- I think that 2013, we will be able to keep the same margins as we had before.

Obviously, the non-oil operations and the non-oil business every day becomes more important. And, therefore, what is being done, or what is damaging us, which is the declining in sales, it's been offset with having created non-oil and LPG, which is another business line that is performing quite well.

Therefore, my impression is that, through 2013, we will see about the same figure at the operating income in what we could consider the Marketing business. Chemicals -- I'm sorry, LPG doing slightly better; products doing slightly worse; non-oil products doing better. And also being more efficient in terms of cost efficiency. We look at plans to reduce our costs in the Marketing stations.

Therefore, that's not a problem for Repsol. It has been there many years and we have proven that even though, since 2008, we have lost something like 25% of volumes, our margins and our operating income is higher today than it was four years ago. And that proves that our system is very efficient.

Your first question that I did not understand very well, but (inaudible) --?

Filipe Rosa - Espirito Santo Investment Bank - Analyst

On the profitability per barrel for the Upstream division, the outlook for 2013.

Antonio Brufau - Repsol SA - Chairman & CEO

[Net income] based on the new barrels coming from Brazil, barrels coming from Russia, good barrels coming, Gas Natural barrels coming from Bolivia, etc., it will move our margin per barrel from \$5.7 per barrel to \$7.5 per barrel in 2016. Meaning that from 2012 to 2016, which is the analysis we have, it's from \$5.7 net income per barrel to \$7.5 per barrel.



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After taxes, after everything, which is the way we analyze our margins per barrel because of our taxes being very different in Libya and Bolivia and other places, the analysis we do is net income per barrel. 2012, net income per barrel was \$5.7 per barrel. 2016, we don't see many problems in getting that \$7.5 per barrel.

Filipe Rosa - Espirito Santo Investment Bank - Analyst

Thank you very much.

Antonio Brufau - Repsol SA - Chairman & CEO

Did I answer you?

Filipe Rosa - Espirito Santo Investment Bank - Analyst

Yes. Thank you very much.

Angel Bautista - Repsol SA - Director, IR

Theepan Jothilingam, Nomura.

Theepan Jothilingam - Nomura International Plc - Analyst

A couple of questions, please. Just coming back to the dividend strategy, could you talk about that, going forward? Will we still be looking at a payout ratio, particularly post the LNG sale?

And then secondly, just a point of clarity, when you come back and think about profitability for the North American Gas business for 2013, is it right to assume similar profitability to 2012? Or should we see that improve? And when is it, as a base case, that we see that move into positive territory? Thank you.

Antonio Brufau - Repsol SA - Chairman & CEO

Well, Theepan, our dividend strategy will not change. Even though 2012 has a high payout, we do think that, as we see our P&L moving forward, we see that our payout will be very similar to the industry. And we don't have plans to change that for both the payout [scrip], the payout, the [lieu] per share and the scrip policies that we are using.

Therefore, we will continue with the scrip policy. We will move around the 50% payout ratio in the years to come. And we do think that we will be able to pay what we are paying now and more.

Our idea is to have a cash out, because of the dividends, of around EUR500 million. And this is what we think we can accomplish, based on the data we have in our strategy.

In terms of LNG, if I understood properly, because in 2013, the figures will be around the same as 2012. We don't see any difference. Well, we have performed fantastically well in January, but because of the special situation that we had in east part of the United States. And we have performed very well, as you will see in the first quarter results. But my opinion is that I don't see a big change.

Obviously, when you see LNG globally, including the assets sold to Shell, you have to take into account the ramp up of Manzanillo, the Mexican terminal. Some of the gas will go to Mexico at Henry Hub linked prices. Therefore, once Manzanillo is working full, at 100%, and is delivering our commitment to Manzanillo, 100% at the operating level, you may see \$130 million less than today.

Theepan Jothilingam - Nomura International Plc - Analyst



No, sorry, Antonio, I was wanting to ask a little bit more about, I think there was an EBITDA loss of EUR135 million -- \$135 million rather for the North American Gas business last year. And what I'm trying to understand is, when do we see an improvement in that number as a lower loss? Or when do we start to see that number turn positive?

Antonio Brufau - Repsol SA - Chairman & CEO

I think that you -- it's difficult to answer properly. But I would consider the same quantity of losses of last year; maybe slightly less because of January being very good, but to be prudent and conservative, let's take the same figure.

Theepan Jothilingam - Nomura International Plc - Analyst

Okay. Thank you; that's very helpful.

Operator

Lydia Rainforth, Barclays.

Lydia Rainforth - Barclays - Analyst

Three questions, if I could, mostly clarifications. Can I come back to the preference shares and the treasury shares? Can I just be clear, you don't have to wait for the closing of the LNG sale to actually either convert the preference shares or sell the treasury shares, is my understanding correct on that?

Secondly, on YPF, do you think it's possible to get an agreement with Argentina at some stage during 2013?

And then just finally to clear up, can you give us an indication of what your CapEx budget is for 2013 in itself? Thank you.

Antonio Brufau - Repsol SA - Chairman & CEO

Well, do we have to wait for the preferred shares conversion? No. We now are in the process to work in the final structure. We do think that, if I may so right now, maybe tomorrow it will be slightly different, but I think the ideal transaction would be swapping the preferred shares into a long-term bond bringing interest in the bond to compensate with the present value of the subordinated or the preferred shares. Therefore, I think that we will go for a 10-year bond with prices that account for the discount that we have to place in this instrument. But we don't need to wait; we are going to proceed very soon on that.

Do I feel confident in reaching an agreement with Argentinean authorities? Let me tell you, I am ready to reach an agreement; I'm not feeling confident. I'm ready to sit and want to sit with the Argentinean authorities to see what we can do that fits in the interest of the stockholders of YPF, sorry of Repsol, which is what I have to perfect.

Things, as you know, are not progressing very well in Argentina and in YPF; now we are seeing that what they did was a totally crazy deal or crazy decision, in my opinion. On top of being illegal that company was very well managed; YPF was very well managed in the past, and the discovery of Vaca Muerta was proof of that. And now they have to deliver and they have expropriated on -- they have taken the asset from us, and we have to see what they do.

I am sure, and what I know today is that they are having a lot of problems in trying to copy us. Having said so, ready to discuss, ready to sit, but that doesn't mean that we are not going to proceed, as I said before, with all the legal actions that we have to do in order to get what -- to preserve our rights.

And last, the CapEx we have, excluding Gas Natural Fenosa, it's going to be around EUR3.6 billion. If you want the tale of that, E&P it's going to be EUR2.7 billion, and Downstream around EUR600 million to EUR700 million. Obviously, on top of that, you have to add Gas Natural Fenosa to reach a total consolidated level of EUR4 billion. But for us, excluding Gas Natural Fenosa, EUR3.6 billion.



Lydia Rainforth - Barclays - Analyst

That's very helpful. Thank you very much.

Operator

Irene Himona, Societe Generale.

Irene Himona - Societe Generale - Analyst

I have two questions, please. Firstly, on the LNG sale, obviously Shell has a strategy of integrated gas, but clearly they're not acquiring any production associated with your assets. Would you be open to discussion on disposing of reserves at the right price, if you could add value, as you did in Brazil for example?

My second question is on Marketing, if I can go back to Marketing profitability in Q4. As you mentioned, for the full year the result is about 20% lower than in 2011; however, there appears to have been quite a sharp drop in Q4. So actually if I annualize the fourth quarter marketing EBIT I'm running at about 60% below 2011. So was there something unusual in the fourth quarter, because volumes had been declining all along, to cause that weakness? Thank you.

Antonio Brufau - Repsol SA - Chairman & CEO

For your first question the answer is we do not consider selling Upstream assets, even though they are linked to the Midstream assets in LNG. We have never [thought with Shell], we do not plan to sell, our priority is to grow in this business, and therefore, it is not in our mentality selling assets at this level.

Your second question that's true, in the last quarter of 2011 -- excuse me, 2012, we suffer from, let's say from the [depression], from the media and political depression that happen to be in all Europe about prices going too high. Obviously, we negotiate with the authorities, we reach agreement, etc., and now we are back to normal. Volumes were around declining, but at the same speed than before, and I would say we had two problems in the last quarter, one was LPG, and the second one was the margins in the Marketing station.

These two problems have been already solved. We have new ways to discuss with the authorities, and I don't think that's going to come again. That was quite normal in all Europe; remember, the last quarter in Europe was not good at this level. But again, this is the only business that is linked to the Spanish economy or to the European economy, basically.

We shouldn't look that on a monthly basis; that's better to look that on an annual basis, or even more than an annual basis. And what I was mentioning before, we have had 25% volume reduction from 2008 to 2012. Operating income at this level is higher than that year and it remains at the level between EUR400 million and EUR500 million, which if you take that and you compare that with our capital employed, which is around EUR1.5 billion, which is not much, that means that we get good money from this business. And the reason for that is because we are the dominant player; we have very good network; we have fully integrated all the Downstream business, etc.

Again, and Miguel is telling me that, if you look at the Downstream business as a whole during this crisis that is big and deep, in 2012, last year, we got an EBITDA of EUR1.5 billion. 2011, which was even worse, was EUR1.7 billion. The same as 2010, EUR1.7 billion, and 2009 was EUR1.8 billion.

During the last four years, we have been able to move on top of EUR1.5 billion at the moment that the market was very depressed, and we had a significant crisis in Spain and in Europe. And the CapEx today, thanks to all our efforts in the past, is going to be no more than EUR600 million all for the following years.

And this CapEx will go to improve our operations, not to increase our operations, to improve our operations, and to increase the EBITDA. Therefore, my impression is that, even though we may have, on a monthly basis, some problems, on an annual basis, and more than annual, free cash flow and EBITDA considerations will be significantly better in the future. Did that answer you, Irene?

Irene Himona - Societe Generale - Analyst



Yes. Thank you very much.

Angel Bautista - Repsol SA - Director, IR

Alejandro Demichelis, Exane.

Alejandro Demichelis - Exane BNP Paribas - Analyst

A follow-up from the previous question on CapEx. Now that you're talking about boosting your organic upstream growth, how should we be thinking about CapEx, going forward, particularly versus what you told us at the last strategic plan?

And the second question, which is linked to that is, how does that boosting in Upstream investment is linked with the rating agencies' statement of yesterday, talking about all of the profits have to be used for reducing debt?

Antonio Brufau - Repsol SA - Chairman & CEO

Well, in terms of CapEx, the average we have in front of us, the total CapEx excluding Gas Natural Fenosa, it's around EUR3.6 billion, EUR3.7 billion; therefore, that's the CapEx we see in front of us organically. At the Upstream level, the CapEx we think we have in front of us is for 2013, as I said before, EUR2.8 billion, and remaining that level until 2016 which is in our strategic business plan. Therefore, all the CapEx, basically most of the CapEx, will go to Upstream and being very efficient in terms of the remaining business units.

In terms of our balance sheet, our rating agencies, etc., as I said before, the LNG business, and the LNG transaction with Shell, is just to improve our financial structure.

And the plan is self-financing, therefore obviously talking for three years from now is very difficult. But I have very clear ideas of how to manage this Company in terms of being very strict, very rigid, in terms of using the money of our stockholders.

Therefore, and the rating agencies understand that very well, the priority organic growth, obviously if something happens that fits in our strategy and that we can manage as like being organic, we will go for it. But that is going to be very minor; that's not going to be relevant.

With organic growth, we will go for more than 500,000 barrels a day of production 2016, and with tremendous potential with the projects we have in front of us today for the years beyond 2016. Therefore, we are not excited about doing different things that we are doing right now. We know how to manage this business in the way we do that now. And we do not plan, as I said before, to change that direction.

Alejandro Demichelis - Exane BNP Paribas - Analyst

Okay. So just to confirm, you don't expect CapEx to be very different between now and 2016 versus what you guided for 2013?

Antonio Brufau - Repsol SA - Chairman & CEO

No, not at all, so sure.

Alejandro Demichelis - Exane BNP Paribas - Analyst

Okay. That's very clear. Thank you.

Angel Bautista - Repsol SA - Director, IR

Bruno Silva, BPI.



Bruno Silva - BPI - Analyst

I still have a couple of questions. The first one, and sorry for going back to treasury stock question, I guess you mentioned that the low stock price is the reason for preferring not to amortize the shares against the scrip shares?

Under the same rationale, would you prefer, or would you be ready to propose to the shareholders meeting a buyback program instead? Or do you think because of the time expected to close the LNG sale, and due to credit rating restrictions, that would not be possible at all, at least during the course of this year?

The second question on the working capital optimization that you have been talking about in the results. In the fourth quarter alone, you got around EUR900 million; it seems promising, looking at other benchmarks, that [they wouldn't] drive to this kind of savings. Can you please give more color on the origin of this excess and the potential for further savings in this item for 2013?

And final question is a follow-up on previous questions on EBIT Upstream for 2013. You already provided the trend in terms of the barrels' profitability through 2016. But for the current year alone, and aside from the mentioned production growth, and assuming neutral FX and prices for liquids and gas, how much would EBIT for Upstream grow? I'm asking it because mid-continent could be margin dilutive in 2013; isn't that correct? Thank you.

Antonio Brufau - Repsol SA - Chairman & CEO

Your first question about buybacks, we do not have the buyback concept in our mind. We do think that the treasury shares that we have, as I said before, is a very good asset. We will place that to a financial investor the sooner we do think that the value is there.

Therefore, a Company like us, with the growth story that we have in front of us, I think that should place all the efforts in growing and not in reducing the capital structure. Therefore, no decision. The answer very clearly is no in terms of buyback.

In terms of the working capital, I think that we have mentioned EUR750 million, not EUR900 million. EUR750 million, and two basic or three basic reasons for that. One is optimizing the quantity of barrels that we have to keep in our stock, the barrels of raw material, of oil. I'm just agreeing with others to reduce that.

The second one is forcing the selling of our refining products in Spain. I'm just trying to keep very low inventory levels at our refining system. Obviously, we have reduced, because of the economic situation in Spain, the days for receivables. When we sell our products, mainly chemicals and others, we force people to pay all in advance, or in a very short period of time, therefore reducing the quantity of receivables in our balance sheet. Many things like that. I pass to Miguel because he wants to say something to you.

Miguel Martinez - Repsol SA - CFO

Good afternoon to everyone. Basically, the reduction was of 10% due to the refining stock and the rest, the other 5% was due in the receivables. For 2015, for sure, it will be dependent on the prices, that's the first step. It's not the same the amount of network when you're living in \$100 per barrel oil, or in \$130 per barrel. But having said so, I would expect that reasonably would be able to keep around EUR600 million of the reduction throughout 2015.

Antonio Brufau - Repsol SA - Chairman & CEO

Back to me, Bruno, on your last point we cannot disclose the EBITDA of 2013. But I can tell you that production increase will come from Brazil, which is Sapinhoa, very, very, very, high margin barrels. It will come from Russia, international prices, and the United States, and Mississippian Lime, and Shenzhi, and others, again international prices. Therefore, Brazil international prices and high-margin US international prices, Russia at the level of \$50 per barrel.

And then in gas it will go to Peru, where we have already a very fixed price and a very good price, and Bolivia that we have selling gases at 10% Brent. Then I think that, believe me, that the increase in production will go to barrels that will bring a lot of significant margin. Also, do not forget about Spain; in Spain, we have a very, very, almost 90% margin, almost 90% margin, and we will produce 6,000 barrels per day more next year, well this year, than the year before.

Therefore, combining all these things, it's not difficult to see that the EBITDA will increase in a very significant manner.



Bruno Silva - BPI - Analyst

Okay. Thank you very much.

Angel Bautista - Repsol SA - Director, IR

Haythem Rashed, Morgan Stanley.

Haythem Rashed - Morgan Stanley - Analyst

Three questions, if I may? Firstly, I just wanted to ask a little bit about your 10% growth target for this year. If you could just provide a little bit of color on how we should think about the delivery of that growth throughout the course of 2013? And should we be expecting business growth to be coming through in the first half, or more back-end loaded with some of the ramp-ups you have, and then start ups in the latter half of the year?

The second question I had was just on the refining margin for 4Q; clearly, a very robust number compared to 3Q. I just wondered if, aside from obviously the uplift from the upgrades, what is driving a fairly robust margin versus the rest of the European market, which saw a sequential fall in refining margins?

And then my final question is just around Libya, and you mentioned the under-lift in cargoes in the fourth quarter. I just wondered if there was anything around that in terms of, operationally, are things as normal in the country? And is it business as usual? And related to that, the exploration program that you have there for later this year, is that still on track? Thank you.

Antonio Brufau - Repsol SA - Chairman & CEO

Your first question about growth production, in general we are at the level of 360,000 barrels already. Where the production is going to come, Spain, Russia, Peru with Kinteroni, which will start very soon, Brazil, the United States, we do think that we will produce something like 8,000 barrels a day in Mississippi Lime through all the year, on average.

In Brazil, on average, we do think that Sapinhoa will bring something like 5,000 barrels a day of new production, net to us, etc., etc. Therefore, today, generally, we were at 360,000 barrels, and we do think that we will be there. We have already and we will.

In the case of Libya, nothing happened; this is the day-to-day business. Last month, we had the cargo less, because this is how we go, how we move. Obviously, that cargo will go to January, or has gone to January, in terms of selling. But we don't see any political threat other than just the whole area, the instability of the whole area. In Libya [if they are] stopping that we may suffer. The cargo was a business decision. It went to another operator, to one of our partners, and that's all.

The Refining margins -- the premium we had in our upgrades in the fourth quarter was \$2.45 per barrel. On average, 2012, was \$2.10 per barrel. January this year, we have on top of \$2 per barrel, and January was not very good in Downstream. We do think that keeping this \$2 per barrel, it's something that we may get, or we should get, very easily through the year. We have seen that, January, we have seen that this month, and I don't see there's going to be a big problem.

Remember that by 2015 in our business plan, in our strategic business plan, for 2013 we had this \$2 per barrel. By 2016, we have to reach the \$3 per barrel. But just moving up from \$2 per barrel today until \$3 per barrel in four years from now. Then we are quite confident to what the basics that we assume at the time that we approved the investment upgrading our units in Cartagena and Bilbao [remains] there, and are very solid.

Did I answer, Haythem?

Haythem Rashed - Morgan Stanley - Analyst

Yes, just one final thing on the margin, just to understand really just between 3Q and 4Q. Was this your ability to keep the margins pretty stable, largely as a result of the upgrades uplift? Or are there other factors that were helping you with that as well? That was more what I was trying to understand.



Antonio Brufau - Repsol SA - Chairman & CEO

Well, they're telling me high conversion utilization capacity, the spread of these [against Brent], etc., etc. But maybe if you want to elaborate a little bit more on that, please call Angel or Maria. They will answer very deeply, in a very good detail.

Haythem Rashed - Morgan Stanley - Analyst

Okay, great. Thank you.

Angel Bautista - Repsol SA - Director, IR

Marc Kofler, Macquarie.

Marc Kofler - Macquarie Research - Analyst

Most of them have been asked, but I just want to come back to some of the comments made about the high utilization in the Downstream, going forward. I was just wondering if you could give some indication in terms of 2013; should we then expect a higher refinery utilization on 2012? Thanks.

Antonio Brufau - Repsol SA - Chairman & CEO

Our plan is, in 2013, to have a conversion capacity of something like 9 or 10 points more than last year. Conversion capacity will work a 96% capacity, and the distillation capacity will be around 83%.

Then remember that in 2012, during the first semester, we opened Cartagena and Petronor. Obviously, when we ramp up a unit like that, or two units like that, you have to solve many problems that just appear on the day-to-day business.

Then we have a capacity in the distillation, or in the conversion units, lower than what is regular; on average, 2012, conversion capacity was 86%. Now, we don't think that's going to be 96%, 10 points more than last year, something different. The reason was that first semester was not very good because of the ramp up of the units, but I think that 2013 we will operate under normal circumstances, which means, what do we see? Distillation at 83% capacity, conversion 96%.

Marc Kofler - Macquarie Research - Analyst

Sorry, could I just reconfirm on distillation, you said 93% or 83%?

Antonio Brufau - Repsol SA - Chairman & CEO

83% is [topping] capacity distillation, and conversion units is when we have the money, 96%.

Marc Kofler - Macquarie Research - Analyst

Great. Thanks very much.

Angel Bautista - Repsol SA - Director, IR

Anish Kapadia, TPH.



Anish Kapadia - TPH - Analyst

My first question was just on the Mississippi Lime where we've seen well results by some operators coming in below market expectations. You've seen some drop-off in activity, and also, recent deal valuations have been relatively lower than what we've seen in the past.

I was just wondering, on the back of all that, whether there are any changes in terms of your planned rig count over the next few years, and whether you're looking to bring down your target of 90,000 barrels a day in 2018.

My second question is just going back to YPF. You've still got a number of YPF shares; just wondering if you've got any plans to actually sell those shares in the market this year. I suppose the YPF share price is a bit higher than where it was last year.

And then the final thing was just, I was wondering if you could give an update on the Sagari-1 well in Peru. Thank you.

Antonio Brufau - Repsol SA - Chairman & CEO

Okay. Your first question about the Mississippi Lime. We still think that what we know up to now, based on the more than 200 wells we have done this year, is above our expectations, above the analysis and the assumptions we used at the time that we joined the Company. Then only thing which is slightly different today is the quantity of gas. We produced more gas than what we thought at the beginning, but we produced the same quantity of barrels. Then we produced slightly more than our assumptions, but that increase in production was basically gas and not oil.

For us, it's too soon to take conclusions other than what I am telling you. We do have to rely on our partner; we do rely on partners. And this year, we will drill something like 700 wells. The capital we will employ will be something like \$780 million/\$790 million. Then [maybe] we will have better knowledge, but today, I don't have any reason to believe that what we thought it's not going to be there.

Another thing is what the operator said to the market, which was not our assumptions; our assumptions were internal assumptions of Repsol. But we have to think that this business is going to perform, and it's in line with what we thought, as I said before.

Do we plan to sell YPF shares? No. I mean that we do believe that the Argentinean Government has to launch a takeover on YPF at a value of something like \$18 billion. This is byelaw; this is in the byelaws, and in every place you have them.

Therefore, if we sell now those shares, I think that we are going to do a bad business, and we have to be very consistent that this is a problem of the money we have to ask for, the [\$51 billion], plus the money we have in shares. And we still think that we have 100% reasons to believe that, legally talking, they have to launch a takeover, first.

Second, if that is not the case, legally talking, the court or the arbitrage will give all the right answers to us and not to Argentina.

And the last question on Sagari. Sagari is a very good discovery; it will add a lot of gas to Kinteroni. The Minister of Energy mentioned 2 tcf of natural gas there. Nothing to say against, but let's say that as a maximum, maybe 2 tcf. We will drill an appraisal well in 2014, and we will take the final investment decision to develop the well and the discovery by 2015.

Now we are just, as you know, working in putting to work Kinteroni in the same block, and Sagari will be very good to increase production in Peru, which, by the way, is a very good place to be.

Anish Kapadia - TPH - Analyst

Thank you. Can I just follow up just one question on the Mississippi Lime? In terms of the wells that you're drilling this year, what's the split between the extension area and the original area that you're in?

Antonio Brufau - Repsol SA - Chairman & CEO



Let me pass the word to the Nemesio, but I don't know if he's going to be able to answer this question. Sorry.

Nemesio Fernandez-Cuesta Luca de Tena - Repsol SA - Executive Director, Business Units

Good morning. You mean the split between extension and original in terms of acreage, or in terms of production, or in terms of wells?

Anish Kapadia - TPH - Analyst

In terms of wells this year.

Nemesio Fernandez-Cuesta Luca de Tena - Repsol SA - Executive Director, Business Units

In terms of wells this year, practically three-quarters of the 600 wells that we are budgeted will be in the regional area of Mississippi Lime, not in the extension one.

Anish Kapadia - TPH - Analyst

Okay. Thank you.

Angel Bautista - Repsol SA - Director, IR

Luis de Toledo, BBVA.

Luis de Toledo - BBVA - Analyst

The first one refers to Canaport and the impairment you will book; it's regarding the timing. Should we wait until completion of the deal with Shell to book that impairment, or could you advance it?

Second question regarding these issues, how you came out with this figure, if it's something that was as a result of the discussions, or is it something that you had in mind previously?

And the second question refers on accounting issues on the fourth quarter. The non-recurring issues in Upstream and Downstream have been slightly higher; not very significant, but is this level something that we could expect? Are there many factors affecting these non-recurring issues or are already identified in future projections? Thanks.

Angel Bautista - Repsol SA - Director, IR

Sorry, Luis, could you repeat the two last questions you made please?

Luis de Toledo - BBVA - Analyst

The last question referring to --

Angel Bautista - Repsol SA - Director, IR

The last question, only the last question, please.



Luis de Toledo - BBVA - Analyst

Okay. It referred to Upstream and Downstream recurrent CCS results, and the difference between reported CCS results, non-recurring items were slightly higher than previous quarter, and if you could help us with identifications of issues within that figure?

Antonio Brufau - Repsol SA - Chairman & CEO

Okay. Luis, when are we going to do the impairment? At the time that the deal is performed and not executed. We have discussed that with Comision Nacional del Mercado Valores. As always, we have treat that as a single and as a unique cash unit and we will book for the provision, like for the capital gains at the same moment; therefore, by the second semester or the beginning of 2014. That accounting treatment we have agreed with the auditors and with the stock exchange authorities.

In terms of the difference between recurrent and non-recurrent CCS, basically other than the stock, the inventory effect, is some impairment in the Chemical business. Remember that I was telling you that we were just clarifying the strategy in Chemicals, and that we were just getting rid of those that were not efficient. We've booked some impairment in Ecuador in the ship or pay in the OCP, in the transport company that we have there that we have to compare all the time with the quantity of oil that we are able to ask on others to deliver. And small other things, therefore, these are non-recurring items that justify the difference.

Luis de Toledo - BBVA - Analyst

Okay. Thank you and congratulations.

Operator

Fernando Lafuente.

Fernando Lafuente - N+1 Equities - Analyst

Just wondering if you could give us an explanation of the working capital for 2013, some guidance regarding the debt you expect by the end of the year, providing that the deal of the LNG asset is done by then?

And my second question is a follow-up on the question regarding the conversion of preferred shares. I understood, or I don't know if I'm correct or not, that it would be made at the current prices for these shares; is that correct? Thank you so much.

Antonio Brufau - Repsol SA - Chairman & CEO

Let me answer the second question, it will be at market value prices. These shares today, these preferred shares are today being traded with a discount. Then we will have to see which one is the fair discount to be considered in order to issue the asset that we are -- the note or the bond that we are going to issue.

Your first question about the working capital, I pass the word to Miguel.

Miguel Martinez - Repsol SA - CFO

This year, as mentioned before, we obtain a reduction of EUR750 million, which was based 10% in the stock reduction, 5% in the receivables reduction. Can we keep that for next year? We think that we have gone a little way over the limit, so my answer was next year probably would be EUR600 million, so it would be minus EUR150 million.

In relation with the impact of the LNG sale, the real impact on our net debt will be EUR2.2 billion. And if the question refers to how the agencies are considering that, I can give you that under our assumption, Moody's debt, with their calculation as of December 2012, was EUR13.4 billion and they will reduce it to EUR8.6 billion. S&P from EUR13.5 billion down to EUR9 billion, and Fitch from EUR12.2 billion down to EUR7 billion.



Fernando Lafuente - N+1 Equities - Analyst

Just a follow-up Miguel, I was more referring [operating and] working capital is achieved, it was more a debt level by the end of this year, reported level, once made the LNG deal it could go down to EUR2.2 billion. What do you expect by the end of 2013, more or less, in comparison to this EUR2.2 billion that you showed in the presentation of LNG?

Miguel Martinez - Repsol SA - CFO

That is going to depend much on the variables, Fernando; it's going to depend much on how we finally act with the treasury stock. So we are not providing any hint in relation with our final debt for 2013; sorry about that.

Fernando Lafuente - N+1 Equities - Analyst

Okay. No problem, thank you.

Angel Bautista - Repsol SA - Director, IR

Okay. Thanks, that was all for today. Thanks for attending our webcast and our presentation of results. Please do not hesitate to call the IR team if you have further queries or further questions that you need to be clarified. Thanks a lot, and we will see you.

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