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PRESENTATION

Operator

Good day and welcome to the Repsol's first-quarter 2016 results conference call. Today's call is being recorded. Today's conference will be led by Mr. Martinez, CFO. At this time, I will turn the call over to Mr. Ferneyhough, Head of Investor Relations. Please go ahead.

Paul Ferneyhough - Repsol SA - Head, IR

Thank you. ,Good afternoon, ladies and gentlemen. ,This is Paul Ferneyhough, Head of Investor Relations at Repsol. ,On behalf of the Company I'd like to thank you for taking the time to attend this conference call setting out our first quarter results. This call and associated webcast will be conducted by Miguel Martinez, Repsol's Chief Financial Officer with other members of the Executive Committee joining him here in Madrid.

Before we start I direct you to read our disclaimer. During this presentation we may make forward-looking statements which are identified by the use of words such as will, expect and similar phrases. Please note that actual results may differ materially depending on a number of factors as indicated in the disclaimer.

This quarter we are showing our results for the first time without detailing separately legacy Talisman assets. If you need any further information for modeling purposes please call or email the IR team, and we will be happy to help you out.



I will now hand the conference call over to Mr. Miguel Martinez.

Miguel Martinez - Repsol SA - CFO

Thank you, Paul, and thank you to those online for attending this conference call on our first quarter 2016 results. Before we start, on behalf of all Repsol's management and staff, I would like to offer our deepest condolences to the families, friends and colleagues of the victims of last week's helicopter incident in Norway.

Let's continue now with the Repsol first quarter conference call. CCS adjusted net income was EUR572m and net income was EUR434m. Before going into details on the first quarter results, I will summarize the topics that we cover in today's call.

Firstly, an update on the progress of our strategic plan; secondly, some comments on the market environment for the first quarter together with the company's main operational highlights; and finally, the quarter results.

Let's begin with an update on the progress of our strategic plan. During the first months of 2016 we have seen a continuation of the volatile and challenging macro scenario that we experienced in 2015. In the face of this, our integrated model and the integration of Talisman have allowed us to deliver a strong set of quarterly results.

As part of our commitment to provide value and resiliency under diverse price scenarios, Repsol is focusing on delivering the key objectives set out in our strategic plan. We continue managing the whole company under the principal of protecting our balance sheet and generating cash flow.

Therefore, as discussed in our last call, we adjusted our strategic targets to reflect our more cautious view on the recovery of commodity prices. You can see on the webcast a summary of our progress towards delivering our strategic commitments through the first quarter. We are on course to achieve our efficiency, CapEx and divestment targets while also reducing our overall Group and upstream free cash flow breakevens.

We are protecting our balance sheet through expenditure optimization. So far we have been able to stay below our investment budget and in line with our guidance without impacting our 2016 production profile.

Reduced exploration, deferral of non-critical investments, the capture of sector-wide deflation as well as revisiting our ongoing development projects for efficiency allow us to maintain our guidance for approximately EUR3.9b of CapEx in 2016. This figure represents a 20% reduction compared to the investment level for 2016 and 2017 assumed in our strategic plan, reflecting our more cautious view of the recovery prices.

We also expect to achieve our target to capture EUR1.1b from efficiencies and synergies in 2016. And this represents more than half of our longer term objective for 2018. Starting with the synergies, implementation is on track and we project to reach an amount higher than the strategic plan and aligned with January 2016 estimates. Close to 90% of the run rate synergies for 2016 and more than 65% of the planned synergies by 2020 have already been captured.

With respect to our efficiency program the first quarter results show how Repsol's focus on becoming a leaner and more efficient upstream operator together with further improvements in our refining and chemical businesses, is already delivering results. It's worth mentioning that the initiative focus on identifying and delivering real cost savings are performing better than expected.

Going into the detail, in our upstream business we are well above our 2016 OpEx reduction target and in line with our CapEx target. The sum of measures implemented across all countries and business areas had a cash impact of more than EUR100m in the quarter. In 2016 we will reduce our upstream OpEx per barrel by more than 13%.

In downstream we are in line with our targets. Initiatives mainly oriented to improving refining margin, increasing reliability and flexibility in chemical facilities and logistics and other operational cost savings are ongoing. In corporate, our current expected savings are in line with our strategic objective.



Our quarterly results reflect our efforts to deliver on CapEx reduction together with OpEx efficiency targets, and capture synergies resulting from the integration of Talisman into the wider Repsol Group. As a consequence of these actions, we have achieved a significant reduction in our cash neutrality breakeven and maintain net debt levels even with Brent averaging at around \$34 per barrel.

Finally, as we continue to review our asset portfolio, we have been able to move ahead with our targeted divestment program, thereby protecting the value of core assets while benefiting from the additional disposal options across the combined portfolio following the acquisition of Talisman. We have announced three significant disposals in the first quarter with the majority of cash proceeds projected to be delivered later in the year.

Firstly, we completed in January the sale of another portion of our piped LPG businesses for a total of EUR136m. This transaction together with the sale completed in September 2015 of piped gas assets will generate around EUR800m of proceeds, out of which EUR38m were received in the first quarter. Cash-in is expected to be finalized before the end of the year.

Secondly, we reached an agreement to sell our offshore wind power business in the UK to SDIC, State Development Investment Corporation of China for EUR238m. The cash from this sale is expected to be received during the second quarter of 2016.

Thirdly, last month we announced the sale of our LPG businesses in Ecuador and Peru for around \$335m, implying a multiple of approximately 8 times EBITDA.

Finally, in upstream, more disposals have been completed and funds received. We confirm transaction in recent months totaling EUR2.8b close to the EUR3.1b target set in the strategic plan for the period of 2016/2017.

Let me now address the current market environment and the principal operational activities for the quarter. During this quarter we saw a further weakening of oil price together with a continued strength of the US dollar versus the euro, Brent crude average of around \$34 which compares to \$44 per barrel in the previous quarter. In recent weeks we have seen a partial reversal of the trend with Brent trading well above \$40. Gas prices continue at weak levels with Henry Hub averaging just EUR2.1m per million btu.

Moving now to operating activity starting with upstream division, production averaged 714,000 barrels of oil equivalent per day. This is 2% higher than in the previous quarter and 100% higher year on year mainly thanks to the contributions of the start-up of Cardon in Venezuela, the ramp-up of Sapinhoe in Brazil, together with the consolidation of Talisman assets.

Key updates of our main upstream development projects are as follows. In Brazil the ramp-up of the second FPSO in Sapinhoe continues and we expect the project to reach plateau in the second half of the year.

In Colombia the early production scheme for Akacias was temporarily suspended in March due to low oil prices. Product sanctions has been rescheduled and the FID is now expected to happen in 2017, awaiting a better oil price outlook.

In the UK we are continuing the progress to develop -- the redevelopment of Mon-arb and Flyndre Cawdor with a focus on cost efficiency and CapEx optimization, expecting first oil early in 2017. Delivery of this project will significantly improve the economics of our JV.

In Alaska, Armstrong exercised its option to acquire an additional 6% of the development area of the North Slope, assuming operations. After this change, Repsol's working interest is now 49% and 25% in the development and exploration areas respectively.

In North America, a focus on controlling and preserving cash flow generation is delivering results. In the Eagle Ford, we reached an agreement with our partners Statoil to reduce operations to one rig for development activities during the year.

In the Marcellus, we are also using one rig to maintain production volumes and leverage a strong price realized through our mid-stream position. In Greater Edson and the Duvernay in Canada, CapEx optimization and preserving cash flow and ensuring we retain valuable land for future development.



Regarding exploration activity in the quarter, three exploratory and two appraisal wells were completed. One of the appraisal wells registered positive results. Two exploratory wells had a negative result while one appraisal and one exploratory well are still under evaluation. The unsuccessful wells did not impact our results, because both wells were covered 100% by our bonus.

In April we received encouraging news from the Gavea appraisal well in the Brazilian pre-salt. The well encountered a hydrocarbon column of 175 meters in a good quality reservoir and was successfully tested producing around 16m standard cubic feet of gas and 4,000 barrels of oil. With this well we finalized the operational activities in the block Campos 33 which comprises the Seat, Gavea and Pao de Acucar discoveries. Additionally, contingent resources have been discovered in our appraisal campaign in Sud-Est Illizi in Algeria.

Turning now to the operational highlights for the downstream division, in chemicals we had a very strong quarter with high margins and volumes thanks to the operational improvements in our side and to the improving international market environment. For the second quarter we can continue to expect healthy margins thanks to the favorable international environment that we are currently experiencing.

In refining, even though we saw a decline in refining margins due to the narrower middle distillates and narrower light/heavy crude spreads our system obtained a refining margin indicator of \$6.3 per barrel. The actual margin capture was \$1 above the indicator at \$7.3 per barrel. In April the refining margin indicator was unchanged from the first quarter.

The mild winter weakened the performance of our gas and power business, but it remained at breakeven level. The commercial businesses were in line with the first quarter of last year. Spanish motor fuel demand continued to recover and the market grew at rates of 3.4% up to March.

Now let's move onto the first quarter earnings performance. First quarter 2016 CCS adjusted net income was EUR572m and net income was EUR434m, 38% and 43% lower compared to the first quarter of 2015 respectively, a year in which we benefit from a very good set of results with favorable exchange rate movements.

The tough price environment affected the results in the upstream but thanks to the flexibility of the Company and the measures put in place in recent months we managed to maintain positive results overall, along with a positive tax effect due to current currency appreciation and a more favorable mix of production. The strong performance of the downstream businesses especially in chemicals and refining helped to repeat the unit's previously strong quarterly results.

Looking at the results by division starting with the upstream business, adjusted net income for the first quarter stood at EUR17m, EUR207m higher than in the first quarter of 2015. Year-on-year performance is as follows.

Higher production contributed to an increase in the operating income of EUR526m. Exploration expenses impacted the operating income positively by EUR196m mainly as a result of lower amortization of dry wells. Income tax expense has had a positive impact on the adjusted net income of EUR161m, mainly due to the appreciation of local currencies, especially in Brazil.

Higher depreciation and amortization charges decreased operating income by EUR201m mainly due to the increase in production, partially offset by lower amortization rates mainly in the US and Trinidad and Tobago following impairments taken in 2015. Lower crude oil and gas realization prices net of royalties had a negative impact on the operating income of EUR225m.

Turning to our downstream division, CCS adjusted net income in the quarter was EUR556m, 4% higher than in the first quarter of last year. Drilling down into the quarterly results, in refining lower margins partially compensated by higher utilization rate reduced the operating income by EUR135m.

Refining margins declined in the period due to the narrower middle distillates and narrower light/heavy crude spreads. However, as mentioned before, it remained at a healthy level of \$7.3 per barrel.



In chemicals, increased efficiency as a result of operational improvements in our side, higher sales volumes and improved margins aided by a better international environment generates a positive effect on the operating income of EUR102m. And in commercial businesses marketing and LPG operating income was in line with that of the first quarter of 2015.

Moving to the gas and power and trading the operating income was EUR35m lower than in the first quarter of last year. Nevertheless, the gas and power achieved breakeven in the quarter in adjusted net income terms. Results from equity affiliates and non-controlling interest, exchange rate and taxes explain the remaining difference.

With regard to Gas Natural Fenosa, adjusted net income in the quarter of 2016 amounted EUR99m, 19% lower than that of the same quarter of 2015 mainly due to lower results in the gas commercialization business as a result of lower margin and in gas and electricity distribution business in Latin America affected by the depreciation of local currencies.

Let's move now to the financial results. Our first-quarter financial result was minus EUR77m which compares to a net financial result of EUR655m in the same period of last year. In the first quarter of 2015 we had a very positive result associated with exchange rate positions.

The Group net financial debt at the end of the quarter was in line with that at the end of the fourth quarter 2015, after paying generous dividends and with very limited proceeds from disposals.

It's worth mentioning that in March the three rating agencies Fitch, S&P and Moody's confirmed and maintained their previous grade ratings for Repsol at the investment grade level. S&P also revised its assessment on Repsol's EUR2b hybrid bonds and restored the intermediate equity content following Repsol's announcements of a deed of undertaking whereby the issuer waives the right to early redemption of the securities in certain circumstances. As of today, all of the three agencies assign 50% equity content to Repsol's hybrid bonds.

To conclude, let me underline that during this first quarter the company has managed to deliver a set of results that have maintained net debt thanks to our integrated model, maturing synergies and efficiencies, and self-help measures that are creating value during these turbulent times.

Our strategic decisions to lower our exploration expenditure, optimize our CapEx and project delivery and reduce costs are allowing us to realize results even at the beginning of the strategic plan period in line with our longer-term expectations. Our downstream continues to provide free cash flow to support us as we navigate the current commodity price volatility. We are very well positioned in the second quarter to maintain this performance.

We are continuing to reshape our portfolio with satisfaction of almost having achieved our divestment target for 2016 and 2017 in just the first few months of the year. This progress gives us every confidence that we will achieve our overall strategic goals.

Thanks so much. And I will answer any questions you may have in the Q&A.

QUESTIONS AND ANSWERS

Paul Ferneyhough - *Repsol SA - Head, IR*

Thank you, Miguel. For those of you on the line in case you run into any technical problems during the webcast and the Q&A session please address any incident to our email investorsrelations@repsol.com and we will contact you immediately to try and solve it.

Before we move to the Q&A the operator is going to reiterate the instructions.

Operator

(Operator Instructions).



Paul Ferneyhough - *Repsol SA - Head, IR*

Let's now go the Q&A. For our first question we'll go to Haythem Rashed at Morgan Stanley. Good afternoon, Haythem.

Haythem Rashed - *Morgan Stanley - Analyst*

Hi. It's Haythem Rashed from Morgan Stanley. Thanks, Paul. And, good afternoon, Miguel. Two questions from my side please. Firstly I wondered if you could just give us an update on Venezuela. We get a lot of headlines in the press about the difficulties the government and PDVSA are facing with the lower oil price and managing budgets and power, etc. But I just wanted to understand how you're finding it from an operational perspective, what is the impact that you are seeing? And almost arguably more importantly from a cash flow perspective are you finding that you're still getting paid and how are the payments working with yourselves with regards to the country.

My second question is regarding disposals, and just actually perhaps two parts to it. Firstly just to get a bit of clarification on the EUR2.8b that you've talked about as announced so far, how much of that is actually cash in as opposed to, I guess, a lower future spend that you might have -- you would have spent but now you won't be spending, just to get a sense of actually how much of that is something you will see as cash in the next year and so.

And also give that's obviously quite a large number relative to the target you had for 2016/2017, are you confident that you might actually go some way beyond that and you've got quite a bit identified that takes you well over the EUR3.1b or are you essentially implying that from here on we shouldn't expect a lot more incremental on disposals in the near term? That would be very helpful. Thank you.

Miguel Martinez - *Repsol SA - CFO*

Thanks, Haythem. Well starting with your first question within Venezuela, I may say that operationally talking we are doing okay. Even we have production not only above last year but also above budget, so we have the extra production of Cardon but also above budget.

In relation with the payments what I can tell you is that we are having some delays. But these delays is not the first time that happened, so I would say it entered into a normal situation within Venezuela, having said so the variation between the yearend and now it's approximately \$93m basically due to the Cardon project.

In relation with disposals you are right because some of the figures we are adding up here are lower cash, lower future spending and -- but I'll try to elaborate a little.

First, we presented the strategic plan last October and the disposals are totally linked into a balance variable. So we start to account all the disposals after the strategic plan presentation. Starting with the LPGs, the pipeline LPGs it's all in would be around EUR800m and would be cash in within this year. The sales are already signed, so the SPAs are already signed, and we are pending on administrative approvals. So that will be cash and will be cash within the year.

The wind power in the UK will also be cash and cash within the year. That's the EUR240m more or less. The LPG in Ecuador and Peru will be also cash and will be cash in within the year.

Then we have two divestments or at least we consider those divestments that imply less cash for the following two years. One is the Eagle Ford Gudrun swap that will generate approximately EUR400m of cash between 2016 and 2017. And then Alaska, Alaska it's a sale of a 21% of our stake in the project that will be paid, the \$700m would be paid through abandoning our commitment to [carry] Armstrong for \$700m in the following two years.



And then we have the small things like the CLH that was cash in, in October EUR325m, the offshore Canada acreage that we sold also in the end of last year which accounts for EUR70m. And I think that this is basically it. So it's true that we have a part that will be cash in, a part that has already been cashed and a part that will be lower investments in 2016 and 2017.

Finally, if I can go beyond that, well, it could happen. It depends on the opportunity and we will see. But our commitment is the EUR3.1b for -- between 2016 -- I mean since the issuance of the strategic plan till the end of 2017.

Did I answer you, Haythem?

Haythem Rashed - *Morgan Stanley - Analyst*

Yes, no that's very clear. Thank you very much, Miguel.

Miguel Martinez - *Repsol SA - CFO*

You are welcome.

Paul Ferneyhough - *Repsol SA - Head, IR*

Thanks a lot. We'll now move to Brendan Warn at Bank of Montreal. Brendan, please go ahead.

Brendan Warn - *BMO Capital Markets - Analyst*

Yes, thanks, Paul, and thanks, Miguel, for the opportunity to ask questions. It's Brendan Warn from BMO Capital Markets. Just two questions, the first question I guess is on your results. I appreciate you've now had an additional quarter with the Talisman assets under your belt Miguel.

Just out of the three regions that you broadly talk about, and I'm referring back to your strategic presentation where you break down to North America, Latin America and Southeast Asia, we've just seen probably some, or I hope, some of the worse oil and gas prices. Can you just talk about the three regions broken down by -- which are the better regions in terms of contribution? Did you see any of them, call it, breakeven in terms of cash contribution? And what just could we expect for 2016 if we were to average out at a \$45 oil price environment?

And then the second question would relate to your comments you made about the three rating agencies. Just in terms of what your appetite is for still issuing further debt. You were talking earlier about a further issuance of hybrid bonds, and if you could just talk about that as well please.

Miguel Martinez - *Repsol SA - CFO*

Thanks Brendan. I may say that from the three regions at least in the first quarter clearly Asia and South America are the ones that are in positive figures. In the US, I mean Canada and the US in North America, I would say that there -- those are the regions that have suffered the most.

What can we do to improve that? Well, I think that we have cut down to one rig both in Eagle Ford and in Marcellus while maintaining production, so I think that this will show up. I think that also will show up in the process in Eagle Ford in which we have moved from two operators into a single one. And I think that savings will come due to these reasons.

Also the \$40 scenario has not been reached in the first quarter, so if we have to go into a \$40 environment, the three areas will clearly improve. But more than that is quite difficult to assess more and to see what the next three quarters will provide us.



In relation with the rating agencies I think that there is a factor that will come into play in the second half of the year. Once the Central Bank, European Central Bank start to buy corporate bonds at least I think that the yield of corporate bonds will shrink, even become negative in many cases. And this will open probably a window for the issuance of hybrids which would be a good way to increase our capital strength without diluting our shareholders.

Did I answer you, Brendan?

Brendan Warn - *BMO Capital Markets - Analyst*

Thanks for that, Miguel.

Paul Ferneyhough - *Repsol SA - Head, IR*

Thank you, Brendan. Our next question comes from Biraj Borkhataria, Royal Bank of Canada. Biraj, please go ahead.

Biraj Borkhataria - *Royal Bank of Canada - Analyst*

Thanks for taking my questions. I have a question on exploration charges. And I appreciate that there is a reduced focus on exploration as part of the new strategy, but the charge this quarter was unusually low I know it can be quite lumpy. I was wondering if you could tell us or give any color on what would be a typical exploration charge on the new strategy going forward and what would be a typical run rate. That would be my first question.

The second one is a similar one for DD&A, obviously post-the impairments last year the run rate for DD&A is much lower and I was wondering is the Q1 number a typical run rate of what we should see for the rest of the year and heading into 2017?

And then finally, just a quick one, the breakeven or the free cash flow neutrality target at \$40 in 2016 and 2017 can you just remind me what refining margin assumption is baked into that plan. Many thanks.

Miguel Martinez - *Repsol SA - CFO*

Thanks Biraj. Starting with the third one which is easier, the breakeven was reached at \$6.4 per barrel as an index, expecting to gain \$0.50 in the actual margin. So it's \$6.4 for the index and \$6.9 for the whole refining margin.

Going into the exploration I think that the important thing over here is to realize that thanks to the acquisition of Talisman we have changed our value proposition to the market. In the past, Repsol was really with a clear proposal of growth through organic exploration. That implies quite a big penalty short term in the P&L. We have been doing that for years. And now with the acquisition of Talisman we have more than doubled our size in the upstream division.

So basically if you want to have a fair comparison, because it's true that this quarter has been extremely low, I would say that last year we had a budget or actual figures of \$1.9b in all the exploration. This year it's going to be \$800b. So I think that with these budget figures and taking into account the impact of the success that you may achieve is where you have the answer.

I am optimistic in a sense that we have this year a campaign that it's quite heavy in comparison with last year on appraisal wells, which normally implies lower risk. But I would say you have to play with \$1.9b last year, \$800b this year and then the rest and the impact on the P&L would depend on the success of the exploratory campaign.

Did I answer you, Biraj?

Biraj Borkhataria - *Royal Bank of Canada - Analyst*

Yes, that's perfect. And then just the one other question was on DD&A and the run rate for that.

Miguel Martinez - *Repsol SA - CFO*

Oh, I'm sorry. The DD&A for the whole year would follow more or less what we have seen in this quarter. There is nothing unusual that we have seen this quarter. So you can take as a proxy the first quarter depreciation figure.

Biraj Borkhataria - *Royal Bank of Canada - Analyst*

Perfect, that's really helpful. Thanks Miguel.

Paul Ferneyhough - *Repsol SA - Head, IR*

Thank you, Biraj. Our next question comes from Thomas Adolff at Credit Suisse. Thomas, please go ahead.

Thomas Adolff - *Credit Suisse - Analyst*

Hi, thank you. Three questions as well from me, the first one on the rating agencies, Miguel. They've given you a bit more time to improve your credit metrics. And what we've seen in 1Q is your business is performing really well and you have delivered on your disposal target or close to your target.

Now what the S&P also said when they issued the report is that they do expect an event within the next three, two or six months that will significantly improve the credit metrics. So my question is when you sat down with the rating agencies, did you present to them what you have delivered thus far, and a lot of the disposal proceeds has yet to be cashed in. Or should we expect something more to be aligned with what the rating agencies have said just to clarify that point that would be great.

The second point I wanted to ask is on working capital. Now you've provided an adjusted cash flow statement, which is quite helpful and it looks, based on that statement that you've built about EUR570m worth in working capital. My question is how much is that reversible and over what timeframe?

And the final question from me is quite funnily before rating agencies had put out their report I think just over a month ago, GasNat came up with a new dividend policy which surprised a lot of people. You may not be able to answer this question, but I wondered whether this new dividend policy from GasNat was encouraged by key shareholders or one that was decided independently from the key shareholders. Thank you.

Miguel Martinez - *Repsol SA - CFO*

Thanks, Thomas. Well, starting with the rating agencies, rating agencies consider many, many factors not only the simple ratio of flow divided by net debt. In our case I think that is what is clear that in the past our delivery and commitment to maintain investment grade was important.

I think that a second factor relates to the resiliency of the Company. Repsol delivers better than our peers in the lower part of the cycle thanks to the downstream division, which is larger to our size than our peers GasNat and also the dollar/euro normally when the barrel is low the dollar has strength and we have many costs in denominated in euro.



And the third factor that I think is important to consider is that the acquisition of Talisman is a transformational process. So you cannot take the photograph day one, because in that day you have all the debt but you don't have any synergies, any efficiencies and you still don't kind of see the results of the change in the value proposition at the end the pure transformation of the company.

Having said so, it's true that we have to improve our credit metrics. It's true that we have to strengthen our equity. And it's also true that probably some extra divestments above those that we have reached in the first months after delivering the strategic plan may take place.

But it's also true that we have two variables that are going undoubtedly to impact in the following months. One is the one that I refer before which is the ECB entering into the corporate market bonds. And the second one is the pure barrel price of the barrel. Remember that we were at \$27 in February and now we are in \$46, \$47 per barrel.

So I think that all the measures that we are going to put in order to fulfill our commitments with the agencies are going to depend on these two variables. And we will see. Probably if the barrel falls down to \$20 in the last quarter of the year they will ask us for more. But it's also probable that if the barrel hits at \$50 we can somehow soften our initial commitments with the agencies. So it's a matter of seeing how things evolve. But you are right, we have necessarily to improve our grade metrics.

In relation with the working capital, the EUR572m that we have suffered in this first quarter has a component of -- if we go to pure accounting, instead of EUR570m, the [view] would have been EUR360m to be precise EUR357m. And this is due to the fact that we are working, and only that are referred to CCS, and I'll try to elaborate a little.

If CCS is higher than MIFO that implies that the cost of sales that we are including in the CCS calculation is lower. Put it in these words we are taking cheapest barrels from our inventory. So in order to be fair we have to increase somehow the working capital for the difference between CCS and MIFO in order to be consistent. So from the EUR572m, EUR215 refers to the MIFO/CCS difference before tax.

Other factors that are included in the increase are Venezuela, I mentioned it before, we have EUR90m there of extra account receivables. We have EUR70m of increase in chemicals due to the volumes we sold within the quarter. We have a tax settlement in BPTT for EUR53m that has been paid. And finally, we have an extra EUR40m, a little more than EUR40m that refers to the objectives of the dealers in our network. Normally they have objectives for the full year that are paid in the first quarter 2015.

So for the following months or quarters I would say CCS versus MIFO, I mean nobody knows. We hope that chemicals will continue to do well but we will see. BPTT will disappear, dealers will disappear, so I think that we'll be closer to the EUR200m figure than the EUR500m we have now in front.

And finally in relation with Gas Nat's new dividend policy, I cannot comment much, the only thing I can say is that what Gas Nat has done is to approach its dividend policy to the rest of the European utilities, but that's it.

Okay, Thomas?

Thomas Adolff - *Credit Suisse - Analyst*

Got it, thank you. Thank you very much.

Miguel Martinez - *Repsol SA - CFO*

Thanks a lot.

Paul Ferneyhough - *Repsol SA - Head, IR*

Thank you, Thomas. Our next question comes from Anish Kapadia at Tudor Pickering Holt. Anish, please go ahead.

Anish Kapadia - *Tudor Pickering Holt - Analyst*

Good afternoon, Miguel. I've got three questions please. Firstly, I was wondering if you could give somewhat of an update on your US Gulf of Mexico plans. Shenzi has been at plateau for a number of years now, I just wondered if you can give some outlook on the production outlook and the impact of the recent Shenzi North well. And also your plans for the lower tertiary with regards to Buckskin and Leon.

The second question on Talisman, you've talked in the past about buying 2P reserves at \$10 per boe. If I look at Talisman's yearend financial statements, the 2P reserve valuation is \$6.3b using Repsol's price deck of \$75 per barrel real, so that works out to less than \$5 per boe. So on that basic calculation it looks like you've paid double the value of the business based on your price deck, I was just wondering if you can explain the difference there or what I'm missing.

And then just a simple question for the last one, I was just wondering if you can update what are your expectations for downstream EBITDA for the full year in 2016. Thank you.

Miguel Martinez - *Repsol SA - CFO*

Well, starting by the third one, I mean I don't have any reasons to think why the results of the downstream may change in the following quarters. So I would say that, as far as of today I keep thinking that downstream will remain at the same levels than last year.

In relation with the activity in the Gulf of Mexico, in Shenzi, the north flank looked promising though we are, not only in the Gulf of Mexico but I would say in all the areas, we are taking a very, very prudent approach. So in that sense it also implies prudent CapEx and move I would say step-by-step having a permanent eye on the evolution of the barrel.

Leon needs further evaluation and so until the evaluation is completed I don't have any extra data. And Buckskin, we are studying ways to develop it and which type of CapEx will imply the project.

So basically and in relation with Shenzi, that I think it was more or less where you were focusing, I think that looks promising but we are going to be really slow and prudent in the development of the north flank.

We can make, in relation with the second question, we can make all types of assumptions to whether or not we buy this cheap or expensive or it was a great acquisition or not. The truth is that I tried \$7 per share and it didn't work and we ended up paying \$1 extra, so we paid \$8, but I think at the end we bought 2P reserves at \$10.5.

But more important, the assets of Talisman were totally complementary with ours, implying less risk of the portfolio, being in Canada and Norway, the US and Southeast Asia, it was one main factor.

Also it gives us a lot of room to enter in the non-conventionals which is a type of reserves that normally the metrics that are included in the past do not consider. So when you look at the Duvernay, probably

the Duvernay is not even included in that type of valuation but it has a value and for us a great one. And once the prices are there I think that the market would realize that to buy reserves at \$10.5 is, yes, I mean I will keep buying if I have more money, but it was our move.

So I don't think it was expensive, time will tell us whether or not it was important because we are going to be on top of those asset for 20 years. And looking ahead 20 years, to buy oil reserves at \$10 seems to me reasonable.

Did I answer you, Anish?

Anish Kapadia - *Tudor Pickering Holt - Analyst*

Yes, thank you very much, Miguel.

Paul Ferneyhough - *Repsol SA - Head, IR*

Thank you for the question. Next we'll move to Irene Himona, Societe Generale. Irene, please go for it.

Irene Himona - *Societe Generale - Analyst*

Thank you, Paul. Good afternoon, Miguel. I had two questions if I may. So first of all, as you explained, Repsol strategy post-Talisman clearly moving away from organic growth to value and so when I look at your return on capital employed this quarter, 6%, it's actually double what it was in Q4 and all of that improvement in fact is thanks to a rise in the numerator basically, the profit, your capital employed is largely unchanged at EUR40b. But my question really is, given the strength of the Q1 free cash flow generation, given all the internal efficiency measures and so on, do you anticipate by yearend 2016 that you may actually achieve a reduction in the net debt and therefore in the capital employed? And related to that, I realize there's no explicit target for return on capital but what would you say is reasonable for the business?

And my second question was just to clarify the net capital expenditure table you show, I think it's on page 21. Is this after you deduct disposals? Because if I look at your downstream CapEx it's sort of halved year on year and I just wonder if it does include disposals, what's the underlying, if you like, gross CapEx basically.

Miguel Martinez - *Repsol SA - CFO*

Well, in relation with the first one, the answer is yes, we expect at least to reduce the debt, I would say by a little more than the divestments we are able to cash in within the year. So, yes.

Reasonable return on capital, in this scenario of \$30, \$40, I will not be able to give you an answer, Irene. I think that this quarter has been good in relation with the prices we have been in, but we will see, we will see.

And relation with net CapEx, during the quarter we have deducted disposals for EUR100m, a little more, EUR110m or something like that, so not very important. And for the whole year the figure of CapEx would be around EUR4b for the whole company, EUR3.9b to be precise and from those basically EUR3.1b would be in the upstream division, between EUR3b and EUR3.2b in the upstream division. The rest basically would be downstream with a small tip on the, I mean pocket money, on the corporation.

Irene Himona - *Societe Generale - Analyst*

Okay, thank you very much, Miguel.

Miguel Martinez - *Repsol SA - CFO*

Thanks to you, Irene.



Paul Ferneyhough - Repsol SA - Head, IR

Thank you. Our next question comes from Jon Rigby at UBS. Go ahead, Jon.

Jon Rigby - UBS - Analyst

Thank you. Hi, Miguel. Can we take a look at tax for a moment? I appreciate with these low oil prices tax rates tend to fly all over the place, so I just wondered whether you could help me just disaggregate some of the effects. So if oil prices were to stay where they are right now, let's say in the mid-\$40s, ex any further impact from Brazil, what do you think the tax rate would be in the E&P business underlying? What portion of that do you think would be cash tax and what would be accounting tax?

And then could you just help me on two other points. It looks like you actually received some tax payments in the first quarter, so could you just explain what's happening there?

And the downstream tax rate also looks a bit low in the first quarter, is that just a one-off in the first quarter or is that something we can expect to recur going forward? Thanks.

Miguel Martinez - Repsol SA - CFO

Thanks, Jon. Yes, it's fine to received taxes? Well, I may that in relation with the first one, I think that upstream business at this level would be around 40% corporate tax level, if we don't have funny episodes regarding the different currency situation. I think that only the difference between, first quarter last year Brazil penalizes us due to the devaluation of the real in something like EUR68m, and in this quarter we have received a benefit of EUR37m. So only that factor affects massively, especially when you have very low results in the division which is what we have at this level.

In the first quarter we have received something a little below EUR300m in tax payments, but this is due to the fact that the Spanish IRS, I mean the fiscal authorities, charge us based on accounting figures more or less. And there are many deductions that we have the right to that are not taking into account with these metrics.

To put you an example, Gas Natural dividends are taxed, are cash by -- tax cash by the authorities during the year, but those dividends at the yearend are free of taxes. So they will have to pay the money that they have captured in advance and that's the reason of the tax payments we have received in the first quarter.

And in relation with the low tax rate in the downstream division, there are two factors there. The first one is that this year we have a reduced corporate tax rate in Spain, down to 25% from the prior 28% that we had in 2015, this on the one hand. The other thing, that we are still benefiting from the investments we did in the downstream division, basically in the Cartagena Refinery, which implies deductions. So cash talking, for sure the figure is lower than the tax rate that now in Spain is 25%.

Jon Rigby - UBS - Analyst

Okay.

Miguel Martinez - Repsol SA - CFO

Did I answer you, Jon?



Jon Rigby - UBS - Analyst

Yes, that's great. Thank you.

Miguel Martinez - Repsol SA - CFO

You're welcome.

Paul Ferneyhough - Repsol SA - Head, IR

Thank you, Jon. Our next question comes from Rodolphe Ranouil at RBS Fixed Income. Please go ahead.

Rodolphe Ranouil - RBS Fixed Income - Analyst

Yes, good afternoon. I just wanted to clarify something. When I look at your cash flow numbers, I've got an EBITDA calculation of EUR840m. I know there's a difference between obviously the EBITDA CCS and the one that you report on the front page of the report but I was wondering what the difference is.

Miguel Martinez - Repsol SA - CFO

Thanks, Rodolphe. I think that the difference is due to the fact that one of the figures is CCS and the other is MIFO. So as you have a pre-tax difference of EUR215m in the CCS versus MIFO, I think that this is the main difference you are suffering, but our IR team will give you a better explanation because that implies the analysis of the whole cost of sales that is implicit in the CCS. But the truth is that the difference you may have found is EUR215m pre-tax which is the difference between CCS and MIFO.

Okay, Rodolphe? Thank you.

Rodolphe Ranouil - RBS Fixed Income - Analyst

Okay, yes, that makes some sense, it doesn't go 100% to the number, the EUR215m from EUR840m but it gets close enough I guess.

Miguel Martinez - Repsol SA - CFO

No, but, our IR people will contact you to give you detail cent by cent, okay?

Rodolphe Ranouil - RBS Fixed Income - Analyst

Sure, thank you very much.

Miguel Martinez - Repsol SA - CFO

But the main of the explanations is the one I told you. Thanks, Rodolphe.

Rodolphe Ranouil - RBS Fixed Income - Analyst

Thank you.



Paul Ferneyhough - Repsol SA - Head, IR

And Rodolphe, we'll be in contact with you. Moving on to the next question, we have Bruno Silva from BPI. Bruno, please go ahead.

Bruno Silva - BPI - Analyst

Hello, good afternoon. Thank you for taking my questions. Just a few confirmations of data points. First of all, in terms of OpEx per barrel of the Spanish refining business, if you could clarify what has been the level in this quarter and whether or not there is in your refining margin some effect from any sort of hedging?

The second question is also confirmation in terms of the net profit guidance for this year, if it is a maintenance of what you have said in the recent past?

And then in terms of dividends, after the cutting the (inaudible) dividend and the comments that you issued today in terms of the evolution of the industry context as well as the potential issuance of hybrids down the road, how could that affect your stance in terms of dividends to be paid this year versus those last year? Thank you very much.

Miguel Martinez - Repsol SA - CFO

Thanks, Bruno. I think that I'm not sure about the first question what you refer on OpEx per barrel, but basically I can tell you that at \$2.6 per barrel we have an EBIT at CCS of zero. If we are talking about EBITDA or breakeven would be \$1.5 per barrel. This is basically what I think can help you because on the other hand we do not hedge our refining production. So those are the two figures that I think can help you in relation with the variable cost in the refining business.

Regarding the net profit, I think we have not given any guidance for the net profit and we normally don't do it, so we will see how the prices evolve and we will see, but normally we don't give profit guidance.

And in relation with dividends, the dividend for sure is a decision that the Board will have to present to the General Assembly, but basically there we'll go step-by-step and looking permanently how the volatility of the industry we are suffering now evolves. So we'll have to go one-by-one analyzing until November which is the month in which normally we have the proposal from the Board, it's going to be quite difficult to make any assumption.

And related to the issuance of hybrids, it will not affect under any means the dividends we may pay after -- this year. Okay, Bruno?

Bruno Silva - BPI - Analyst

That's great, thank you very much.

Miguel Martinez - Repsol SA - CFO

You're welcome.

Paul Ferneyhough - Repsol SA - Head, IR

Thank you, Bruno. Our next question comes from Lydia Rainforth at Barclays. Lydia, thanks for waiting, please go ahead.



Lydia Rainforth - Barclays - Analyst

Thanks, Paul. Hi, Miguel. Two questions if I could. The first one just coming back to the refining outlook, in terms of you mentioned the \$6.4 assumption for this year and the \$0.5 per barrel premium margin that you think is baked in there. You did do \$1 at the first quarter stage, is that the sort of number that realistically you think you can achieve throughout this year and just what's actually driving that?

And then the second one was on cost-cutting and the impressive moves that you've made on the synergies side. Can you just talk a little bit more about where those synergies, or where the cost-savings are really coming from? Is it primarily the corporate side, is it upstream or is it across the company? Thanks.

Miguel Martinez - Repsol SA - CFO

Thanks, Lydia. The answer to the first question, the only one I can give you is, yes, we have actual figures of the first quarter and basically all the data in April has been totally aligned with what we have seen in the first quarter. So I will have to say yes, the outlook look as of today that we will continue this strength.

And in relation with cost-cutting and synergies, basically if you want the split of the figures, basically what we have is upstream, in relation with the whole figure, in efficiencies we have reached EUR160m more or less. From those, half of it refers to the upstream division and half of it to the downstream division. Corporate was a little behind, although we expect that also the corporate will reach its goal, so it was EUR71m for the E&P and EUR83m for the downstream. For the yearend we expect EUR350m for the upstream division and EUR225m for the downstream business, while corporate will reach the EUR160m in the whole year.

And in relation with the synergies, here it's the opposite and makes quite sense. Corporate is the one that is leading with EUR41m of the EUR50m that we have achieved, and when I mentioned achieved I mean P&L in this quarter. For the full year we expect to reach the EUR273m in synergies. From those, EUR150m would be at the corporate level and EUR100m in the upstream division. Logically, downstream doesn't have much synergies due to the profile of Talisman which basically is upstream.

Did I answer you, Lydia?

Lydia Rainforth - Barclays - Analyst

Yes, that's very, very helpful. Thank you.

Miguel Martinez - Repsol SA - CFO

Thanks to you, thank you.

Paul Ferneyhough - Repsol SA - Head, IR

Thank you, Lydia. Our next question comes from Hamish Clegg at Bank of America Merrill Lynch. Hamish, please go ahead.

Hamish Clegg - BofA Merrill Lynch - Analyst

Hi, guys, thanks for taking my questions. Much of this has been covered but just to go into this in more detail just non two things. Your hybrids, potential for more hybrids and exploration. So just starting on the hybrids, I noted that last year where Repsol's CDS was trading in the market before you successfully raised EUR2b of hybrids and you've said you'd hope that the ECB will potentially help the market for this debt instrument



open again and we know it would be credit positive. With CDS for Repsol trading at 200 today, is this something you look at today versus last year, how you consider whether or not you'll do hybrids? If that is an indicator what sort of level do you see, do you feel that you'd be in a position tomorrow if there was a demand to issue nearly EUR3b as per your target? So that was the first question.

And then the second question was just on the exploration side. I completely understand your strategy here in terms of focusing on the lower risk appraisal, it makes a lot of sense and the expense appeared to be really only 12% of the total CapEx in the quarter which is unsurprising. But what sort of potential expense rate can we consider for the rest of the year, bearing in mind if the rest of the year is reflective of Q1 low risk it may be the same? And how will that evolve next year? Will 2017 be an appraisal year or will there be some high-risk stuff within exploration spend? Thanks.

Miguel Martinez - Repsol SA - CFO

Thanks, Hamish. I would say first, in relation with the hybrids I think that if we talk about the volumes we don't have any commitment with the EUR5b we initially had agreed with the agencies in December 2014 so, but if there is a chance for sure we will go for it. I don't know which would be the CDS but it's true that if you look at our hybrids they have evolved from more than almost a 10% yield down to a 6% that I think they're worth today.

I expect them to lower and I think that the -- we have to see how the capital markets evolve with the entrance of the ECB as a player, so we will see. I cannot give you a figure of the CDS in which I expect to issue because first I would like to see the impact of the ECB in all the capital markets of corporate bonds.

In relation with the exploration, I would say that the main budget for the year is EUR800m but with low risk. Last year we had instead of EUR800m of budget we had EUR1.9b with a high risk. And then it's going to depend much on the rate of success so it's quite difficult to assess any figure.

What I can tell you is that this quarter has been extraordinary in a sense because also we are playing each game looking for cash and if you look at it, the two wells that were dry, I mean our partner was carrying us. So we are looking every single cent in the business that can be extracted. And talking about risk, as mentioned, I expect risk to be lower.

And in relation on 2017 it's way too early, it's way too early because we have to see the price scenario in order to assume whether or not we will move ahead with more exploration or not.

So basically I think that this is what I can tell you, both in relation to hybrids and to exploration, Hamish.

Hamish Clegg - BofA Merrill Lynch - Analyst

Very clear. Thanks a lot. Cheers, Miguel.

Miguel Martinez - Repsol SA - CFO

You're always welcome, Hamish.

Paul Ferneyhough - Repsol SA - Head, IR

Thank you, Hamish. Our next question comes from Marc Kofler at Jefferies. Marc, please go ahead.

Marc Kofler - *Jefferies - Analyst*

Yes great, thanks. Afternoon, everyone. Thanks for taking my question, just a quick one really. There's been some quite mixed reports recently around Libya, so I just really wanted to get an update there in terms of if you were seeing any changes regarding your assets there? And then, just perhaps a reminder in terms of the production which is offline and the associated cash flow or earnings with those barrels. Thanks.

Miguel Martinez - *Repsol SA - CFO*

In relation with Libya we are quite prudent in all our assumptions. Basically if something would happen, and we hope so because I think that for Europe it's really important to stabilize the country, but if it will come it would be an upside in all our assumptions.

And I think that you also asked about the associated cash flow coming from the Libyan barrels, basically as a thumb-rule you can take into account that it's \$1m per day at what normally we're generating.

The data we have about the assets is that they are in good shape, there has not been any report or any data that the assets have suffered vandalism or that they have been attacked, so we expect that if good news arrives and you know that in the last three years there has been ups and downs, the quality of the reservoirs is very good and with one week in the past we have been able to reach plateau.

So basically we are not considering anything in our data, it would be pure upside, and I hope that things goes for good, both for the people in Libya and for the European future.

Did I answer you?

Marc Kofler - *Jefferies - Analyst*

Yes, that's great, thank you.

Paul Ferneyhough - *Repsol SA - Head, IR*

Thank you, Marc. Our next question comes from Giacomo Romeo at Macquarie. Please go ahead.

Giacomo Romeo - *Macquarie - Analyst*

Good afternoon, three quick questions from me. The first one on OpEx, you talked about a 13% reduction in the unitary OpEx in upstream. Can you just confirm what base you're using, if that's relative to 4Q, to full year 2015 and whether that's including Talisman?

Second is on tax, can you please quantify the actual FX impact on taxes from Brazil?

And finally, at your current CapEx level where do you expect North American production to go during 2016? Thank you.

Miguel Martinez - *Repsol SA - CFO*

Well, the first one, the CapEx reduction of 13% refers to the difference in OpEx between first quarter 2016 and first quarter 2015. Does it include Talisman? Yes, it does.

In relation with the tax question about Brazil, the impact on taxes is based on the currency fluctuation. Last year it was something like EUR69m of penalty, the one that we received due to the devaluation of the real. This year has been a little above EUR38m. So all in, the difference is the addition of both figures, a little more than EUR110m approximately.

And in relation with the current CapEx level in North American, we expect a small reduction in North America basically due to Midcon, so we expect, and a little more in Eagle Ford for the combination of both a reduction in percentage and a small reduction due to the fact that we are having to work just with one rig. Flat in the Marcellus, so the main reductions would be allocated both in Midcon and in the Eagle Ford.

And the current CapEx level, I think that I will have to give you that through our IR people but normally the figure should stand below \$180m, but our IR team will confirm that to you.

Giacomo Romeo - *Macquarie - Analyst*

Thank you.

Paul Ferneyhough - *Repsol SA - Head, IR*

Thank you, Giacomo. We'll move to our next question and our next question is Edward Pybus from BNP Paribas. Edward, please go ahead.

Edward Pybus - *Exane BNP Paribas - Analyst*

Thanks, Paul. Hi, Miguel. I think you've answered most of my questions already to be honest, but just one question on the UK operations. I think it's fair to say that part of your upstream portfolio is perhaps facing the greatest challenges in the current pricing environment, so would you be able to give any further details in terms of the progress you've made on the restructuring efforts?

Miguel Martinez - *Repsol SA - CFO*

Thanks, Edward. I agree with you that it's probably one of the toughest challenges but also has been the one that has improved the most in comparison with what we expected. I may say that the problem in the UK operations had two factors. The first one refers to the main assets, mature assets in the North Sea which basically is a common problem for the whole industry. The second one was the misalignment with our partner, Sinopec.

I think that we have been able to close this second problem and right now we are working with our partner in good harmony and we are starting to obtain results. OpEx and CapEx has been reduced importantly, we have been able to increase production and I would say that probably, to put you an example, we have dismissed more than 300 people that basically were not doing anything there, in agreement for sure with Sinopec and the whole thing is improved.

I'm saying with that that we have a great asset there? No, not at all, it's a bad asset and we knew that since day one, but to give you just a couple of figures, we have been able to reduce OpEx and CapEx by 25%, between 2015 and 2014, production was increased by 10% and we expect in the future to go further down in OpEx and CapEx by between 10% and 15% this year, while also increasing the production. So the asset for sure is not a jewel but it is delivering by far better than we initially estimated when we bought Talisman.

Edward Pybus - *Exane BNP Paribas - Analyst*

Thank you.



Paul Ferneyhough - *Repsol SA - Head, IR*

Thank you, Edward. Our next question comes from Jason Kenney at Santander. Jason, please go ahead.

Jason Kenney - *Santander - Analyst*

Hi, Miguel, and well done with the numbers today. Now I'm not really looking for more work on restating modeling but I was wondering if you've considered announcing results on an ex-FX appreciation basis because it's something that Shell has moved to do particularly with regards to Brazil and also companies like Statoil do this as well. Is it something you might be considering?

Miguel Martinez - *Repsol SA - CFO*

Honestly, I can analyze it but to me it sounds difficult because even if I shift to a dollar basis, I mean I cannot shift to a dollar basis in Spain, I have to make all the info in euros, but we may analyze it. But basically the main difference comes to me because of local currency versus dollar and the dollar which is the currency we are using in Brazil, to put you an example, then I have to translate it to euros. But I will check if that provides a better info for all of you, but right now I think that legally I have to do all my figures in euros.

Jason Kenney - *Santander - Analyst*

Okay, understood.

Miguel Martinez - *Repsol SA - CFO*

Thank you anyhow for your question and for your suggestion. We will analyze it.

Paul Ferneyhough - *Repsol SA - Head, IR*

Thank you, Jason. Our next question comes from Kim Fustier at HSBC. Please go ahead, Kim.

Kim Fustier - *HSBC - Analyst*

Hi, good afternoon. I have two questions please. Firstly, I noticed you shut down of a loss-making oil fields in the first quarter, in Colombia and in Norway. I just wondered if you could quantify the production impact. And also I wondered if there are any other loss-making assets that you would be looking to shut down, or is that no longer necessary at \$45 oil?

And just secondly on CapEx, I think your organic CapEx run rate is a little below the full-year guidance of EUR3.9b, so I just wondered if you were planning to accelerate spending through the year and where? Or is there a chance that CapEx could undershoot your guidance? Thanks.

Miguel Martinez - *Repsol SA - CFO*

Well, in your last question, it's true that we have reduced our CapEx in relation with the strategic plan but that was all assessed and commented in the full-year results presentation. So we have into the EUR3.9b versus the EUR4.1b that we put on the strategic plan, okay?

In relation with the loss-making assets, I would say that Norway was nil, it was negligible, there was nothing there and finally Colombia implied 3,000 barrels a day of production.



So, as mentioned before, we are looking at every cent that moves within the company and if really it's not generating cash, we don't play for the sake of having great production figures, we already have it, we have more than doubled our production. So basically our goal is, and I think that the whole company is focused on it, to aim for cash and efficiency. Yes, any asset that is either quite small or that is not generating anything for sure will go out, no doubts on that.

Okay, Kim?

Kim Fustier - HSBC - Analyst

Yes, thank you. Just to come back on CapEx, I was referring to the quarterly run rates of your organic CapEx spend which I think is running at about EUR800m for the quarter.

Miguel Martinez - Repsol SA - CFO

Oh sorry, sorry, okay. I would say that's mainly first quarter so, and we are not that far apart. The net figure was EUR800m, if you take the whole, the divestments out, then you ended up in EUR900m. So EUR900m for the whole year multiplying by four leads us to EUR3.6b, which is quite close to the EUR3.9b. But normally first quarter, this will, we are going to be quite close to the objective of EUR3.9b so for your metrics take EUR3.9b for the whole year. Okay, Kim?

Kim Fustier - HSBC - Analyst

Yes, thank you.

Paul Ferneyhough - Repsol SA - Head, IR

Thanks, Kim. And I believe we've got one additional question going back to Thomas Adolff at Credit Suisse. Thomas, please go ahead.

Thomas Adolff - Credit Suisse - Analyst

Thank you, Miguel, it's me again sorry. I just wanted to dig into the refining margin premium you've realized over the benchmark, and I guess part of it is shifting yields from diesel into gasoline, part of it has to do with the ability to process non-standard crude, and I wondered which of the two contributed more to that premium, so for me to better understand how I think about modeling going forward.

And just a small one on Lapa in Brazil, how is the development there? Thank you.

Miguel Martinez - Repsol SA - CFO

Thanks, Thomas, a long time without hearing you. In relation with refining margins I would say that you have to think that the index basically provides you with the type of crude you used last year with this quarter prices. So normally our people is able to gain some extra, I would say, over the monkey. So over there you probably have, from the dollar we gained probably around [\$0.50] are in that line.

The other \$0.50 refers to the efficiency program that I have mentioned before, I mean the efficiency in the quarter it's aligned with the estimates and it's giving us some extra room, around another 0.50 in the margin.

Things that we have produced this quarter, we have distilled this quarter, if I'm not wrong, something like 68m barrels, so the gain in efficiencies a little more than the EUR30m that were needed to obtain the extra \$0.50.



And in relation with Lapa, the FPSO it's already in place. We are right now in discussion with our partner to see which is the optimum plateau for the project and basically there's no change for the first oil. So by the end of the year we will producing in Lapa.

Okay, Thomas?

Thomas Adolff - *Credit Suisse - Analyst*

Perfect, thank you.

Miguel Martinez - *Repsol SA - CFO*

And never mind, you can put all the questions you want okay?

Thomas Adolff - *Credit Suisse - Analyst*

Okay, cheers.

Paul Ferneyhough - *Repsol SA - Head, IR*

Thank you, Thomas. And with that, that brings to an end our question and answer session. Any further clarifications can be addressed to the investor relations team and we'd all be happy to help out.

With that I will bring to a close our 1Q conference call for Repsol, thank you very much for listening.

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