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PRESENTATION

Operator

Good afternoon, ladies and gentlemen. And welcome to the Repsol 2011 full year results conference call. We will start with a brief introduction by Maria Victoria Zingoni, Director of Investor Relations. Please proceed, Maria Victoria.

Maria Victoria Zingoni - Repsol YPF - Director, IR

Good day, ladies and gentlemen. On behalf of our Company, I would like to thank you for taking the time to attend this conference call on Repsol's annual results. This presentation will be conducted by Mr. Miguel Martinez, CFO. Mr. Brufau is currently in Argentina, attending various meetings.

As you may be aware, we are in the process of solving some issues, which have arisen in YPF. We will communicate to the market the results of this process, when appropriate. However, starting next week, Mr. Brufau will be available to attend the calls. Please contact us at investor relations, to make the proper arrangements.

The other members of the executive committee are joining us today, and will be, also, available to answer your questions.

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

I now hand the conference over to Miguel.

Miguel Martinez - Repsol YPF - CFO

Thanks, Maria Victoria, and good day to all of you. I would like to address this conference call on three parts. First, the annual events that had an impact on the P&L, and a brief explanation of the annual results. Second, the strategic delivery, and other corporate affairs, during the year, and third, 2012 outlook.

Let's start with a review of the main events that have marked the year activity, before getting into the quarterly and annual results.



2011 has been a year which we had to face many challenges, from the continuous effects of the European crisis, which affected the Refining business across the region, to the political disruptions in Libya, which affected our upstream business. And we were, also, impacted by strikes in Argentina, and the unexpected removal of the Petroleo Plus Program.

Despite the effect of these adverse conditions in our P&L, we continued making progress throughout the year, to set solid ground for our medium and long-term plans.

The refining environment of Europe was tough, due to the narrowing of the light-heavy crude differentials, and the weakness in the gasoline margins, that were affected by the West Texas-Brent spreads in the US; and, later in the year, were impacted by a decrease in demand.

The good news came from the middle distillates margins, which were favored by supply and demand pressures, due to the lower utilization rates in Europe, as a consequence of the weak refining margins. The increase in oil prices, of around 40%, compared to 2010, affected the energy costs of the refineries, as well.

Even though we have a refinery system which allows us to relieve the effect of the negative conditions, we were not immune to the persistent deterioration of demand, and increased energy costs, which both have a negative effect in margins.

Let me remind you that \$1 additional of refinery margin, under 2011 utilization capacity, would have meant EUR140 million on the annual EBIT.

The political problems in Libya caused a disruption of our production, from March until October. This impacted, unfavorably, our production by 9%, and diminished the net income contribution from Libya by [EUR219 million], at average 2011 oil price.

Production is on a good recovery path, but there are still limitations on the availability of services, and personnel. Production was, also, affected in Trinidad & Tobago, due to the maintenance on both producing fields and the LNG trains.

We expect refurbishing works in the production platforms to continue during 2012, maintaining production figures at current levels.

In Argentina, the production was affected by a level of strikes higher than previous years. This affected our oil production output by 5%, not only by the closure of fields, but also by the technical difficulty to regain production after the closures. These long and severe strikes affected not only production revenues, but also Petroleum Plus benefits.

Moreover, the unpredicted removal of this program, in late January, forced us to make provision on pending credits. These two events diminished the YPF annual operating results in more than EUR450 million.

Let me focus on our earnings performance. CCS adjusted operating income of the quarter was EUR781 million, 26% lower than the same period last year. The decrease in the upstream production, the weak downstream environment, and the lower results in YPF, compensated by better LNG activity, explained the lower results.

The 2011 CCS adjusted operating income was EUR4.3 billion, 8% lower than in the year 2010, and explained by the same factors which have affected the quarter's results.

CCS adjusted net income for the period was EUR355 million, 29% lower than in fourth quarter 2010. On top of the factors explained, the net result is also affected by the lower stake in YPF. Yearly CCS adjusted net income was EUR1.9 billion.

Let's go now into the main events which affected fourth quarter and 2011 results, business by business. In Upstream, quarterly adjusted operating income was EUR196 million, a 46% decrease, compared to the same period in 2010. The higher realization oil and gas prices couldn't offset the production decrease previously explained, and the higher exploration expenses. Total exploration expenses for the year were lower than in 2010, but there was a concentration of expenses in the last quarter, due to the activity [and oil] information results.



Adjusted operating income for the year was EUR1.3 billion, EUR1.5 billion in 2010. The higher realization prices for oil and gas and the lower exploration expenses could not completely offset the linear impact, and the depreciation of the dollar against the euro.

Moving to LNG, which had more than a 200% increase in adjusted operating income for the quarter, and the year, if compared with the same periods of 2010. This performance was mainly driven by higher LNG margins and volumes, due to the Peru LNG export sales.

In the Downstream business, CCS adjusted operating income was EUR133 million in the quarter, 19% down year on year, despite the positive depreciation adjustment of almost EUR100 million, due to the extension in the life of the assets, now in line with sector average.

Refining margin indicator was \$0.8 per barrel in the quarter, compared with \$2.9 per barrel in 2010, reflecting the weakest period in the year for the business, and was the main cause behind the EUR116 million lower result, compared with the same period in 2010. The Chemical business remained weak, delivering EUR35 million less than during the same period in 2010.

The Marketing & LPG business remained supported of our Downstream results with [18%] EUR18 million more with a weak demand, but strong margins. For the entire year, CCS adjusted operating income in the Downstream business, as a whole, reached EUR792 million, 19% lower than a year ago mainly explained by the low refining margins.

Moving to YPF, adjusted operating income in the quarter was EUR274 million, lower than the EUR371 million posted in fourth quarter 2010. Despite the affect of the strikes, production levels were recovered, reaching the same levels of the fourth quarter 2010, which shows the efforts the Company has done to offset the operational effects of shutting down the fields.

The increase in local and export prices more than offset the 20% increase of operational costs, due to the inflation, and the higher purchases, due to the strikes. The removal of the Petroleo Plus Program affected the quarter operating income by EUR164 million.

For the whole year, adjusted operating income at YPF reached EUR1.4 billion, 17% lower than last year. Higher local and international prices offset the significant cost inflation, and the higher purchases due to the lower production caused by strikes.

The effect of the removal of the Petroleo Plus Program, and the loss of the benefits due to the lower production level, exchange rate, and other minor processes, explains the remaining difference.

In Gas Natural, operating income in the quarter was EUR185 million, 14% lower than in the same period in 2010. On a year-on-year basis, the decrease was 3%, at EUR821 million, versus EUR849 million in 2010. The decrease, on a quarterly basis, as well as on the year basis, was due to the divestments done by the Company during 2010.

Let us move to the revision of the strategic delivery. Despite all the negative facts above mentioned, the fundamentals of the Company remain strong. Even though we always had [a lot of] this year as a transition one, there was plenty of activity to consolidate the projects that support our strategic plan and portfolio outlook, and to our new projects that were not in the original plan.

Let me recapitalize on the events that support this state. Regarding Upstream, in the development side of the business, we had the following activity. We declared commerciality of our Cardon IV, Sapinhua, previously Guara, and Reganne fields. Even though we were already working actively on the appraisal and development planning of the fields, this step, plus the Cardon IV gas contract negotiation, allow us to officially book reserves.

We moved 790 million barrels of oil equivalent from contingent resources to 3P reserves. All these steps contributed to achieve a reserve replacement ratio of 162%. These two movements supports, solidly, our strategic plan reserve replacement commitment.

All the other projects of the strategic plan are progressing as planned. It's worth mentioning that the extended well test of Sapinhua, which confirmed the high productivity of the wells, and the Margarita and Kinteroni projects, which remain on track to come on stream in the first and second half of 2012.



Moving to exploration, out of a total of 14-drilled wells finalized during 2011, six were successful. The wells were four in Brazil, Guara Norte, Carioca North East, Gavea and Malombe; one in the US, Buckskin 2; and one in Libya, back in February 2011.

We added 720 million barrels of oil equivalent of contingent resources from exploration wells, inorganic acquisitions, and adjustments in existing fields. This volume addition is similar to the reserves moved to 3P reserves, maintaining the long-term growth potential.

In Brazil, the Gavea discovery in Campos 33 block is a relevant one. Pao de Acucar, located in the same block, Campos 33, has recently been invested with the highest flow achievable by the available equipment, we've almost no drawdown, and an instantaneous recovery of pressure when [shut in], proving the potential of this well.

Pao de Acucar, with almost 500 meters, is probably one of the thickest oil columns in the pre-salts. These two discoveries, plus the revision of our Seat well, will make the Campos 33 block our most important operated block in Brazil, and will, possibly, turn into a new pre-salt hub in the Campos basin.

On the activity outside Brazil, we announced the Jupiter discovery in Sierra Leone, after the Venus and Mercury discoveries. This well helps to gather more information on the potential of the area. We will continue with an appraisal on Mercury.

Regarding acreage acquisitions, we acquired 79,000 square kilometers of new acreage in 13 countries, in line with our policy to maintain our prospect inventory tanks full, and preserve the ability to drill the best.

All these acquisitions are, necessarily, in diverse geographies, but they are all part of our exploratory strategies, in which we have developed capabilities, or in places where we have enough technical control to develop new areas of expertise.

The first one is the Folded Belt, in which we have a track record of success in all the Folded Belt of South America. We have included in our portfolio Iraq, Tunisia, Indonesia, and extended our exposure to Peru as part of this strategy.

Our teams have also developed different ways of looking at carbonates, and our entry in Angola, with three blocks offshore, Colombia, and Ireland, is part of our views of carbonate reservoirs in deeper waters.

Our expansion in north east Canada, Norway, and Portugal, and the acquisition of interests in Ireland, is a consequence of our ongoing studies in the North Atlantic market.

We acquired new acreage in the Alaska to expand and fill some gaps in the Alaskan North Slope to start exploring additional potential with the same play concept of producing areas in the Colville high.

The position in the West Siberian Basin in Russia looks into opening new areas of interest in the underexplored western most and eastern margins.

Our strategy is mainly based on organic growth. However, the capital increase made in Brazil allows us to participate the portfolio balance, and selectively add some assets.

We constantly look at opportunities worldwide, how they fit in with our current portfolio, our capital requirements and financial goals. The acquisition must either offer a new country entry with significant upside, or complement our position in an existing country that we operate or explore in.

Our current geographical portfolio calls on us to align it with more OECD countries. Hence, the organic movements in Canada, Ireland, and Norway, and the inorganic in Alaska, and in Mississippi in the US.

Russia also offers us the portfolio diversity. As announced recently, we made a joint venture with our Alliance Oil. We have had a small equity ownership in Alliance since 2006, and we recognize them as a partner of choice. We believe that the potential of the Eurotek assets and the Alliance assets, along with our expertise, can significantly add value to this joint venture.



This set of acquisitions, plus all the activity we have had in the organic side of the business, changed the outlook of the Company. Therefore, we will present an update of the strategic plan for the period 2010 to 2016 during the second quarter of this year.

On the Downstream side of the business, I would like to highlight the startup of the operating units installed in Cartagena and Bilbao, with no operational disruption, successfully closing our construction cycle, on budget, and on time.

Another milestone of our strategic plan, which was accomplished in 2011 was the [replacement] in YPF. We managed to decrease our participation to 57%, so the exercise of the Petersen Group of the option to buy an additional 10% of the Company plus the IPO to the market.

Currently, YPF has a more balanced shareholder structure, which includes institutional, as well as minority shareholders.

Regarding the operational part of YPF, we gather enough information from our pilot projects in Vaca Muerta in order to get a clear idea of the potential that YPF has in the area.

We announced, in January, the assessment of hydrocarbon volumes in the 12,000 square kilometers that YPF has in Vaca Muerta, 3P reserves of 116 million barrels of oil equivalent, as well as contingent resources of 1.5 million barrels of oil equivalent in an area of 1,100 square kilometers.

This includes the original first area of 428 square kilometers, plus the second [appraisal] area of 500 square kilometers mentioned in previous releases. Prospective resources of 21 billion barrels of oil equivalent in an area of 8,000 square kilometers.

These numbers confirm the high potential of oil and gas production in the area. We are already moving ahead with the development program of the 428 square kilometers initial pilot area.

The results in unconventional play have changed our strategic view of YPF, transforming it in a business unit which will deliver growth. There will be a massive requirement of capital, human resources, and equipment to properly develop this area to its full potential. It's clear to us that the energy map of Argentina could be changed, if the proper conditions for all the parts involved in the process are obtained.

Now, I want to comment on the non-operational main events of the year. In December, Sacyr's lending banks communicated their decision to partly refinance the loan granted to Sacyr for the acquisition of a 20% stake in Repsol, conditional upon the sale of a 10% stake in Repsol held by Sacyr.

The lack of agreement between the banks and Sacyr would have produced a scenario prolonging uncertainty, resulting in a negative impact for Repsol share price, and could additionally harm the Company's growth plans. In addition, the large number of banks involved, and the disparity of their interest, could have led to a massive and disorderly sale of Repsol shares.

After considering the situation, and the above mentioned consequences, we decided to acquire the shares as treasury stock. Repsol's capital structure allowed the Company to perform this transaction without compromising its sustained growth.

The disposal of the remaining 5% of treasury shares is not a top priority, at this point, since our solid financial position makes it possible to maintain them. Any transaction will be done protecting the increasing value, and without affecting market price.

Repsol has begun a new phase with a more stable shareholding base, which will allow management to focus its efforts on its organic growth projects, and value creation.

Regarding the dividend, Repsol's Board of Directors agreed on a gross interim dividend of EUR0.5775 per share, and a final remuneration for the same amount in the form of scrip dividend. This remuneration, pending AGM approval, represents a 10% increase, on a per share basis, compared to the previous year.



Despite the tough conditions of 2011, the results allowed us to maintain the dividend increase target we have set in our strategic plan. We will propose to the Board of Directors the alternative of our scrip dividend for the complementary 2011 dividend.

In summary, 2011 was a year in which, despite all the challenges we faced, we continued delivering in our strategy, and looking for new projects to support the growth and the profitability in the future.

To finish, let me move into our third topic today, and let me give you some color on 2012 activities. We expect the year to be better than 2011, both for the Upstream and Downstream businesses.

In the Upstream business, Libya is delivering back results and cash flow. We sold two cargoes during January and February, whose revenues will be booked in the first quarter.

We will have two important startups in the year, Margarita in Bolivia, and Kinteroni in Peru, which will add [30,000] barrels of oil equivalent a day to the year production figure.

We will also have a production increase from our recently acquired Russian and Mississippi Lime assets. Total production in the Upstream division is expected to reach an average of 335,000 barrels of oil equivalent per day. And in this figure, we have assumed Libya to be around 33,000 barrels of oil per day, net to Repsol. However, we are currently at 36,000 barrels per day level out of the 41,000 barrels of oil equivalent that we did before last year's disruptions.

In exploration, we have an active drilling program, with a base case scenario of 23 wells that could reach 34, depending on results, rig availability, and other factors. The exploration activity will be done in Brazil, Alaska, Peru, Colombia, [Guyana], west and north Africa, Cuba, Gulf of Mexico, and Norway. We will run seismic and make studies to prepare for future drilling in Ireland, Kurdistan, Russia, and Tunisia.

I will make a parenthesis in order to comment on the shallow gas [pocket] we experienced in the Qugruk number 2 well in Alaska two weeks ago. The well in Alaska encountered an isolated shallow pocket of gas and water. The small size makes it difficult to predict on the geological studies.

Personnel reacted, as trained, to divert well bore fluids away from the rig floor. All the equipment and safety procedures work as the same, allowing a safe evacuation of the personnel. The natural risks have already been mitigated, and Repsol is in the process of analyzing the control of the well and the cleanup of the freshwater drilling mud and produced water spill.

We have temporarily suspended our drilling operations in Alaska while we investigate the incident, to fully understand the cost, and put in place preventative measures for future drilling operations. We expect to resume operations in time to take advantage of the winter window.

The LNG business results will be below 2011 levels, since the Manzanillo regasification facility in Mexico will establish [again] volumes of the Peru LNG liquefaction plant in the second quarter. Therefore, we will not be able to take alternative commercialization advantages on the full volume of the Peru LNG plant.

In our Downstream business, we expect a slight improvement in the macro condition, helping the gas flow generated by the premium delivered by our new projects, and the funds freed up from the decline in the investment level.

We do not expect an improvement in the Marketing business demand levels, but we do expect to be able to handle the profitability properly.

Investments will be concentrated in the Upstream division, with a total of EUR2.4 billion. In Downstream, the investment plan will reach EUR900 million.

In Argentina, we are aware that we are facing some challenges which have recently arose, but since the target to develop the oil and gas industry potential is common among all the players, we think an agreed solution will be found.



We are currently working with the different agents on the level of investment required for the development of the fields, but we do not expect the total amount to be very different from the 2011 investment level.

2012 is a year in which we will keep on delivering on several milestones of our strategic plan. The conclusion of the Downstream projects and enhancement of our portfolio, and the startup of two Upstream growth projects included in the strategic plan, is another step towards the growth and value-creation proposal we are committed to.

Thank you for time, and now I will be pleased to answer any questions you may wish to put forward.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions).

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

Filipe Rosa, Banco Espirito Santo.

Filipe Rosa - *Espirito Santo - Analyst*

Two questions, if I may? The first one on Argentina. We have heard, last Friday, these announcements by the provinces that they would demand an increase in production of 15%. In the press conference, they talked about a two-year timeframe, but the document does not have a timeframe.

Could you provide us some feedback on the capacity of Argentina to enforce this 15% increase, and what could be your capacity to negotiate an alternative scenario?

And the second question relates to Brazil, to the discovery at Pao de Acucar. I know that you are not providing guidance in terms of resources, but could you tell us whether the combination of Pao de Acucar and Gavea discoveries could allow an increase of the overall resources of BMC-33, versus initial estimates for exploration resources? Thank you very much.

Miguel Martinez - *Repsol YPF - CFO*

Well, first, in relation with the 15% increase of production made by the governors, I think that this is a general idea to work on. Right now, we have to move with each province to analyze which level of investments are required for each field. So I would say it's a starting point to negotiate, and to see how can we adapt to their needs and to the capabilities we have. I think these are the starting points.

In relation with the second one, you are right, we are not disclosing the figures, but I can tell you that it increases the global view we have on the area, not only with Gavea, but also [Sert].

If you remember, I think it's a new concept and we are quite optimistic, though I cannot disclose the figure we are thinking on. Also think that is the first well, so we would like to make a second well to properly appraise the potential of the area, but we are quite bullish about it.

Filipe Rosa - *Espirito Santo - Analyst*

Thank you very much.



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

Lydia Rainforth, Barclays.

Lydia Rainforth - *Barclays Capital - Analyst*

Two questions, if I could? Firstly, can I go back to the Downstream business? You did talk about the premium being diluted by the new projects. Is the \$2 to \$3 guidance you gave for last year still a valid number in the current refining margin environment?

And then secondly, just a clarification on the scrip dividend alternative. Are you going to use the treasury shares that you bought back from Sacyr to meet that scrip dividend alternative?

Miguel Martinez - *Repsol YPF - CFO*

In relation with the guidance we gave of \$2 or \$3, we keep thinking that we can obtain those, but in the long term. Right now, we are moving approximately at \$1.7 per barrel of increase. It's true that the situation of refining today is not the best in Europe, though we think that, in the long term, we will be able to capture this \$2.5 on average range that we mentioned between \$2 and \$3.

In relation with your second question, it's a possibility. I do not commit on that, but it's a possibility we are analyzing. Think that we were somehow under stress when we acquired the 10% of our own stock, but after the sale of the 5% right now, the 5% magnitude is something we can move on. So one possibility could be to depreciate those shares that will go into the scrip dividend.

So we will increase capital, and one possibility is to depreciate or amortize the same number of shares of our existing stock treasury. Okay?

Lydia Rainforth - *Barclays Capital - Analyst*

Perfect. Thank you.

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

Nitin Sharma, JPMorgan.

Nitin Sharma - *JPMorgan - Analyst*

Three questions, if I may; not surprisingly, first one on Argentina. You mentioned in the last call that Government does not have any say on YPF dividend, and that the EPS of YPF was not at risk. Given recent statements from the Government, are you still comfortable on that front?

A related one on Argentina; any plans to divest more of YPF's stake, subject to the conditions of your agreement with Petersen Group?

And finally, on contingent resource addition of 720 million boe, please could you give us an organic number as well? Thank you.

Miguel Martinez - *Repsol YPF - CFO*

In relation with the dividend in YPF, for us as Repsol, it's not such a big issue for the whole year. It represents roughly \$600 million. So for us, it's not an issue, and we will wait to see the ruling that the Government applies.

In relation with the sale of more shares of YPF, the answer is no. We feel totally comfortable with our stake. If an opportunity appears, we will take it, but to keep the minority is one of our goals, and with the 57%, we feel comfortable.

Finally, in relation with the last one, 500 million boe out of the 720 million boe --

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

500 million.

Miguel Martinez - *Repsol YPF - CFO*

Sorry, 550 million boe out of the 720 million boe were organic.

Nitin Sharma - *JPMorgan - Analyst*

Very clear. Thank you.

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

Alastair Syme, Citigroup.

Alastair Syme - *Citigroup - Analyst*

A couple of questions. Can I just come back to the dividend, and just to confirm what I thought you said? So the final dividend declaration, as recommended by the Board, is for EUR0.5775 with a voluntary scrip, is that right?

Miguel Martinez - *Repsol YPF - CFO*

That's correct.

Alastair Syme - *Citigroup - Analyst*

Okay, and that will be put to the AGM?

Miguel Martinez - *Repsol YPF - CFO*

That's correct as well.

Alastair Syme - *Citigroup - Analyst*

Okay. And secondly, can I just ask about the -- I mean, you were giving guidance on 2012, just ask about the medium-term framework reflecting on particularly the SandRidge Mississippi Lime deal you did, because it looks quite accretive to the growth targets that you have. Is that the way you think the medium term shapes up?



Miguel Martinez - *Repsol YPF - CFO*

In relation with this one, Alastair, we are going to put in the market the strategic plan 2012/2016, and we are working on it right now. So, if I may, I would like to keep that information for the strategic plan we were presenting to the market in three months or so.

Alastair Syme - *Citigroup - Analyst*

Okay, brilliant. Thank you very much.

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

[Daniel Epsom], UBS.

Daniel Epsom - *UBS - Analyst*

First on refining; following on a bit from Lydia's question really, you took a decision at the end of last year to mothball the parts of the Bilbao refinery, an asset you've recently spent an awful lot of money upgrading, and you've said in various charts that this is now one of Europe's best assets.

I know margins were poor at the time that you took the decision, but I would have thought this refinery should have been the last one standing, so to speak. Could you explain the decision process, and whether you still maintain this is a top-quartile asset?

And then the second question is on Argentina, again. Just regarding the write-off of the Petroleo Plus monies that were owed to you by the Government, it seems this was a perfectly legitimate commercial debt. Does this have any read-across regarding the legitimacy and robustness of other contracts you have with the Government there? Thanks.

Miguel Martinez - *Repsol YPF - CFO*

Daniel, in relation with the first one, I keep thinking that the assets, both Cartagena and Bilbao, are first-class assets. What is not first class is the margin we are having in Europe globally. But basically, both assets, Cartagena and Bilbao, allowed us to be \$1.5 today, but we expect to be between \$2 and \$3 above the prior margin we had for the whole refining systems. So yes, I keep thinking they are first-class assets.

And can you repeat the second question because the sound was not that good when you put it?

Daniel Epsom - *UBS - Analyst*

Regarding the provision you took against the Petroleo Plus monies that were owed by the Government, it seemed that this was a perfectly good commercial debt that was owed to you. I wonder if you could explain the decision-making process, and perhaps the discussions you had with your accountants, too. And is there any read-across regarding the legitimacy and robustness of other contracts you may have in Argentina?

Miguel Martinez - *Repsol YPF - CFO*

Okay, I think I got it now. Right now, in relation with this Petroleo Plus Program, the total situation we had, when the Government and the Energy Department of Argentina modified the ruling, was that we have \$105 million of grants that were already accepted by the Government, and signed by the Energy Department. Apart from those, we have \$170 million that we have presented the papers to the administration, but was pending on their approvals.



Both were receivables. And the \$170 million, with the announcement they made, they decided that they were not going to send any more grants, so we have to write it off. That's \$170 million. From the other \$105 million, there was a note sent by the Ministerio de Planificacion Federal, Inversion Publica y Servicios, signed by the Secretary of Energy in Buenos Aires, February 6, in which, in the last paragraph, they indicated that those grants that were authorized [priorly] will be perfectly valid.

So we have basically write off of all the grants we deserve, but were not signed by the Government. \$170 million. Okay?

Daniel Epsom - *UBS - Analyst*

Thank you.

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

All the figures that Miguel has referred to are in dollars. The ones that we mentioned in the press release are only in euros. So that is why you could have some difference.

Bruno Silva, BPI. Shall we move to the next question from Credit Suisse, Thomas Adolff?

Thomas Adolff - *Credit Suisse - Analyst*

I've got three, please. Firstly, on your Upstream production guidance for 2012 of 335 kbd. How much is included here from the Mississippi and the Alliance JV?

And, secondly, on refining, when you look at the supply/demand dynamics in the Spanish market, which has obviously seen severe demand destruction over the past few years, how should we be thinking about capacity in the Spanish market, following your upgrades and expansion?

Is there a need for capacity cuts somewhere in Spain, either at the CDU level or the FCC level? And how should we be thinking about utilization rate in your Spanish refining system in 2012?

And final question again on Argentina. I was quite surprised to see all these headlines and statements at the start of the year, especially after we met with Government officials, back in November, in Argentina. Literally, from November, what we hear now is black and white. How do you explain this complete irrational behavior by the Argentinean Government, which is not really doing itself a favor?

And the talks you have so far had with the Government, is it just purely focused on investment, or anything more severe than this? Thank you.

Miguel Martinez - *Repsol YPF - CFO*

Well, basically, in relation with the USA production, [Mill] is included in the guide we give you for 2012. In relation with the second one, you're totally right. The destruction of demand has been massive in Spain, though, in 2011, we still imported 7 million tonnes of middle distillates. So it's up to the way we see the future. We think that, after 20% falling demand in the last four years, we have still a way-down move.

At a given moment, for sure, we'll be exporting. But I think that we already have suffered the most of the crisis over here, in relation with diesel consumption.

And in relation with the final question. It's normal that countries that grow so steady, and have such a good figures of growth, at a given moment, the infrastructures touch a limit.



So we think that it's part of -- not only it's happened in Argentina, it's happened in many other countries, and we have been always able to deal with this situation and found areas in which both parties, or both sides of the equation, feel comfortable and provide a solution of the issue.

So let's wait and see if we are able to reach that point. But, as mentioned before, we have been able to do it many other times. Thank you.

Thomas Adolff - *Credit Suisse - Analyst*

Miguel, just a quick follow up on the Upstream productions. You said nothing is included from the Mississippi and Russia. So if you were to actually include Mississippi and Russia, how would the production profile look instead of the 335 kbd you're giving here?

Miguel Martinez - *Repsol YPF - CFO*

In Russia, I mentioned you that Mississippi, it's zero. Well, actually, it's something around 1,000 barrels. And Russia, it's 5,000 barrels per day throughout the year.

Thomas Adolff - *Credit Suisse - Analyst*

Okay, perfect. Thank you very much.

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

[Sharla Lavenko], Tudor, Pickering & Holt.

Sharla Lavenko - *Tudor, Pickering & Holt - Analyst*

I just have a quick question about the dividend payment from YPF. And I was wondering if there's been any thoughts to YPF issuing a scrip dividend, as opposed to cash? And if this happened, would Repsol be willing to accept that scrip dividend in lieu of cash, and this would allow YPF to be able to reinvest in [companies].

Miguel Martinez - *Repsol YPF - CFO*

The decision of the Board of Directors will be taken, I think it's next month, in YPF. If on top of that there is any legal ruling that modifies the existing rules, we'll look at it. But, as mentioned before, for Repsol, it's not an issue. We are talking here about \$600 million. So for us, it's not a big deal, whether scrip dividend, whether we remain in the dividend within the companies. So we will see how it evolves.

But basically, for us, I don't foresee an issue. I mean \$600 million it's approximately EUR450 million, and our capital employed is EUR40 billion. So really, it's not that big for us. So we will see. Probably, I will be able to answer you better after the Board of Directors of YPF.

Sharla Lavenko - *Tudor, Pickering & Holt - Analyst*

Thank you.

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

Jean-Luc Romain, CM-CIC.

Jean-Luc Romain - *CM-CIC - Analyst*

In the press release about the [Acucar] discovery, you mentioned Gavea was one of the 10 largest discoveries in 2011. From your comments, your very bullish comments on the Acucar discovery, should we say that it could be bigger than Gavea?

Miguel Martinez - *Repsol YPF - CFO*

Yes, it would be simply yes. We are quite positive on it.

Jean-Luc Romain - *CM-CIC - Analyst*

Thanks.

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

We think that we are done with the questions. If you have further questions, please contact us at investor relations. And if any of you would like to have any call with Antonio Brufau next week, please contact us and we will make the arrangements. Thanks for your time today.

Operator

Thank you for attending this conference call. Goodbye.

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