THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

REP.MC - Q1 2012 Repsol YPF Earnings Conference Call

EVENT DATE/TIME: MAY 10, 2012 / 11:00AM GMT

CORPORATE PARTICIPANTS

Maria Victoria Zingoni *Repsol YPF - Director of IR*

Miguel Martinez *Repsol YPF - CFO*

CONFERENCE CALL PARTICIPANTS

Theepan Jothilingam *Nomura International - Analyst*

Lydia Rainforth *Barclays Capital - Analyst*

Thomas Adolff *Credit Suisse - Analyst*

Irene Himona *Societe Generale - Analyst*

Peter Hutton *RBC Capital Markets - Analyst*

Oswald Clint *Bernstein - Analyst*

Jason Kenney *Santander - Analyst*

Bruno Silva *BPI - Analyst*

Luis de Toledo *BBVA Research - Analyst*

Filipe Rosa *Espirito Santo - Analyst*

Haythem Rashed *Morgan Stanley - Analyst*

Anish Kapadia *Tudor Pickering - Analyst*

Fernando Lafuente *N+1 Equities - Analyst*

PRESENTATION

Operator

Good afternoon, ladies and gentlemen. Thank you for standing by and welcome to Repsol's first-quarter 2012 results presentation. The conference call will be conducted by Mr. Miguel Martinez, CFO of the Company. (Operator Instructions).

I will now turn the call over to Miss Maria Victoria Zingoni, Director of Investor Relations. Please go ahead, Madam.

Maria Victoria Zingoni - *Repsol YPF - Director of IR*

Good day, ladies and gentlemen. On behalf of our Company I'd like to thank you for taking the time to attend this conference on Repsol's first quarter results.

We understand that at this point there are a lot of expectations on how the Company continues with the strategy without YPF. We are aware that we have a strategic plan release schedule for May 29, so we really appreciate if you hold questions on related topics to such date, and focus on result on short-term activity during this call.

The presentation, as mentioned, will be conducted by Mr. Miguel Martinez, CFO. Luis Suarez de Lezo, General Counsel and other Members of the Executive Committee of Repsol will be joining us as well.

Before we start, I invite you please 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. Actual results may differ materially, depending on a number of factors as indicated on the slide.

I now hand the conference over to Miguel.

Miguel Martinez - *Repsol YPF - CFO*

Thanks, Maria Victoria. And thank you all for attending this conference on our first quarter results.

During this first quarter, CCS Adjusted Net Income ex. YPF was of EUR474 million, 4% higher than during the same period last year. Even though in our books as of December 31 the expropriation of YPF has no effect on the financial statement, as of March 31, 2012 we have adjusted the earnings preview released this morning, so as to present the information of the Company with and without YPF, for a better analysis of the performance and the current -- under the current circumstances.

First of all, let me give you an update on the current status of the expropriation of 51% of YPF, all of it corresponding to our shares in the Company.

We consider the announced measure to be manifestly unlawful, and gravely discriminatory. That in public interest has in no way been justified and, clearly, contravenes the obligations undertaken by the Republic of Argentina during the privatization of YPF, breaching the most basic principles of legal certainty, and of reliance by the international investment community.

Such obligations are clearly reflected in YPF bylaws, Articles 7 and 28, and they establish, on one hand, the price to be set as compensation, which is higher than the book value; and in the other hand the obligation to launch a tender offer, in case the acquisition surpasses 49% of the Company.

Even though all these measures were designed to protect the investors in case of a change of control, surprisingly, the shareholders of the remaining 49%, who have not been expropriated, have not been compensated by the change of control; and then -- and they have been denied the chance to choose if they want to be part of the Company under the new Administration, or exit with the compensation established by the Argentinian Government under the privatization law.

The expropriation law was approved by both Chambers in Argentina, and it was published on May 7.

The maximum exposure of Repsol to YPF, as of the end of December, is EUR5.7 billion, of which EUR4.1 billion is the YPF book value, and EUR1.6 billion is the vendor loan for the Petersen Group.

The Stock Exchange regulatory body in Argentina has set June 4 as the date of the YPF Annual General Meeting. Our legal counsel is working on the definition of the legal parts to follow, and has already started some actions.

Before getting into the quarter results, please allow me to refer to various concerns that you have been raise by some of you during these past weeks. I will refer to, first, the rating outlook discussions we have maintained with the rating agencies; second, the contracts that rule the Petersen Group vendor loan with us; and third, the concerns on our debt agreement and indentures.

After the expropriation of YPF by the Argentinian government, the credit rated -- rating agencies revised our rating. Both Fitch and Moody's changed it to a negative worth, while the Standard & Poor's changed the rating to BBB minus and A3, maintaining the negative outlook. These changes have raised many questions about the effects on our debt. The only effect will be on the European Commercial Paper, which may not be renewed in the short term.

We confirm that the ratings change does not affect any of our current debt, or its related financial Cost. Moreover, we have no rating figures linked to our debt. We also reiterate that we are fully committed to maintaining the investment grade credit rating and are analyzing different alternatives to enhance our balance sheet.

According to Standard and Poor's the outlook is negative reflecting the potential for a further downgrade if corrective actions to reduce debt do not materialize in 2012. And they recognize that if Repsol management can significantly reduce debt in the coming quarters and somewhat offset the financial impact of the loss of YPF, we could revise the outlook to stable.

We perceive management as committed to the investment grade rating and for strengthening the company's financial profile.

Among the actions to improve our balance sheet, we have the following; a scrip dividend program already included in 2012 AGM agenda for approval involving the 2011 final and the 2012 interim dividend. This scrip dividend could be carried forward into subsequent period, subject to AGM approval.

Offering the voluntary conversion of our existing preference shares into a mandatory convertible bond in Repsol shares, detailed and execution alternatives under analysis to be materialized shortly; and, if convenient, to re-strengthen our liquidity position, the monetization of our current 5% treasury stock which would also be greatly supportive.

Even though we acknowledge the challenges that we have in front of us, and feel confident to achieve the required ratio levels, let me highlight that, in this context and without taking into account any of the above mentioned actions, and excluding YPF and Gas Natural, we keep on holding a very solid financial and liquidity position.

No significant debt maturities until July 2013, other than those above mentioned included in the ECP program. As of the end of April 2012, over EUR2 billion of cash and EUR4.7 billion of committed and drawn bank lines, well in excess of short-term maturities. Liquidity available shows a coverage ratio of more than 3.7 times in relation to short-term debt.

With the release of our strategic plan, there will be further clarity on our operational and financial metrics under the new scenario.

Let me now talk about the concerns raised by the consequences of our stake in YPF going below 50% as stated in the agreement between Repsol and the Petersen Group.

According to Spanish law, which governs the agreement in order to trigger the consequences established in such agreement, Repsol's failure to own directly, or indirectly, an interest of at least 50% of YPF would have to be as a consequence of a voluntary disposal act by Repsol, which clearly was not the case, as the expropriation of YPF is both an unforeseen and an unavoidable event.

Finally, in regards of the concerns on our debt agreement and indentures, first, Repsol does not warranty any YPF's debt. Second, with respect to our European medium-term notes program, nothing has come to our attention that would indicate that an event of default has occurred under the terms and conditions of the notes issue. Nor has any event or default occurred under any other loan agreement. Third, we are not aware of any acceleration of any of YPF's debt.

Let us move now into the results. Please remember that all the numbers are ex. YPF, and ex. Repsol YPF Gas, the LPG division which was expropriated as well.

This quarter we release CCS adjusted net income of EUR474 million, 4% higher, year on year, and a CCS adjusted operated income of EUR1.1 billion, 8% higher than in the same quarter last year. These results have improved also in relation to the previous quarter.

The good results have been driven by the performance of our Upstream and LNG divisions. In Upstream, the adjusted operating income was EUR659 million, 35% higher than the same period last year. The normalization of the activity in Libya, a better production output in the Gulf of Mexico and the higher realization prices have been the main reason behind this improvement.

Now with the operations back into normal conditions, and the new projects are starting, as scheduled this year, we expect this quarters good results to start a steady increasing contribution of our Upstream division to the performance of the Company.

In the LNG division, better margins resulted in an adjusted operating income of EUR158 million, 37% better than during the same period last year. The market opportunities have been optimized again this quarter and we will keep on doing so with the non-contracted volumes.

In the Downstream business, the CCS adjusted operating income was EUR82 million, 61% lower than the first quarter of 2011. The results were mainly affected by the negative effect of the deterioration of the chemicals environment and the marketing volumes.

In Refining, earnings increased slightly the successful start of Cartagena and Bilbao project enhances contribution due to higher spreads and margin improvements, especially since the second half of March.

These effects were partially offset by the low utilization rate due to a scheduled maintenance and the stop of some units due to low margins during the first part of the quarter. The low utilization affected mainly the topping units.

It's worth mentioning that the utilization rates of the recently opened conversion units of the Cartagena refinery ran at full capacity during the quarter. The coker unit at the Petronor Refinery was at 76% of utilization during the quarter, due to the usual maintenance process during the ramp-up period.

During April the margin has improved compared to March.

In Gas Natural, the adjusted operating income of EUR241 million remains in line with the same period last year.

The financial expenses since YPF came to EUR260 million in the quarter, a 13% increase compared to the same period of 2011. The increase was due to higher gross debt, subject to fixed interest and the step up of the preference shares effective in the payment of September 2011 and March 2012.

The ex. YPF tax rate amounted to 40.5% during the quarter. We expect a full year tax rate without YPF of 42%.

Activity for the quarter in YPF has been explained in section 3.4 of the press release. We have disclosed in YPF at a net income level and it amounts to EUR149 million, which compares to the EUR193 million during the same period last year. The lower result is mainly due to the increase of the minority shareholding from EUR31.8 million to EUR42.6 million and higher financial expenses.

Turning to the operational activity in the core businesses and starting with Upstream production for the quarter, was 323,000 barrels of oil equivalent per day, 11% higher compared to the last quarter 2011 due to the improvements in the Libya operations and the Gulf of Mexico production, and in line with last year first quarter level less affected by the Libyan war.

Current Libya production is at 310,000 barrels of oil gross, and we expect to finish the year about 320,000 barrels of oil per day, near our full capacity. There have five cargos in the first quarters and we expect to support periodical yearly sales of 1.2 million barrels per quarter net to us.

The non-conventional project in the Mississippian Lime started in February, adding to our production profile as well, still in small amounts but consistent with the ramp-up plan we have.

Let the review the status of the main development projects. The Argentina (sic) field project started up last week as planned, below budget CapEx and with very good safety records. The field gross production is ramping up into plateau to reach up to 9 million cubic meters per day from 3 million cubic meters per day in a few weeks' time. All the volumes are dedicated to supply the Bolivian government export agreements with Brazil and Argentina. Prices for the second quarter on both contracts will be $926 per million BTU, and $11.08 per million BTU respectively.

The main contracts for the construction of the second phase, which will add up to 6 million cubic meters per day through the production of the field, have already been signed. The second phase will take around 19 months to be commissioned and once it's fully operational, the total processing capacity of the plant will be of 15 million cubic meters per day.

Sorry, I mentioned Argentina, probably I was thinking in other things. I refer to Margarita for sure, and Bolivia.

Our Bolivia production will also be increased in the Sabalo field, operated by Petrobras. A third train start operations in the month February and gross production will be increased from 13.4 million cubic meters per day, to 22.1 million cubic meters per day. 70% of the Sabalo volumes are devoted to the Brazilian market. Our net working interest is 24.5% through our participation in Andina with the Bolivian Government. The net production added by this project is of 1.5 million cubic meters per day net to Repsol.

In Peru our Kinteroni project [carries on us] plan, as we expected to reach first gas early in the last quarter of 2012 with a gross production of 5 million cubic meters plus associated liquids.

In Brazil we continue the drilling activity in Sapinhoa, formerly Guara, where we already have wells drilled -- four wells drilled and two more ongoing. We will complete the second extended well test in the northern parts of the field this year. Production start-up in the south end part of the field is scheduled for the first quarter 2013.

We have already signed the lease of the second FPSO, Cidade de Ilhabela, through the Company SBM offshore. Such FPSO will be dedicated to produce the northern part of the field and its production is expected to start in 2015.

Now let us review the status of the principle exploratory activity. As announced in our previous result presentation, we will mainly focus on the Pao de Acucar discovery in the Campos 33 basin after Sapinhoa and Carioca. We expect to start the appraisal work later in 2012.

In Alaska we have finished the drilling campaign with a total of two wells drilled. Both wells, Kachemach and Qugruk 4 found oil bearing sands, but the initial delays and the early end of the winter season have not allowed any further tests. The information provided by the wells is still being evaluated. Unfortunately, there was not enough time to gather enough information to deliver more consistent news on the results of the area and we expect more definition of the prospects of the area in the following drilling campaign.

In our West Africa operations two wells have been drilled in Sierra Leone, Jupiter-1 and Mercury-2. They first found 25 meters of pay, gas and condensate light oil in two zones. In the main objective [turonium] studies are ongoing to evaluate the discovery and the joint venture is evaluating the feasibility of running a test to assess productivity. The second well, Mercury-2, found a thick, good quality of reservoir section in the cretaceous, but water-bearing.

Our wells in Cuba and Guyana are progressing in depth and we're expecting to have results by the end of this month and the beginning of the first quarter respectively -- of third quarter respectively.

Our seismic campaign in Portugal, Indonesia and Alaska are already completed. The remaining acquisitions activity for the year will be concentrated in the US and Algeria. We continue very actively with our acreage acquisition with 6 new concessions awarded in Norway; four in the Norway Sea and two of them in the Barents Sea with Repsol as operator in one of them. We also have three new licenses in the West Siberia area through Eurotek, our 100% owned Russian subsidiary, all of them in the Ural/[Volga] Basin.

On LNG, Peru LNG delivered its first cargo to the Manzanillo plant in Mexico with the first ship arriving in March. Deliveries are expected to ramp up over the next few years while, in 2012, they will take at the most 25% of the Peru LNG annual volumes.

As for the remaining of the year, we still have many challenges in our activity. The delivery of the Kinteroni project is scheduled for the fourth quarter; the drilling of around 40 additional exploration wells to be finished before the end of the year; the continue of the [Sakhalin 4] development with its first goal in the first quarter of 2013; and the consolidation of our Upstream project.

Despite the fact that the losses we have had with the expropriation of YPF, we believe that the future of our Company has not changed in the sense that the Upstream division was always the center of our growth aim, and the YPF unfortunate events do not change such view.

At the end of this month we will be releasing our strategic plan based on four pillars; first, upstream organic growth with production increase above sector average; second, enhanced profitability due to the rebalance of the portfolio; third, self-financing plan maintaining the investment grades and a strong balance sheet; and fourth, competitive shareholder remuneration under the new Company perimeter.

Finally, we will keep our commitment to pursue a fair compensation for the expropriated shares of YPF. We are fully aware of our challenges and we keep on working to support our view that we may have lost value temporarily. However, the potential we have as a Company will allow us to recover that value.

I'm pleased to answer any questions you may wish to put.

QUESTIONS AND ANSWERS

Maria Victoria Zingoni - *Repsol YPF - Director of IR*

Thanks for waiting. We will start with the Q&A session. We have first question from Nomura with Theepan Jothilingam. Theepan, please go ahead with your question.

Theepan Jothilingam - *Nomura International - Analyst*

I've got a few questions actually just on financing for 2012. I know you've stated you want to maintain your investment growth. Could you just talk about how confident you are that you can deliver a conversion from the press to the convertibles? What sort of timeline should we expect? What -- is there any flavor we can -- on financing, should it be more expensive?

Secondly just again, you discussed the scrip dividend. Is it fair to assume the major shareholders wouldn't participate? What assumptions do you make on a take-up on scrip?

And then lastly on the treasury shares, are you in any discussions to sell those treasury shares to a strategic buyer or would the plan be, at the appropriate time to drip-feed that into the market?

Separate to that just on 2012 guidance, could you perhaps just reconfirm production guidance ex-YPF for 2012 and also give any color on CapEx for this year as well ex-YPF? Thank you.

Miguel Martinez - *Repsol YPF - CFO*

In relation with the first one, the first comment is that yes, we are totally committed to keep the -- our investment grade. I think that the timing will go by September.

The end of September or October we'll put their preference on the market. The first step would be the scrip dividend. Then, by September, we will put on the market the convertible bond for the prefs. And, finally, if necessary, we will use the Treasury shares, but only if necessary after those measures. We think that, with the first two, we will be in line with what the rating agencies are expecting from us. But, if necessary, we'll have the third one.

In relation with the profile for next year is 335,000 barrels per day, we keep with our expectations. Think that along the year we'll have a small ramp up in Libya, but also we'll have Margarita and Kinteroni helping the production to go up, [works] a little.

And in relation with CapEx, ex. YPF, it's going to be EUR4 billion if you include Gas Natural. Without Gas Natural it would be EUR3.5 billion.

Theepan Jothilingam - *Nomura International - Analyst*

Yes, great, Miguel. Just as a follow up, so --

Miguel Martinez - *Repsol YPF - CFO*

Sorry, you asked me also what the shareholders will do with the scrip.

Theepan Jothilingam - *Nomura International - Analyst*

Yes.

Miguel Martinez - *Repsol YPF - CFO*

Well, I don't know. That, I would say, is the only opinion, but I have made my estimates considering that they will take cash. So basically I would expect they own 28%, more or less, of the Company. So I expect, from the other 72%, to capture 50% as conversion in shares. Okay?

Theepan Jothilingam - *Nomura International - Analyst*

Perfect. Is it fair also to assume, therefore, that, certainly for 2012, we should not expect any major asset disposals from the portfolio?

Miguel Martinez - *Repsol YPF - CFO*

No major disposals from the portfolio, for sure.

Theepan Jothilingam - *Nomura International - Analyst*

Okay, thank you very much.

Maria Victoria Zingoni - *Repsol YPF - Director of IR*

Thank you, Theepan. We have the next question from Barclays, Lydia Rainforth. Lydia, good afternoon.

Lydia Rainforth - *Barclays Capital - Analyst*

A couple of questions if I could, firstly just a follow-up on Theepan's question. Just adding up those numbers, Miguel, it looks like you're targeting a net debt reduction of about EUR2.5 billion. Is that about right?

And then just more on the operational side, can we talk about the refining side? The increase in operating profit there does appear to be a little bit low, given the investment that's gone into Cartagena and Bilbao. I'm just wondering where do you see the utilization rate sustained, as a whole, for 2012. And was it a case of things just weren't working quite as well as you might have liked for that first quarter?

And then just finally on Libya, can you just give us an indication as to where you are versus peak capacity there?

Miguel Martinez - *Repsol YPF - CFO*

Starting from the last one, 310,000 barrels when our peak should be 340,000 barrels. That's the easy one.

In relation with the debt, it's going to depend much on how things evolve. How many -- or what percentage of our shareholders would opt for the shares or the cash, and also on the Treasury in shares. So we'll have to go and keep looking at it, and we will see. But there's not a clear objective of debt reduction.

At the end, what we are aiming for it gives signals to the agencies in one hand; in the other keep our ratio shrinking, increasing the cash through the debt. If I had to make a bet, I would say that I assume that we would be above the EUR2 billion, because I expect a high percentage of conversion from the convertibles into the bonds.

And under our perspective, the bond is considered by the agencies as capital. So, basically, we can consider that we would be above this figure.

And the last question -- yes, the second one was the refining. And it was a little low this month. I would say that Cartagena ramp-up has gone pretty well. But in Bilbao we have some issues; first, there were the strikes. Second, we have to modify the diet of the refinery. Think that the Bilbao refinery is the one that captures all the Iranian oil that we were producing. And we have reduced the consumption of this crude.

So you will see much better results in my estimate. At least April is showing us better results. But you are right; the ramp-up didn't reach the $2 per barrel we expected. It was a little below, $1.7 approximately.

Lydia Rainforth - *Barclays Capital - Analyst*

Thank you very much.

Maria Victoria Zingoni - *Repsol YPF - Director of IR*

Let's move to next question from Credit Suisse, Thomas Adolff. Thomas, good afternoon; please go ahead with your question.

Thomas Adolff - *Credit Suisse - Analyst*

A few questions as well. Firstly, in the Upstream I was just wondering, in the 1Q results, will you just confirm that there were no funnies whatsoever contributing to this robust, as I'm thinking here, like one of your competitors whether there was any form of under lift recovery in Libya for volumes in 4Q.

And if not really the case, all things equal, was a bit high exploration expense over the rest of the year; then we are thinking about an EBIT closer to EUR2.4 billion; and then add a bit of extra Libyan production, a bit of Russia from the Alliance JV, Mississippian, Margarita, Kinteroni. So that sort of level we should be thinking about.

And then a question on the July 2013 bond, just correct me if I understand this right. There is a cross default to a principal subsidiary contributing 10% or more to EPS. So by definition previously this was linked to YPF. But now with YPF likely to be deconsolidated, and not in default yet, so really even in the event of a default later in the year, this shouldn't really trigger the immediate maturity of the July 2013 bond, nor the other bond as part of the EUR5 million, given the new -- or the updated clauses.

And, finally, just a question on the quarterly interest expense, ex. YPF including Gas Nat, what sort of run rate should we be expecting? Thank you.

Miguel Martinez - *Repsol YPF - CFO*

Thanks, Thomas. In relation with upstream, there's not any trick in the figures. Broadly, the difference we have is in the mix. We are producing more in Libya and in the US, while reducing our production in Trinidad and Tobago. And if you look at the margins per barrel of oil equivalent in each of these countries you would realize the impact.

In relation with Libya we are still in under-lifting position of approximately 800,000 barrels.

And, finally, on exploration, the total expenses, for the quarter, have been $100 million, which is a little lower in comparison with -- in an annual basis, but not so if we compare it with first quarter 2011.

In relation with your second question, you are totally right; I totally agree. Once YPF is out of our perimeter, there's not any reason why we should get any concern about the July '13 maturity bond.

And the final question in relation with the expenses cost, I can tell you that, ex. Gas Natural, we expect to be approximately around EUR840 million for the full year.

Thomas Adolff - *Credit Suisse - Analyst*

Got it, thank you.

Maria Victoria Zingoni - *Repsol YPF - Director of IR*

Thank you, Thomas. We have our next question from SocGen, Irene Himona. Irene, good afternoon.

Irene Himona - *Societe Generale - Analyst*

I have two questions please. The first, in the first quarter I can see chemical product sales falling about 16%, 17%; oil product sales rising nearly 10%. And it seems that went in to extras. I just wonder if you can talk a little about the dynamics there.

My second question is in light of the strength of the LNG results, whether you can provide updated guidance for full-year numbers?

And my third question is one of clarification. When the credit agencies look at the Repsol balance sheet now, would they compare Repsol's net debt, excluding YPF, which is about EUR4 billion, to capital employed, including YPF's net book value as a receivable? Or would they just zero YPF in your capital employed? Thank you.

Miguel Martinez - *Repsol YPF - CFO*

Irene, sorry, can you repeat the second question please.

Irene Himona - *Societe Generale - Analyst*

The second question was LNG profit guidance for the full year, given that we've had a pretty strong Q1.

Miguel Martinez - *Repsol YPF - CFO*

Thanks, Irene. Well, the dynamics regarding chemicals and oil, I would say that, first, in chemicals the market, especially during January, did not exist. And that's basically the reason why it fell, especially in polyolefins.

In relation with oil we, logically, increased our sales. But this was done through direct sales and exports, not through service station network. And it's basically grew through the increased [distillation] of Cartagena.

In relation with LNG, LNG is always difficult because we try to be prudent but, at the end, they always give us better results. But you can expect between $350 million and $400 million for the whole year as operating result.

And in relation with net debt, the agencies are considering, right now, YPF totally excluded. So they will reduce the debt. And they will not consider any capital employed. They will consider YPF as zero.

Irene Himona - *Societe Generale - Analyst*

Thank you very much.

Maria Victoria Zingoni - *Repsol YPF - Director of IR*

Thank you, Irene. We have next question from Royal Bank of Canada, Peter Hutton.

Peter Hutton - *RBC Capital Markets - Analyst*

Congratulations on getting a set of numbers out in what must be very busy circumstances. I've got two questions actually, both of which relate to Libya. You saw a strong comeback in the volumes on the liquids, but gas in North Africa remains down about 7%. Is there a bit of a lag in terms of gas volumes relating to Libya?

And the second one is just again, I'm afraid, on the point of any accounting issues in the first quarter. When I run through the EUR337 million reported as adjusted operating income in North Africa, over the 45,000 barrels a day, that's 4.1 million barrels over the quarter at EUR82 per barrel that's $108 per barrel of operating profit. Can I just try and understand how that relates to the possibilities given the oil price is actually higher than your realization?

Miguel Martinez - *Repsol YPF - CFO*

Well, in relation with the first one, you have to think that our [Libya] is practically not producing anything. But Libya, I mean, all the figures -- there's no, I don't see any upward thing between the gas and liquid production in North of Africa.

In relation with the second one, you have to think that one thing is, the crude we produce; and the other one is, the crude we sell. So in the P&L, only the crude we sell is the one that is included and the ones that give you the margin. So, basically, I can't provide you on a week, through [INR], the volume sold in Libya and you will realize the margin. Though, margin in Libya is quite good, because it's all the taxes are pre-paid, okay?

Peter Hutton - *RBC Capital Markets - Analyst*

Okay. Thank you.

Maria Victoria Zingoni - *Repsol YPF - Director of IR*

Thank you, Peter. We have our next question from Bernstein, Oswald Clint. Oswald, please go ahead with your question, good afternoon.

Oswald Clint - *Bernstein - Analyst*

Just a couple of quick ones; downstream CapEx did drop in the quarter, as you guided, and as expected. Is that the new run rate we should just expect for the next couple of quarters, now that the investment's behind you?

And then just on the Mississippi Lime, I know it's early days, but can you talk about any of the flow rates you're getting or, indeed, whether you could potentially put any more rigs to work on the shale play there? Thank you.

Miguel Martinez - *Repsol YPF - CFO*

Thank you. In relation with the CapEx, as we mentioned; once we finish and close the perimeter between Cartagena and Bilbao, the figures, for sure, will shrink. We do expect, probably, approximately EUR850 million of CapEx for the whole year, in the Downstream division.

And in the Mississippian Lime, yes we have started slowly; the ramp-up is going to take quite a while. Right now we have between 22 rigs, and we expect to end up with approximately, let me check, 30 rigs by the year end. The increment will be gradually; and by 2013 we expect 35 rigs operating; and the maximum number of wells, of the Group's operating rigs -- rigs operating simultaneously would be between 2017 and 2019, with approximately 90 rigs. Okay? Oswald, did I answer you?

Oswald Clint - *Bernstein - Analyst*

Yes, you did. Thank you very much.

Miguel Martinez - *Repsol YPF - CFO*

You're welcome.

Maria Victoria Zingoni - *Repsol YPF - Director of IR*

Thank you, Oswald. We have next question from Jason Kenney from Santander. Jason, good afternoon.

Jason Kenney - *Santander - Analyst*

Three short questions, if I may. Firstly, are you able to confirm if you plan to provision for YPF in the second quarter results?

Secondly, can you clarify how you treat the Petersen loan in your balance sheet currently?

And then, thirdly, can you remind us of any pre-drill reserve estimates for either of the four exploration wells currently drilling? And I know that you're evaluating Pao de Acucar, offshore Brazil; but did you have a pre-drill reserve estimate for that as well, please?

Miguel Martinez - *Repsol YPF - CFO*

Thanks for the questions, Jason. We haven't made any accrual, not in the YPF investment, nor in our credit with Petersen's. How the thing will evolve? Well, we have to see how everything happen. Right now, the Petersen's have not defaulted. We don't know which is the situation with their banks, and we'll have to wait and see. That's a first comment regarding the Petersen's.

In the other one, regarding our investment in YPF, we will also have to wait, because perhaps we'll have to accrue, or perhaps we'll have even a net gain. We have to have a figure, and at least that first figure, from the Argentine Government, to know where we are. Right now, we don't have any other data than the one that the bylaws of YPF shows, which represents that we have the right to be compensated by a total value of the Company, of $18 billion/$18.5 billion. So, no, our idea is that we still need more data to make any accrual.

And in relation with the existing drilling, we don't have any estimate. Sorry about that, Jason.

Jason Kenney - *Santander - Analyst*

Okay. Maybe I can just come back on the YPF provisioning. I know, in the news flow, the Argentine Government has said they're going to take three years, or up to three years, to do their own interpretation of the value of YPF. So would it be prudent for us to be thinking of putting in some sort of provisioning in 2015, rather than in 2012? Is that your kind of interpretation?

Miguel Martinez - *Repsol YPF - CFO*

Well, we have to see how everything evolves. I mean, from now 'til 2015, many things will happen. But also, many things will happen, probably, within this quarter. So we'll have to be in contact, and we are in permanent contact with our auditors, that are the ones that, really, Sao Paulo will give us, into the accounting process.

Jason Kenney - *Santander - Analyst*

Okay. Many thanks.

Maria Victoria Zingoni - *Repsol YPF - Director of IR*

Let's move to next question from BPI, Bruno Silva. Bruno, good afternoon.

Bruno Silva - *BPI - Analyst*

I have three questions left. The first one is more of asking of an opinion. I'd like to have a feeling of how Repsol would rank or prioritize the following balance sheet enhancing measures, considering current context; namely sale of a stake in Repsol Brazil; the sale of all of part of Gas Nat stake; a capital increase or the treasury stock at the current Repsol price levels?

The second question is it's you have already taken a decision regarding the scrip dividend from Gas Nat; if you are going to elect shares or cash?

And finally, just a follow-up on the loan to Petersen question, in terms of what would be the next action from Petersen Group, in terms of dates of payment of installments of that loan, or anything else that could give us, probably, a signaling on what they are planning? Thank you very much.

Miguel Martinez - *Repsol YPF - CFO*

Thanks, Bruno, for the questions. I would say that the three measures and with the timeframe that I told you, the scrip and the convertibles; if necessary, the treasury shares, are the ones that we are thinking of today. So we are not thinking, as I mention before, in any material additional sale of assets.

In relation with the scrip dividend of Gas Natural, our intention is to take the cash.

And the final question referred to the Petersen loan. Actually, we'll have to wait for Petersen decisions and the banks they're borrowing them the money. We don't have any maturity 'til next year, with the Petersen's. So we still have plenty of time to see how things evolve, especially in the relation between the Petersen Group and the banks that are with them. Okay, Bruno?

Bruno Silva - *BPI - Analyst*

Okay. Thank you very much.

Maria Victoria Zingoni - *Repsol YPF - Director of IR*

Thank you Bruno. We have a next question from BBVA, Luis de Toledo; go ahead with your question.

Luis de Toledo - *BBVA Research - Analyst*

Most of my questions have been already addressed; but maybe a follow-up on refining? Could you provide an update of the reform of the annual EBIT contribution of $1.00 per barrel improvement, at the current run rate levels?

Miguel Martinez - *Repsol YPF - CFO*

Thanks, Luis. I think that when, once we finish the ramp up, we keep thinking that our gross margin increase would be between $2.00 and $3.00. And, initially, I know that with the existing margins, we are moving in the lower level; but probably in this second quarter, we will be able to reach the $2.00 per barrel increase.

Luis de Toledo - *BBVA Research - Analyst*

It seems that the improvement you recorded in the quarter has not translated to Downstream figures. The reason is mainly attributable to Chemical or, as you said, the capacity rates have very much affected that contribution to EBIT?

Miguel Martinez - *Repsol YPF - CFO*

Not affected, but the big one has been the Chemical results, which has been below, minus $50 million within the period. So it has been, basically, the Chemical.

Maria Victoria Zingoni - *Repsol YPF - Director of IR*

Thank you, Luis. We now have Filipe Rosa from Espirito Santo Bank. Good afternoon, Filipe.

Filipe Rosa - *Espirito Santo - Analyst*

I have three if I may. The first one, a follow-up on the Chemicals business; you have just mentioned that it's generating high losses, could you provide us some guidance for what could be the profitability of this business for 2012?

The second question relates to the investment in working capital that you have in the first quarter. It was not only inventories, but all the major lines have increased. You have invested some more. Is there any specific reason for -- is this seasonal or could we have some recovery in the next few quarters?

And my final question relates to the second FPSO for Guara. Apparently, there has been a delay, because I think that you previously were guiding for 2014 and now you're talking about 2015. Could you just confirm this? Thank you very much.

Miguel Martinez - *Repsol YPF - CFO*

Okay, in relation with the Chemicals, it's quite difficult to assess a figure for the whole year to be clear. In April, the results have been practically zero, so the activity's recovering a little and if we think in a ramp-up in the progression of the last three months, we will be in positive results throughout the year. But with the economic situation, it's really difficult to assess the evolution of the Chemical business.

In relation with the working capital, you have two issues; first one is the price. Prices have increased 15%, so both the inventories and the receivables have increased. And on top of that, as you have seen, we have increased the volumes of sales due to the entrance of Cartagena and Bilbao.

So the combination of all these factors is the one that really has increased the working capital, but there's nothing strange or anything we have changed from previous quarter.

And in relation with the FPSO, we always have commented fourth quarter 2014. Right now, we are saying 2015; could be one or the other. Thank you.

Filipe Rosa - *Espirito Santo - Analyst*

Thank you.

Miguel Martinez - *Repsol YPF - CFO*

Thank you, Filipe.

Maria Victoria Zingoni - *Repsol YPF - Director of IR*

Thank you, Filipe. We have now from Morgan Stanley, Haythem Rashed. Haythem, good morning -- good afternoon.

Haythem Rashed - *Morgan Stanley - Analyst*

A few quick questions if I may and most of my other questions have been answered. Just firstly, just looking at your CapEx commitments for this year, I know you mentioned EUR4 billion including Gas Nat. Just wanted to understand how much flexibility you have in some of these CapEx commitments for this year and next? With particularly the Upstream and, for example, on SandRidge, is there scope for you to phase that differently to what we had previously understood in terms of your expectations, and not just at SandRidge but elsewhere within Upstream?

Secondly, I just wanted to also ask around getting some help on how we should view the numbers, both on the book value that you have in for YPF at the moment versus obviously the number that we talked about at the -- you talked about at the conference call a couple of weeks back, the circa EUR8 billion, which is your stake based on the YPF bylaws?

Just wanted to get your thoughts on how confident you feel in recovering compensation, whether these numbers are a range that you see. Is there anything we should read into, into looking at those numbers?

And then thirdly, sorry, on Alaska, just wondered, just to confirm, are we expect -- should we not expect an update until early next year on the campaign there, given obviously the lack of time to drill, to analyze the results further? Or is this something that we could get something later on this year? Thank you.

Miguel Martinez - *Repsol YPF - CFO*

Well, in relation with the first one, basically the CapEx is quite stable, though you have to think that we can self-finance those EUR3.5 billion ex. Gas Natural. So we don't have much room there to reduce, because for us to keep all the growth projects at the rhythm that we have announced the market is the ones that we are going to follow.

In relation with the compensation, the valuation to reclaim should be at least the valuation resulting from the bylaws of YPF, specifically the Section 7 and 28, and this is my only comment right now. We expect what the law says. The law was launched by the Argentine Government when they privatized YPF and this is what the book says.

Finally, in Alaska, you are right. 'Til next year, approximately this month, we will not be able to provide any extra input. Okay?

Haythem Rashed - *Morgan Stanley - Analyst*

Great. Thank you.

Maria Victoria Zingoni - *Repsol YPF - Director of IR*

Thank you. We have a next question from TPH, Anish Kapadia. Anish, good afternoon.

Anish Kapadia - *Tudor Pickering - Analyst*

Just a few questions. Just going back to YPF again, given the impact that it's had on the share price, I was wondering if you would think about spinning off your exposure to YPF to shareholders, so in some kind of a special purpose vehicle to take the noise of YPF out of the share price.

And just related to that as well, do you have any idea on timing of the tribunal in Argentina to decide the value of YPF?

And just in terms of your balance sheet, could you just give an update of how much cash you have access to from the Repsol Sinopec subsidiary in Brazil?

And then just the final question is going back to refining, because I'm just struggling a bit with the numbers over here. Your Spanish refining margin was up EUR0.90 year over year. You said on top of that, you've got $1.70 of improvement from the refinery upgrade.

So, when you look at that on 50 million barrels of production in the quarter, it would imply an EBIT increase of around EUR100 million, whereas, on a CCS basis, your refining earnings are down year over year. So could you just help to explain that discrepancy?

Miguel Martinez - *Repsol YPF - CFO*

Okay. Well, in relation with the first one, [explaining] the situation with YPF, we have think of it, but we haven't taken any decision. Basically, if, at a given moment, we decide it, we'll let you know.

The second one refers -- sorry, can you repeat the second one?

Anish Kapadia - *Tudor Pickering - Analyst*

The other thing was on the tribunal that's being held in Argentina to decide the value. Have you been notified in terms of timing on that?

Miguel Martinez - *Repsol YPF - CFO*

No, no idea about the timing. In relation with the cash of Brazil, we have an agreement with the partners, so each one takes his percentage of the free cash of Repsol Sinopec Brazil. So we have rights, 60% of the liquidity of the Company.

And in relation with the refining, you have to take into account that all we talk about is gross figures. Then you have to include the extra depreciation and some extra fixed costs. And on top of that, also last year, we have an income from the transaction with CO2. So the combination of all these three factors is the one that probably distorts your figure, Anish. Okay?

Anish Kapadia - *Tudor Pickering - Analyst*

Okay. Sorry, just back to Brazil, I was just wondering in terms of that -- the actual Brazil subsidiary. How much cash is there in that vehicle now? We haven't had an update on that figure.

Miguel Martinez - *Repsol YPF - CFO*

The procedure we have, Anish, is that each year, and depending on the CapEx of the year agreed with our partners, we give back to the Brazilian subsidiary the money they need for the year. The rest is kept, 60% by us and 40% by Sinopec, paying for share interest to Repsol Sinopec Brazil. Okay?

Anish Kapadia - *Tudor Pickering - Analyst*

Right, okay.

Maria Victoria Zingoni - *Repsol YPF - Director of IR*

Thank you, Anish. We have one last question from N+1, Fernando Lafuente. Fernando, good afternoon.

Fernando Lafuente - *N+1 Equities - Analyst*

Just a clarification on the Upstream business. If I understood well, Miguel, you said that this level obtained in this quarter would increase as the years go by. This means that the result, the EBIT from the Upstream business could be in the region of EUR2.6 billion at the end of the year. Is that a correct assumption or am I wrong? Thank you.

Miguel Martinez - *Repsol YPF - CFO*

You have two factors there supposing that the prices remain the same. In one hand, we will increase production, which will help the results. In the other one, as mentioned before, we only have $100 million of exploration expenses in this quarter.

My idea is to end up the year between $500 million and $600 million for the whole year as exploration expenses, so you have to decrease that. But other than that, yes, EBITDA should be in the range of EUR2.5 billion/EUR2.8 billion.

Maria Victoria Zingoni - *Repsol YPF - Director of IR*

EBIT.

Miguel Martinez - *Repsol YPF - CFO*

Sorry, you say EBIT.

Fernando Lafuente - *N+1 Equities - Analyst*

Yes, I said EBIT, sorry.

Miguel Martinez - *Repsol YPF - CFO*

EBIT would be approximately, yes, a little -- approximately EUR2.2 billion/EUR2.5 billion, in that area. Okay, Fernando?

Fernando Lafuente - *N+1 Equities - Analyst*

Yes. Thank you very much.

Miguel Martinez - *Repsol YPF - CFO*

Thank you.

Maria Victoria Zingoni - *Repsol YPF - Director of IR*

Okay. Thank you to all of you for attending this conference call. If you have further questions, please don't hesitate to contact us at IR team -- with the IR team. We hope to see you at our strategy presentation in May, 29. Good afternoon.

THOMSON REUTERS