REFINITIV STREETEVENTS

EDITED TRANSCRIPT

REP.MC - Q4 2022 Repsol SA Earnings Call

EVENT DATE/TIME: FEBRUARY 16, 2023 / 11:30AM GMT

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

CORPORATE PARTICIPANTS

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

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

CONFERENCE CALL PARTICIPANTS

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

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

Giacomo Romeo *Jefferies LLC, Research Division - Equity Analyst*

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

Henry Michael Tarr *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

Ignacio Doménech *JB Capital Markets, Sociedad de Valores, S.A., Research Division - Associate*

Irene Himona *Societe Generale Cross Asset Research - Equity Analyst*

Joshua Eliot Dweck Stone *Barclays Bank PLC, Research Division - Analyst*

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

Maurizio Carulli *Carbon Tracker Initiative - Senior Corporate Research Analyst of European Oil & Gas*

Michele Della Vigna *Goldman Sachs Group, Inc., Research Division - Co-Head of European Equity Research & MD*

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

PRESENTATION

Operator

Hello, and welcome to the Repsol's Fourth Quarter and Full Year 2022 Results Conference Call. Today's conference will be conducted by Mr. Josu Jon Imaz, CEO and a brief introduction will be given by Mr. Ramón Álvarez-Pedrosa, Head of Investor Relations.

I would now like to hand the call over to Mr. Álvarez-Pedrosa. Sir, you may begin.

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

Thank you, operator. Good afternoon, and welcome to Repsol's Fourth Quarter and Full Year Results Conference Call. Today's call will be hosted by Josu Jon Imaz, our CEO, with other members of the executive team joining us as well. Before we start, let me draw your attention to our disclaimer. During this presentation, we may make forward-looking statements based on estimates. Actual results may differ materially depending on a number of factors as indicated in the disclaimer.

I will now hand the call over to Josu Jon.

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

Thank you, Ramón. Good afternoon to everyone joining us in this conference call. In our today's agenda, I'll start with the key messages before moving to the business performance and financial results. And at the end, I'll provide you with our best outlook for 2023. After the presentation, of course, we will be available to answer your questions.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

Starting with the key messages. Last year, the energy paradigm was completely altered by the consequences of the war in Ukraine. Energy security emerged as the main priority of our companies and governments requiring a joint response to ensure the efficient delivery of energy products. This has intensified a dilemma of how to provide at the same time, affordable, reliable and decarbonized energy to society. Our people work hard to ensure a proper level of supply, finding alternatives to mitigate the increase of energy costs, adjusting commercial margins to alleviate the burden of high prices to our customers. At macro level, for the first time in many years, maybe ever, all the main drivers of the business, oil and gas prices, refining environment and exchange rates contributed to the same positive direction. Considering all the uncertainties, we stay committed to a disciplined capital approach, maximizing value and allocating the extra cash according to our strategic priorities, accelerating our transformation, increasing shareholders' remuneration and reinforcing the balance sheet of the company.

The group's net income reached EUR 6.7 billion and the accumulated cash flow from operations stood at EUR 8.9 billion. Both Upstream and Downstream businesses contributed strongly to the results. These results were generated in a scenario of extreme volatility in the international markets, and I'm fully aware of the social debate at times induced by political interest generated around corporate results in the context of geopolitical crisis and inflation. Our results will always be volatile because we don't have regulated tariff that ensures profitability.

In the 4-year period since we assumed the firm commitment to become Net Zero, the positive results of 2021 and 2022 have not yet fully compensated the losses incurred during the pandemic. Net debt was reduced by 61% year-over-year to EUR 2.3 billion, equivalent to a net positive cash position if we executed leases. Our commitment to reinforce the balance sheet has been recognized by rating agencies as reflected in the upgrades by Standard & Poor's and Moody's.

Total shareholder remuneration was aligned with our objective to distribute between 25% to 30% of the cash flow from operations through a combination of dividends and share capital reduction. We increased the dividend by 5% to EUR 0.63 per share. We canceled a total of 200 million shares anticipated in 3 years, all the buyback commitments defined in our strategic plan until 2025. We have the firm commitment to continue increasing the distributions to our shareholders link it to cash generation of course.

In our third quarter conference call, we announced the Boards proposal to increase the 2023 dividend by 11%. And this morning, we have announced a new $35 million buyback program with the intention of canceling at top of 50 million shares in this half of the year.

Going back to the review of 2022, the transformation of our portfolio reached significant milestones with the strategic partnerships for us in upstream and renewables. Repsol will generate combined proceeds of around EUR 4.3 billion with these transactions, which helped us digitalize value in this part of the cycle leverage capital to accelerate the shift to low carbon and strengthens our financial position.

At the operational level, the Upstream division continued high grading its portfolio focusing operations on geographies and plays where we are more competitive. In parallel, we approved our number of new strategic projects that will contribute to the sustainability of our cash generation.

In the Industrial division, we captured the favorable refining environment while progressing in the transformation of our sites. The flexibility of our system allows us to quickly adapt operations to maximize the yield of middle-distillates, maintaining high utilization rates and replacing expensive natural gas with other alternatives.

The commercial businesses, we anticipated to competitors and also government measures by voluntarily applying discounts to our clients to soften the impact of high energy prices. These initiatives penalize results that allow us to increase market share and accelerate the growth of our digital loyalty program.

Finally, in renewables, we continue holding new megawatts on their operation and unlock value through further asset level rotations. In addition, late in the year, we reached an agreement to acquire Spanish renewable company, Asterion Energies, incorporating a portfolio of more than 7 gigawatts to accelerate our growth and diversification targets.

At this point, let me take a look at the evolution of the main macroeconomic indicators in 2022. I want to underline that the elevated energy prices we pay today have not told me the result of the war in Ukraine. That's not true. European heavy dependence on imports precedes the world. And the high prices are, for the most part, a consequence of previous political decisions. Looking at the oil price, Brent crude averaged $101 per barrel,

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

around $30 higher than the year before. Supply concerns may at all reach its highest level since 2018 before starting a downward trend due to fears of a potential economic recession in the world. The Henry Hub index average is $6.6 per million BTU in 2022, its highest level in the last 14 years and 69% increase compared to 2021.

European gas markets were, let me say, especially impacted by an intense competition to attract LNG imports. In refining, our margin indicator was well above mid-cycle levels. The strength of middle-distillates and wider heavy to light oil -- crude differentials more than compensated the increase of energy costs. Daily values of indicator range between $0 and $35 at different points of the year showing the extreme volatility of the refining environment in 2022.

Finally, the U.S. dollar recovered by 11% against the euro underpinned by the let me define as aggressive interest rate policy of the federal reserve.

Now let me take a detailed look into the performance of the Upstream division. Full year earnings is EUR [2.3] billion, EUR 1.3 billion higher year-over-year, driven by higher realization prices, partially offset by higher costs and lower production. Net production averaged 551,000 barrels of oil equivalent per day in the fourth quarter. Full year average stood at 550,000 barrels per day, 22,000 barrels below 2021, largely due to the impact of country exits, (inaudible) in Libya, and PSC effects. The impact of divestments was around 35,000 barrels per day compared to 2021. Remember that a part of these divestments were executed in 2021.

Strategically, we achieved an important milestone with the agreement reached with EIG to incorporate them as a minority partner for Upstream division. Under the terms of the agreement, EIG purchased 25% of our exploration and production business for a total consideration of $4.8 billion, including debt and Repsol will receive proceeds of $3.4 billion. With this transaction, we are incorporating a leading global investor with proven capabilities to help us maximize the value of our E&P business. Repsol will maintain control and continue to consolidate the Upstream division in its accounts and the closing of this transaction is expected in coming weeks.

Further to this, last year, we made significant progress in the rationalization of the Upstream portfolio. Working along the lines of our value over volume strategy, we reduced the number of countries in which we operate and increase our position in place where we have more competitive advantages. On the one hand, we complete the exit of our position in Ecuador, Malaysia, Russia and Greece. And we divested oil producing assets in Canada. On the other hand, we increased our position in Marcellus. And after quarter end, we reached an agreement to incorporate new producing assets in Eagle Ford, the aggregate production impact of all the divestments completed since we presented our strategic plan in November 2020 is around 67,000 barrels per day.

Furthermore, took significant steps forward in the development of our project pipeline, approving 4 of the key projects defined in our strategic plan. In Alaska, we took the FID for the first phase of Pikka with first oil expected in the end of 2025, the beginning of 2026. In unconventionals, we went ahead with a third development phase in Eagle Ford, leveraging 1 of the most flexible parts of our portfolio. In the Gulf of Mexico, we took the FID for the joint development of the Leon and Castile discoveries, production will be handled from the new Salamanca FPS facility and first oil is expected in 2025. In Trinidad and Tobago, the Cypre offshore gas project was sanctioned in September, with first gas expected in 2025. These 4 projects can assume will contribute to an average around 57,000 net barrels of low breakeven and low emissions production in the 2024 to 2030 period.

Moving now to the performance of the Industrial division. Full year adjusted net income was EUR 3.2 billion, mostly driven by the contribution of refining and trading. This result compares to the EUR 0.6 billion achieved in 2021. In Refining, the margin indicator averaged $18.90 per barrel in the fourth quarter, making for an average of $15.6 in the year. Compared to the previous year, margins benefit from stronger product spreads, especially middle-distillates and the wider discount of heavy oil that offset the higher energy costs and higher CO2 price. The following years of capacity rationalization, the needs we have in Europe to replace Russian exports, aggravated in some way, the tight situation of the digital market that was previously already stretched by the end of 2021 when we were in Europe exiting from the pandemic. The premium generated in our unit CCS margin over the indicator was $2.9 in the quarter and $1.6 in the year. Full year average utilization of the distillation capacity was 86% and 95% for the conversion units.

Utilization rates remained high through the last part of the year, completing on schedule the planned turn around of Tarragona. The flexibility of our system allows us to incorporate new crude varieties to replace Russian oil in Eurotek, we are currently processing each month, 1 million barrels

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

more of Maya than at the beginning of last year. In addition, the return of Venezuelan crudes fits very well with a high complexity of our [SIM] having our refining framework, having processed 5 cargoes of Carabobo across in 2022, around 5 million barrels. This flexibility was also used to arbitrage between different alternatives to reduce natural gas consumption. By the fourth quarter, we were able to lower the intake of natural gas by almost 50% compared to historical levels.

Moving briefly to Chemicals. The performance in 2022 was clearly a game of 2 halves, demonstrating the correlation of this business with the economic cycle in the world. During the first part of the year, margins remained solid, although not as high as in 2021, selling prices reflect the increase in the price of raw materials and energy. But since July, international margins started to suffer as lower demand reduced the utilization of our plants and selling prices couldn't absorb the high energy costs. Now I reviewed the progress made last year in our main transformational projects that will help us decarbonize liquids and gases produced in our industrial sites. In the past, I have stressed my belief that our political leaders should approach the energy transition with a higher focus on technology and less in (inaudible).

I find encouraging that the transformational routes we are promoting in Repsol have been recognized and supported by different bodies of the European Union, beginning the C43 advanced biofuels plant in Cartagena. We expect to start up operations in the second half of the year. The EIB, the European Investment Bank has supported the project with a loan of EUR 120 million, making Repsol the first company in the industry to obtain this type of financing.

In Renewable Hydrogen, the 3 electrolyzers in Cartagena, Tarragona and Bilbao have entered engineering phase with a potential combined capacity of 350 megawatts. The electrolyzers in Cartagena and Bilbao have been qualified by the European Union as strategic and of general interest being prioritized in this way for public funding for their development. In SAF, sustainable aviation fuels, we reached some important milestones as Iberia Airlines operated in partnership with Repsol its first long-haul flights using biofuel produced from waste in our refineries. I mean, from Madrid to San Francisco, from Madrid to Dallas, from Madrid to Washington. I mean, and we are proud of this collaboration with Iberia.

In Chemicals, we became shareholders of Enerkem which brings us access to all leading gasification of nonrecyclable waste with technology. Both companies, Repsol and Enerkem, we are also partners in the Ecoplanta project in Tarragona that was selected by the European Commission directly and then from the European Commission to be funded through the Innovation Fund large scale program.

Turning now to the Commercial and Renewables segment. Full year adjusted net income was EUR 550 million, EUR 2 million before -- sorry, EUR 2 million below the figure we have as a result in 2021. The better results in low carbon generation compensated the lower result in the commercial businesses, dragged by the discounts applied in Iberia. In mobility sales in our service stations in Spain were on average 10% higher than in 2021, and sales recovered in the fourth quarter to pre-pandemic levels of 2019. This generally will stay in pre-pandemic levels also in the same sales level we had in January 2019. Since the beginning of 2022, the discounts applied by Repsol represents additional savings of more than EUR 500 million to our customers.

Our Waylet digital mobility app reached more than 5.5 million users as of December, helping us accelerate the deployment of our loyalty strategy in our path to reaching 8 million digital clients in 2025. The impact of discounts in margins in Spain was partially compensated by a higher market share, thanks to the successful acceptance of our ambitious loyalty campaigns and the widespread use of Waylet.

Retail electricity and gas was negatively impacted by record electricity prices in Spain, regulatory interventions and increased competition. Nevertheless, we closed 2022 with more than 1.5 million clients in Iberia, improving our results year-over-year and increasing by 8% the volume of electricity commercialize.

Moving to renewables. The power generated by Repsol reached 8.7 terawatts hour, 55% higher than in 2021. The business remains focused on delivering its ambitious long-term targets, successfully managing a high inflation scenario to protect the profitability of the projects. In June, we incorporated Crédit Agricole and EIP as strategic partners with a 25% minority stake. Repsol has received EUR 986 million from the agreement implied, a valuation of EUR 4.4 billion for their 100% of the business, including debt. This has allowed us to crystallize value, bringing in 2 experienced investors with our long-term view of the business. They are, in some way, let me say, acquiring and committing also with the growth narrative on the growth road map we have in this business for coming years.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

In parallel, we continue progressing in the development for project pipeline having reached 1.9 gigawatts of installed capacity between Spain, U.S. and Chile. We also completed 2 asset rotation. You know our strategy of disposing 49% of the project after the risk in them for a total of 3 between 2021 and 2022, incorporating partners through the Kappa. Kappa is solar project in the south of Madrid in Ciudad Real and Valdesolar project in the Southwestern Spain in Extremadura.

Finally, in December, we announced the acquisition of Asterion Energies for EUR 560 million. And with these transactions, we are incorporating a portfolio of 7.7 gigawatts mainly in Spain and Italy, mainly Spain and a part in Italy, reinforcing our ambition to reach 6 gigawatts of installed renewable capacity by 2025 and 20 gigawatts by 2030.

In this slide, we have seen now you may have a summary of the financial results that we have discussed when reviewing the performance of our businesses. For further the case, I encourage you to refer to the complete documents that were released this morning. And with regards to the fiscal contribution of Repsol in 2022, it reached historical levels, a consequence of the good performance of the businesses.

Last year, Repsol paid EUR 17 billion in taxes, of which 70% in Spain. And these amounts don't include the recently approved temporary energy tax approved in December to be satisfied by certain operators of the energy market for 2 years. It will tax 1.2% of the net revenues coming from the operations carried out in Spain in 2022 and 2023. The taxation corresponding to '22 activity to be paid in February and September 2023 is estimated at EUR 450 million. According to the guidelines share by the Spanish market authority, they call CNMV, the tax corresponding to 2022 operations must be accounted for on the 1st of January of 2023.

I mean, in our opinion, I mean, it's hard to understand that for me. This is not consistent with the underlying characteristics of the tribute now with the principles that must guide the elaboration of financial information. But of course, we have undertaken the register of the tax as prescribed by the regulator. But in any case, the impact on 2023 results wouldn't be material because its future cash flow impact was already factored in the refining impairment test of 2022. So due to this effect of including the cash flow impact of our businesses. And in this case, of the refining business in the impairment test of 2022. I may say that in (inaudible), the P&L effect in a main part of this levy is included in 2022. But having said, we have registered the tax as prescribed by the regulator. Repsol, in accordance with its internal and external advisors finds this tax -- this levy incompatible with the Spanish constitution and the European Union law and it will follow the appropriate legal channels for its enrollment.

And in that case, the refund of the amounts collected. I will underline that Repsol remains committed to society through its fiscal contribution. Currently in its highest historical levels I have discussed before. The social debate on corporate profits must be put into perspective. And my point is, and I believe that trying to resolve the energy trilemma with more taxes is not only discriminatory and demagogic, it's also detrimental. It will only disincentivize investments, which is precisely what we don't need to lower energy prices. We need investment. We need more production and that is the way to push prices down, not with this kind of unpredictable levies and taxes.

At this point, I want to take you through our outlook for 2023. We have built our budget assuming around $80 Brent and $4 Henry Hub. And with those basis, we expect to generate around EUR 8 billion of cash flow from operations in the year. The total group's organic CapEx is estimated at around EUR 5 billion factoring for the 25% minority partners in upstream and renewables, the working interest investment for Repsol this year in 2023 will be around EUR 4.3 billion, in line with the figure we invest in 2022.

Production is expected to average around 610,000 barrels per day. Thanks to the contribution of new wells in unconventionals, higher volumes in Trinidad and Tobago and the higher expected uptimes. Year-to-date, production has averaged more down there 590,000 barrels per day in the first 6 weeks of 2023. The exact figure is 593,000 barrels per day as of today. Developed so that means that it's a clear path of growth in this figure. Development activity will focus on the efficient delivery of our growth projects, increasing investments as a result of the recent FIDs.

Moreover, we expect to approve a group of new projects that could contribute additional 70,000 net barrels on average in the period from 2024 to 2030. In Brazil, the FID for Lapa Southwest was taken in January. And as the year progresses, we expect to approve among others, a third development phase in Marcellus and an eventual additional phase in greater Epson if the situation and prices are there, of course. In refining, we have factored for an average margin indicator of $9 per barrel supportive of the ongoing market times. What we have seen so far is confirming this expectation with refining margin indicator averaging around $18.2 per barrel year-to-date. So I mean, that is the current figure. We have had over the first 6 weeks of the year, $18.2 per barrel.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

Shareholder distributions will continue to be aligned with our objective to distribute 25% to 30% of the cash flow from operations. As previously announced, the Board will propose to the next AGM an 11% increase of the dividend to EUR 0.70 and we will complement distribution with buybacks. To begin with the visibility on the cash generation for the year that we are seeing in this first stage of the year, over this first 6 weeks has (inaudible) was to announce this morning our new share buyback program for up to 35 million shares. The shares repurchased through the program together with another 15 million shares, coming from shares we have in our treasury stock position, we allow us to cancel 50 million shares before the end of July, subject to the approval, I mean the Board is going to present this redeemed to the next AGM.

Looking forward, we expect additional buybacks to reach our target operating cash flow distribution range.

At this point, let me elaborate a bit more on the capital spending on the year. We expected a strong cash flow generation in 2023 should allow us to keep accelerating the execution of our strategic plan, progressing in investing either in our legacy assets and also transforming our portfolio while improving shareholder remuneration and keeping a very comfortable [giving] rate. Out of the expected EUR 5 billion organic CapEx, around half, 47% I think, will be invested in the [Astron] business and close to 35% in low-carbon initiative. When I'm talking about low-carbon initiatives, I'm talking either in renewable power generation or in the advanced biofuels or hydrogen investments in our Industrial division.

The share of the total investment in OECD countries reaches 86% mainly Iberia and North America for the total CapEx figure of Repsol. In the Upstream, having progress in the rationalization of the portfolio during the first 2 years of our strategy now is a turn to put on stream the new barrels that will support future volumes. Around 70% of E&P investment will be deployed in projects with the FID taken. And in total, more than 80% of this Capex will be focused on production growth. By geography, 63% of (inaudible) CapEx will be invested in North America. Around 23% of CapEx will be deployed in the Industrial division, we focus on boosting our runway or fuel platforms like the C43 plant. I mentioned before, in Cartagena, advanced biofuels, 250,000 tons per year that is going to start its operation in the second half of this year.

And also in the transformation of the chemical business, remember the Sines project where we are getting for a more -- we are baking in favor of a more integrated petrochemical business, increasing the margins of this business and the electrolyzers we have on track. In Renewables, we look forward to doubling our investment compared to 2022. This year, we expect to add over 1 gigawatt of new installed generation capacity. CapEx will be roughly split at 50% in the Spain, 40% in the U.S. and the rest in queue.

So to summarize main key takeaways. 2022 I must say was a year of a strong strategic delivery for Repsol. As we got the most part of our supportive macro scenario to maximize value, allocating cash according to our well-defined priorities. Even with all uncertainties we suffer, this has allowed us to accelerate our transition to low carbon, increase the distribution to our shareholders and reinforce our financial position. The outlook for 2023 looks increasingly solid. Probably not without commodity environment as positive as in 2022, but good enough to allow us to move confidently into the growth face originally defined for the second half of our strategic plan.

Next year, we will make an organic important investment effort. We will increase investments with a clear focus on value creation, always with a limit - within the limits of our disciplined capital policy. We are going to concentrate Upstream spending on recently approved projects, many of them we have already taken FID. And we are going to increase the CapEx in renewables. We are also going to invest in our industrial capacity to achieve a transition that ensures the supply of affordable energy, defense industrial jobs and guarantees the sustainability of our products and operations.

In the last 15 years, Repsol has invested to an average EUR 1 billion per year in its industrial assets, including here the 1 short investment we did in Cartagena and in Petronor. Thanks to this investment in Spain, we have an efficient refining system that has secured the level of supply when other countries were at risk of product shortage. I believe political leaders across the board should approach the energy transition with a higher focus on technology. The acceleration of the transition towards climate neutrality requires this technology to be just -- a just transition for everybody for all. This objective will be better achieved by guaranteeing security of supply and affordability and based on innovation and industry development that, in turn, promote employment and social progress in our countries.

With that, I'm ready to answer your doubts and questions. And now I hand over the floor to Ramón. Thank you.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

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

Thank you very much, Josu Jon. Before moving on the Q&A session, I would like the operator to remind us of the process to ask a question. Please, operator, go ahead.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

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

Thank you, operator. Let me now move on the Q&A session. Our first question comes from Biraj Borkhataria at RBC.

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

I had a few, please. The first 1 is just on the payout ratio that you reaffirmed today. You've got some very significant divestment proceeds coming through and your balance sheet is strong sitting on net cash. In your macro scenario, you don't really need the divestments to fund growth in low carbon or the Upstream or otherwise. So could you just talk about what your plans for the uses of those proceeds are? And then the second question is on the upstream CapEx plans. It's weighted to the U.S. and some of the U.S. assets are more gassy and gas prices in the U.S. have been quite weak. So how much of that volume growth in '23 comes from U.S. gas? And have you hedged any of that? And if I could ask a third quick clarification. When you're providing the CapEx figure, I just want to make sure I heard you correctly, should we assume it's EUR 5 billion, but then we should back out the 25% minority for the Upstream divestment as you complete that transaction?

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

Thank you, Biraj. Having go into your first question, our capital allocation policy remains as we define in our strategic plan, I mean, we are going to commit the CapEx that could create value in our company. At the same time, shifting the transformation of the company in maintaining the CapEx in our legacy assets that are going to guarantee the production in our EMP for coming years. I mean, with the FIDs, we are taking in the E&P business, we are reducing, we are -- sorry, maintaining the production targets, something between 600,000 and 650,000 barrels per day over the whole decade and taking into account that we have a quite sound financial position in the company. We are going to increase default to distribute the proceeds for our shareholders.

In this sense, I mean, the commitment we are taking, Biraj, is to redeem 50 million shares, new 50 million share capital reduction before the end of July, 50 million shares coming for our current treasury stock position and 35 million coming from the buyback program we are launching today. I mean we are in February, Biraj. That means that we are doing that because we have seen a quite sound cash flow generation over these 6 weeks, but I mean the year is going to be very long. We have 12 months. That means that be sure that with a high probability, complementary share buybacks program, are going to come over the whole year.

We are going to achieve with no doubt this figure of 25%, 30% of distribution for our shareholders prospect comparing with the cash flow from operations we are going to have over the year. And remember that last year, in 2022, the figure was 29.3%. That means that we are in the higher range of this 30% of the cash flow from operations. And be sure that this year, this distribution is going to be closer to 30% than to 25%. So we are fully engaged in delivering value to shareholders through an attractive distribution in Repsol via defined by this guidance. Of course, at the same time, we are facing an ambitious transformation -- a journey of transformation, and we are maintaining this balance sheet is strong.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

I'm saying that, I mean, it's perhaps too early to say that, but in case of having a positive macro environment view over the year, I'll be ready to consider and to propose to our Board at the end of the year due to our low debt level, even a distribution evolved is 30% of the cash flow from operation, depending on the evolution over the whole year. So but it seems to me you could expect more share buyback programs over this year 2023. And I think that it's also important to follow the macro scenario over the whole year.

Going to the -- your second question related to weak gas prices. I mean first of all, in January, we have had Henry Hub at around $4.5 MBTUs, more or less as average. And the market central scenario is, I mean, closer to $4 MBTUs than to some other figures for the year. It's true that these days of February, what we have seen is significantly lower. I mean, I think that some of the best things we have in our portfolio is flexibility. I mean, in case of not seeing these gas prices in Henry Hub terms, be sure that we will be prudent and we will delay some investment decision with no doubt about that.

Saying that, I mean, you know that from our production, the total production of Repsol more or less 40%, 45% oil and a part of the gas is related to Brent and West Texas. So it's not related to gas prices. And even this half of the production that is related to gas prices, only more or less 25% -- 20%, 25% of the total production of the company is related to Henry Hub and high [gas] prices. Remember, that we have also a large exposure to JKM. We have an exposure to NBP. Some parts of the gas is related to the price of ammonia, another part to the Spanish fuel price, another part to TTF -- another part in some places in the world is linked to fixed price. That means that is -- I mean, the impact is only on a part of our production. That could be in the case of the U.S.A., the Marcellus, more or less at around 50,000, 55,000 barrels per day, more or less. We don't have hedges this year and in 2022 from our American production, we have a hedge more or less of 60% of the total gas production in the States and at 20% of the oil production in the country. I mean we are not hedging our production for this year.

Going to your last question, Biraj, your point is right. This 25% doesn't include the divestment of 25% of the minority partners. That means that we take into account the net CapEx for Repsol, the figure is not EUR 5 billion, it's around EUR 4.3 billion. That will be the net investment for Repsol after reducing, let me say, 25% minority stakes either in the renewable business or in the E&P. So the difference between the EUR 5 billion and the EUR 4.3 billion that is fitting in this framework with the CapEx, we have had in 2022 is due to this 25% minority divestment.

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

Our next question comes from Joshua Stone at Barclays.

Joshua Eliot Dweck Stone - *Barclays Bank PLC, Research Division - Analyst*

Hello. Can you hear me?

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

We hear you.

Joshua Eliot Dweck Stone - *Barclays Bank PLC, Research Division - Analyst*

Yes, sorry. Two questions, please. Firstly, just a clarification on the CapEx guidance. So this morning, the release suggested a sort of greater than EUR 5 billion CapEx, while the slide today is sort of saying roughly EUR 5 billion. So could you just clarify that CapEx get higher than EUR 5 billion? And is your longer-term budget of EUR 19.3 billion to 2025 still valid? And then secondly, on your disposal of the Upstream, are you -- as to what's your latest view on how much of a dividend will be paid from the upstream to minorities or to the only minority and the timing of that payment as well, please?

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

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

So thank you, Joshua. I mean, going to your first question, I mean, our CapEx, I mean, the guidance is EUR 5 billion. Let me say that there is -- I mean, it's a guidance. There is room for some changes, of course, I mean, in my previous answer to Biraj for instance, I said that in case of seeing, North America, lower gas prices than expected. I mean we could take the decision of our council early or delay some of our investment in the country. But today, I mean, with the expectation we have that is $80 per barrel oil and $4 per million BTUs Henry Hub price. I mean EUR 5 billion is the more accurate figure we could have as CapEx guidance for the year. Again, this is a gross figure that will be EUR 4.3 billion net in case of including the minoritarian stake of our partners in the renewal and in the E&P business. In the case, could you repeat your question related to the disposal of the Upstream, Joshua?

Joshua Eliot Dweck Stone - *Barclays Bank PLC, Research Division - Analyst*

And also for that whether your longer-term CapEx budget of EUR 19.3 billion is still valid. And then the second question is on the minority payment -- minority dividends. So what dividends do you expect the Upstream to have to pay the minority post disposal? What's the policy likely to be? And when would that dividend be paid?

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

Yes, Joshua. Let me say that Repsol and EIG, I mean, I don't want to anticipate anything because you know that we are engaged in the process of closing the transaction that is going to come in some weeks. But on that question, I'm sure that EIG and Repsol, we are going to be fully aligned on what to do in our E&P business because we are going to try to maximize the free cash flow of the business as much as possible in terms of maximizing the dividend either for Repsol or for EIG. That is going to be an important interest for Repsol and it seems to me that it would be also interesting for EIG. Sorry, regarding this question, be sure that we are going to be fully aligned trying to maximize the free cash flow of this E&P business.

In this context, we are now doing the great investment effort with the FIDs, we have took over this last year. I mean, in this sense, let me say that, I mean, part of the total CapEx we have in our annual budget in 2023, our projects, we have already taken the FID for around EUR 3.5 billion with positive and significant returns evolve at 20% in the case of the E&P and a growth of 13%, 15% in the industrial commercial activities of Repsol and with the double-digit equity return in the renewable business. So I mean, we are investing in profitable CapEx. And in the case of E&P that is going to guarantee this production, something between 600,000 and 650,000 barrels per day over this decade. And in this context, the interest of both partners is going to be to maximize the dividends and the free cash flow of the E&P business. Thank you, Joshua.

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

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

Michele Della Vigna - *Goldman Sachs Group, Inc., Research Division - Co-Head of European Equity Research & MD*

I really wanted to ask you 2 things. The first one, you're clearly increasing your spend in North America, which makes perfect sense in this part of the cycle. I just wanted to ask you how many incremental projects you could mature there because of the Inflation Reduction Act? You seem to be very well positioned to be able to do clean hydrogen, carbon capture, renewables, but also bioenergy there. And I was wondering which opportunities are opening up? And then on the other side, I wanted to ask you about a potential European response to the IRA. There is a lot of talk of that in Brussels. What do you think is actually materializing? And how can that benefit your low-carbon spend in Europe at the moment?

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

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

Thank you, Michele. So I mean, Michele, we are fully committed with the energy transition in this company. We want to accelerate the energy transition doing that in a clever way, but fulfilling the targets of energy trilemma, guaranteeing the security of supply, making it possible for families and industries to have an affordable energy. I mean, to pay their bills of energy month-after-month, and at the same time, decarbonizing the world. And it seems to me that we have 2 different strategies in the 2 sides of the pond. I mean the main driver of European strategy is to stick -- I mean using banning, having complexity in the regulation, making things difficult.

And IRA is just the opposite (inaudible). IRA is predictability, I mean a clear framework for investing in the energy transition is simplicity. I mean, I'm able to understand the American rules. It's a bit more difficult for me, sometimes understanding European rules. I'm chemist, I'm specialized on polymers. I know the biofuels, but I'm fully lost between the FQD ,the Repower Europe, the fit for 55, the new program now, I mean, all that is complex, and that is not good. And on top of that, I think that there is a caveat. I mean tax incentives to invest in the U.S.A. So I think that in Europe, I mean, complaining about the IRA is not the best strategy for regulators.

I think that it is better to try to learn from the Americans because otherwise, they are going to accelerate the energy transition and we are going to have problems in Europe. So saying that as an investor in the U.S.A., as we are, I agree with your point, we are going to take advantage of this reality. We have very important projects in the States that now we are investing in and talking, for instance, the Jicarilla 1, Jicarilla 2 in New Mexico, Outpost, Frye (inaudible) in Texas. I mean the figure I have in mind that all these projects that are on track. I mean (inaudible), we are preparing the FID for the project, but the rest are in track at 1 of the Jicarillas is producing could be evolve 2 gigawatts of production and -- only the -- I mean we approved this project with a quite sound pretty well expected return on equity. But thanks to the IRA, we expect to increase in 1.1% the total return of these projects we are investing in.

We have on top of that to take into account that we have stake in Hecate, that Hecate is developing pipeline year after year. You know that we have the right -- the right of first offer up to 2 gigawatts per year. So this situation is giving us on this context, the opportunity to invest in. And on top of that, we are also analyzing the possibility to produce hydrogen in the States. We could see opportunities there. I mean saying that, I don't -- I want to underline the importance of investing in Spain and not only because we are Spaniards, that would be a good reason, but I mean that is not important in business.

I think that we have a clear competitive advantage in Spain. I mean every time we are investing in hydrogen in Spain, we are improving the profitability of our industrial assets, where we have an excellent position in the country. We are producing advanced biofuels that are supported in this case by European regulation. Every time we are developing a renewable power activity or generation in Spain. We are not only getting high returns, we are also increasing the possibilities of our commercial retail power business to grow, thanks to this integrated view we are increasing the competitive advantage of hydrogen.

So investing in Spain is very important for Repsol. And we are going to go on doing that because we have all this competitive advantage. But saying that, Michele, this IRA is a great opportunity to invest in North America. If we -- if you take Iberia and the States, you could see that the total figure of CapEx is above the 80%, 85%, 86% of our total CapEx. And that is very important in terms of opportunity. So we are going to give this response as Repsol to the IRA. And it would be great to see the European politicians and regulators trying to do something similar in Europe changing and shifting from [stick] to the current. It will be important for companies, for European citizens and also for the energy transition in our continent.

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

Thank you, Michele. Our next question comes from Irene Himona at Societe Generale.

Irene Himona - *Societe Generale Cross Asset Research - Equity Analyst*

Can you hear me?

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

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

Perfectly, Irene.

Irene Himona - *Societe Generale Cross Asset Research - Equity Analyst*

I had 2 questions. So first, relating to your guidance for EUR 8 billion of cash flow this year, for simplicity, if I assume 30% is returned to your investors, then with around EUR 1 billion being the cost of the dividend, we would be looking at current prices at something around 90 million shares for the buyback for the full year. Today, you announced a 50 million buyback by July. I'm just not clear really on the time line here. When should we expect you to announce what happens next? Is it with the Q2 results in July? Or could you do it in May? What is the process basically?

And then my second question, you disclosed today a taxonomy aligned CapEx last year of 21% and a further 9% for eligible. So 30% in total. You have told us before that ESG investors comprise a big proportion to your shareholders. So I'm just trying to understand if 30% is a good number. Do you have a sense of whether that 30% means that you are within some threshold that would encourage more ESG funds to own Repsol or not?

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

So I mean, going to your first question, Irene, I mean, EUR 8 billion of cash flow from operations, as you mentioned, is under, I mean, some conditions that are basically $80 per barrel Brent price, $4 million BTUs Henry Hub gas price and $9 per barrel, our refining margin this year. I mean, you know how every one of this metric has evolved over the first 6 weeks of the year. So we have to wait about the evolution. And that is going to depend on the macro scenario. And let me say today macro scenario be volatile. We have still some concerns, and we are going to follow as you as analysts, investors and Repsol as a company, what is happening in China after the post-COVID period, are we going to see a new turn? I mean, a sudden growth in China or not? I mean, it's going to depend on that.

For that reason, we prefer today to be prudent to launch a 50 million shares redemption program today with 35 share buyback. Be sure that in case of having a quite similar situation in July after or in the midst of the presentation of the results of the second half of this year, 2023, we'll probably launch a second program that will be logical, seeing the cash generation we are seeing today. And let me say that depending on the full forecast for the whole year, and we are going to have a clear clue about that in the last week of October, in the presentation of the results of the third quarter, we could have probably room for launching after share buyback program. But again, depending on where we are in terms of getting more or less 30% of cash flow from the operations devoted to our shareholders.

Going to the taxonomy question, I mean, with -- you know that the current reading of the taxonomy is not easy. It's complex, even the interpretation of this taxonomy. The CapEx 2021, 2025 that you know that is going to be a 35% devoted to low-carbon activities, low carbon assets. Could be translated more or less to something close to 28%, 30% as aligned with the taxonomy. We also -- let me say, Irene, that could be with the current reading and the current interpretation of the taxonomy. We also expect that the taxonomy to improve its definition with time over this period. And I link this reflection with what I said before in terms of more carrot and less stick and more technological neutrality because -- I mean, the IRA is betting in favor of many sources to decarbonize America.

In Europe, we try to put ideology over technology where we have to define many of these targets. So I expect that this taxonomy could be improved, it's definition with time. But with the current knowledge we have of this taxonomy, this 35% of low carbon CapEx in the whole 2021, 2025 period could be translated to something close to 28%, 30% align with taxonomy. Is it a threshold for more ESG funds to come? I mean, we'll do our best. You know our real commitment to transform the company to decarbonize our activities sometimes even when we have to be, let me say, politically and correct when we have to give our opinion about the best way to decarbonize our society. And in this line, Repsol is going to make a great effort to be a leader in the oil and gas sector in this ambition. Thank you, Irene.

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

Thank you, Irene. Our next question comes from Alessandro Pozzi at Mediobanca.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

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

Alessandro?

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

Sorry, I lost you for a second. So I just have a couple of questions. The first one is on the Upstream, of course, I totally get how you are crystallizing the value of the portfolio through the seller to -- of the minority stake. But I want to go back to your comment about high grading. And I was wondering when are we going to see evidence of the high grading in the portfolio. How should we think about as a lowering of the breakeven for the project in the portfolio? If so, can you give us an update on that as well? And also if you can give us maybe an update on the breakeven for the natural gas production in the U.S. because you mentioned the Henry Hub exposure, but with the Henry Hub so low compared to your assumption, I think it would be nice to see where are your production costs for the production in the U.S. And also, I believe the guidance -- production guidance is 610,000 barrels a day. But as of today, it's almost there. So maybe there's not a huge amount of new production coming on stream for the rest of the year. And I was wondering if you can confirm that?

The second question is on the renewable acquisition Asterion. And also more broadly, you have a balance sheet that is much improved 8% giving -- can you use the lower debt to actually regear the balance sheet and pursue more inorganic opportunities in 2023? And if so, I guess, it's going to be mainly low carbon opportunities. And I was wondering whether geographies could be but where geography are you more interested in? And also, I think I was a bit surprised from Asterion because Spain is your home ground, and I thought you would have grown their organically, but maybe to get a foot step in France and Italy as well. So maybe your consideration around the rationale behind the acquisition would be great as well.

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

Thank you. Glad you made it, Alessandro. I mean I think that over the last 2 years, we have developed a great effort to high-grade the portfolio of the Upstream. I mean we have exited Russia, Ecuador, Malaysia, Vietnam, Papua New Guinea, Iraq, Australia, Bulgaria, Greece, Angola, Libano -- sorry, Liberia and Gabon in exploratory terms. I mean, we have reduced almost to half the number of countries where we are in the E&P, and that is a part of this high-grading of the portfolio, trying to be in countries where we have a materiality where we will have more competitive advantages. And in this sense, it's important to try to concentrate our production in places where we have a material production.

I mean in the States, we see significant and good opportunities. For instance, I mean, a part -- an important part of production this year, is going to be developed, the production or with the CapEx here in E&P is going to be devoted to the Gulf of Mexico. I mean the Leon/Castile, the Buckskin, the Shenzi North project work. We have low breakevens below in some cases, $45, $50 per barrel in net present value terms. That means that we are getting those prices -- the expected return of these products. I mean, you could imagine that at these prices, we are making money in these projects.

In Alaska, again, we have a low breakeven project with a very good ore in terms of (inaudible). Eagle Ford, you know that we have taking into account oil compensates could be a 60%, 65% of our total production. So we are very dependent on liquids on Eagle Ford for our economics. And the dependence on gas, you mentioned as expansion to Henry Hub is basically in the Marcellus. And in the Marcellus, you know that we have a good Tier 1 position in the area. And the breakeven in cash terms after CapEx in the Marcellus is in something between $2 to $2.5 per million of BTUs. That means that we have the possibility, the opportunity in the Marcellus to make money in this context.

Going to the cost, I mean, the profitability depends on cost, depends also on CapEx, depends on the realization prices and also depends on the tax of the country. And in this sense, it is prudent in the U.S.A., we are seeing mainly in the unconventional increase in cost in terms of inflation. I think that more contained this 2023. But in 2022, we saw -- I mean, if you analyze the total OpEx per barrel of Repsol, I think that the OpEx in net terms could be at around $10.3 per barrel more or less. And the increase in OpEx I mean, we have, last year, in 2022, an increase in $1.3, $1.4 of increasing the OpEx per barrel. But I mean part came because of the lower production. You know that we're reducing 10% production last year.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

And now 590,000, 610,000 barrels per day. I mean, part of this effect is going to be diluted. But it's true that we have more or less $100 million, $150 million of cost inflation in OpEx last year and an important part of them came from North America.

Going to your question about the production guidance, the main growth that is going to come over the year. Again, I repeat today, not today. I mean that is not material -- not significant versus today's production. I mean the average from January 1 as today is 593,000 barrels per day. That means that we are increasing in a significant way the production we have in the fourth quarter of the year. Saying that, we are giving this guidance because we are seeing a growth in the unconventional, Marcellus and Eagle Ford. You know that we have now the drilling campaigns, 3 rigs in the Eagle Ford, 2 in Marcellus.

And the third, I mentioned before, is going to depend as you also taken your concern about gas prices, depending on this evolution. That means that we have flexibility to invest EUR 5 billion to be below this figure, taking advantage of this flexibility. Trinidad and Tobago thanks to the Cassia C compressionon new projects and the new wells is going to increase its production in the year. We are increasing our production in Norway. In Libya, we are -- last year, it seems to me that we have a net production at around 24,000, 25,000 barrels per day over the full year because we have some events force majeure in Libya, and we are producing in a current normal way over the year. We are even planning this year some potential new wells in Libya and an exploration campaign that is going to increase the production in the country we're like on the country and on the assets we have in Libya.

In Peru, the unrest situation that the country experienced in the last quarter of the year and the tensions generated after the constitutional succession process without social unrest that had an impact in terms of the TGP pipeline and the work on the operation in Pampa Melchorita, the LNG plant and so on. I mean, the situation in the country is better and is more stable and is more common than it was in the fourth quarter of the year. And all that is going to be the main driver of this production increase. I mean on top of that, you have to take into account that we are going to lose some barrels mainly the divestment of Chauvin and Duvernay in Canada that is going to reduce, I have in mind the figure of something close to 8,000, 7,000 barrels per day this year, but I mean I had to check this figure.

Going to the potential inorganic opportunities, I mean, we are open to evaluate any possibility that may support our transformation journey and boost also the energy transition strategy of the company and also to increase the value of our legacy assets for either in the E&P or in the industrial site. And we are ready to do that both in organic and inorganic terms that I mean, if you expect a big acquisition in Repsol. I mean, I'm going to be very crystal clear. That is not going to happen. I mean you know that my aim is probably to be the most boring CEO in the world, but no surprises, not big acquisitions, but being boring, let me say, is compatible with small and medium acquisition to help us either to transform or to accelerate some businesses.

In fact, Asterion is a good example of that. Hecate, Enerkem, the acquisition or partial acquisition in Acteco, the Spanish company expert in recycling plastics. I mean, you can see these kind of things, small things, to try to accelerate the value creation and the transformation of the company. But no surprises, no big acquisition, no doubt about that. Thank you, Alessandro.

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

Thank you, Alessandro. Our next question comes from Sasikanth Chilukuru at Morgan Stanley.

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

Sasi? Is he there? Next one, please.

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

So next question comes from Giacomo Romeo at Jefferies.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

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

I think we have a problem with the phone line.

Giacomo Romeo - *Jefferies LLC, Research Division - Equity Analyst*

Can you hear me?

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

Yes, yes. Sorry. Giacomo?

Giacomo Romeo - *Jefferies LLC, Research Division - Equity Analyst*

Okay. Perfect. Two for me. First is you -- thank you for the -- for giving the CapEx figure ex minorities. Just wondering if you can give us a sense of what would be the CFFO if you take away the minority share of that CFFO. The other question is relates to what I wanted to ask is about the sort of the returns that you're seeing in renewables, considering sort of so the changes that have happened in the market during the course of 2022, and whether those are still consistent with your strategic plan? And then maybe if you can give us a hint of sort of what sort of returns you were able to lock in with the early divestments you made at Kappa and Valdesolar?

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

So thank you, Giacomo. I mean, very clear and short answer. The operating cash flow, we take this minority stakes, they don't have because we go on controlling and consolidating both companies, there is not any impact of these minoritarian stakes, neither in the EBITDA nor in the cash flow from operation. The impact is in the adjusted net income and in the adjusted income. That means that the whole figure we take to calculate the cash flow from operations to calculate the shareholder distribution is a big one. It's a bigger one. It's a gross figure. I mean, the only one, let me say the cash flow from operation because we are not reducing the cash flow from operations because of the minoritarian stakes our partners, they have either in the renewable business or in the E&P business. So let me say, it's more room for the distribution for our shareholders.

Your second question. I mean the average of the projects we have developed at the moment that are working, and they have been working over the last year. So we have a clear crew about the returns that are Delta 1, 330 megawatts more or less of wind farms in Spain, in Aragon. Valdesolar 250 to 260 megawatts solar in Spain and Kappa, 130, 140, 150 megawatts of solar in Spain is above 20% on equity terms. So that is the real return of these projects, above 20%. I have to remind you that these returns are -- they were got after in the 3 cases, disposing of 49% of the stakes in 2 cases to Pontegadea in the case of Delta 1 and Kappa, and to the British funded TRIG, I think, Valdesolar at 49%. So after disposing the risk in the asset, the return over the equity of Repsol is above 20%. In general, as a general rule, Giacomo, because I mean, these figures are really, let me say, huge are okay.

We are always aiming to have a 10%, a double-digit of return in our assets. Sometimes, I mean, we could have this kind of upside and sometimes we could be around this figure. But the projects in operation, that is a real return, we got over the last year. So we'll go on in this trend. And saying that this project, they could have, as I mentioned before, additional upsides. I mean the capacity to give us room to grow in our retail power business in Spain, and to make a more competitive hydrogen business in our industrial activity in the Spain. Thank you, Giacomo.

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

Thank you, Giacomo. I think we have back Sasikanth Chilukuru at Morgan Stanley. Sasi, are you there?

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

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

Sorry, I had some connection issues previously. I had 2 questions. The second 1 is more of a confirmation to be honest. Just wondering if you could provide some more color on the current refining environment, you've used your refining reference margin of $9 per barrel, and you've highlighted it's $18.2 per barrel indicator margin year-to-date. Just -- but I wanted to understand how the European oil products market, especially the middle-distillate market is evolving following the imposition of the EU embargo on Russian oil products. What are you seeing right now in terms of the oil market there?

The second one, apologies if this has been highlighted and I kind of missed. I just wanted to understand the production figure that you're using for this $8 billion cash flow. Can you confirm what that was? And looking into 2024, 2025, -- you highlighted the 600,000 to 650,000 barrels per day. Is that the range that you're looking at for 2024, 2025 as well?

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

Thank you, Sasi. I mean, going to your first question, I mean, first of all, facts, the refining margin indicator last quarter was $18.9 per barrel. This year, we are in $18.3 or $18.2 per barrel. And I mean that means that the margin is pretty positive. And we are capturing, I mean, interesting margin over this year. We expect that the utilization rate this year is going to be higher than what we had last year. We are more or less -- we think that we will have a level of close to 88%, 89% of utilization rate this year. In this sense, over the whole year in 2022, the utilization rate was 86.1%. And last quarter, 82% that means -- that because the turnaround campaign this year is going to be a bit later than we had last year, the utilization rate is going to be higher. Saying that, what would be our expectation for the whole year. I mean, it's not easy.

Going to your second question, this cash flow from operation is calculated under the assumption of $9 per barrel margin indicator and 88.7%, as I mentioned before, of utilization rates. So what we have in our budget. That means that the production will be slightly above the production we have in -- the production in the case of the refining.

Going to what you mentioned -- you mentioned in the E&P, the basis for this EUR 8 billion, the production is 610,000 barrels a day, of course, in terms of E&P production. What could happen with -- and going back to your first question, I mean, I think that what we are seeing, as I mentioned in my first presentation, in the digital market. I mean, it's related to the Russian situation, the embargo and so on, but it's not the only factor we are seeing. I think that the pandemic downsize of the global refining business put more pressure on the margins of diesel. I mean, production has been quite flat and the demand has grown in a significant way in the world after the pandemic. And that could happen probably in a more significant way after the opening of China.

Of course, the outbreak of the Russia-Ukraine conflict is putting more vulnerability on this tight industry. And in this sense, I mean, in Europe, we have phased out 600,000, 700,000 barrels per day of key regional supply coming from Russia. It (inaudible) that point of view, I mean, the inventory to respond to the situation were built over January. So this day, probably margins are going a bit down because this previous effect of building inventories. But my perception is that the diesel tightness is going to keep going in 2023, probably is going to gradually ease over the whole year because -- I mean, the uncertainty on markets could be a bit reduced. And in some way, we have also taken into account that China is going to be, for me, the key driver this year. I don't have a crystal ball. I don't know what is going to happen with China. But the narrative and the reality of the year 2023 is going to depend largely of -- the evolution of China after the post pandemic.

In case of seeing China going back to high growth, opening economy and so on. I mean we could see tighter diesel and LNG markets in the world and in Europe and that is going to impact in these margins. In case of seeing China with more problems to recover the growth in that case, probably we could see something flatter in terms of cracks or spreads. I mean -- but again, I don't have a crystal ball, but it is our best approach. Thank you.

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

Our next question comes from Henri Patricot, UBS.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

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

Yes. I have 2 questions, please. The first one, a follow-up on inflation. Could you give us a sense of what sort of inflation you factor in for 2023 when it comes to both OpEx and CapEx? And then secondly, more of a high-level question. I like your comments about the importance of technology for energy transition. Can you talk a little bit about where you see the technology essentially bringing some more material improvements, which areas of this energy transition you think could be accelerated things to some technology improvements or breakthrough?

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

So the inflation, inflation had an impact in 2022 in CapEx terms in Repsol that we have evaluated more or less for the whole company and something close to $250 million. I mean part of that coming from the E&P business. And we have also taken into account that the CapEx of 2022 was also impacted because the -- a part of -- mainly our CapEx in Upstream are a forecast in dollars, and we have a stronger dollar than expected over the year. So we will have an additional impact on that.

Going to the 2023 year, my point is that the effect is going to be significantly lower than it was in 2022. First of all, because the inflation effect is going to be lower. I mean, we are -- we have, I mean, a flat situation where we are, let me say, in some way factoring in a better way, what would be the cost and the CapEx over the whole year. And secondly, because we also launched 2, 3 years ago, our procurement program that is trying to optimize and improve the cost of purchasing across all the value chain, either CapEx and OpEx. And I mean, what we are doing is not only, let me say, depreciating with contractors.

We are analyzing the specification level we have for every investment we have, for every operation we have. We try to carry in out markets trying to detect opportunities, further negotiation with suppliers. I mean, my point and our target is that this program is going clearly allowing us to reduce almost to make eligible the impact on inflation -- of the inflation of this year on the operations of Repsol. So we are still seeing in 2023, of course, some kind of cost pressure.

But nevertheless, this pressure is going to be lower. For instance, in Spain, the estimated inflation. I mentioned the spend because you know that in our [core], but yet has and an impact, the estimated inflation in our budget, in our cost in the Spain due to inflation is at around 3.7%. So I'm seeing some kind of inflation but significantly lower that the effect we had in 2022. I mean going to your question, that is quite broad, but I'm going to try to be very specific. I mean, I'm going to put an example. We have to bet to -- bet in favor of all technologies. I mean and if we have to develop hydrogen that has to be out of any CO_2 emission, I mean we have to be neutral in technological terms.

And we have to explore the electrolyzers to have what is called the hydrogen, nuclear to make a big hydrogen carbon capture to make blue hydrogen because I mean I'm chemist. I studied out of years ago, the hydrogen molecule and I could guarantee that hydrogen molecule has got any color is hydrogen. It's only H_2. So the only concern and importance has to be to guarantee that this hydrogen is not emitting CO_2 when it is produced. So that is a good example of technological neutrality.

Another one, if we have in Europe, the combustion engine that is ready to produce and we are ready to produce advanced biofuels using the concept of simpler economy with a lower carbon footprint that some electric vehicles could have when we take into account the whole picture, the whole footprint of the battery produced in China of the mining effect in Asia and so on, I mean we have to be open about the use of technologies in Europe because the target is not to ban a technology or the other. The target has to be to reduce as much as possible the number of CO_2 we are emitting in Europe and in the whole world because sometimes in Europe, we are sweeping under the carpet, the CO_2 emissions. We are making, let me use the term, green (inaudible) operation. We say that in Europe, we are reducing CO_2 emissions and many times, it's not true. What we are doing is exporting these CO_2 emissions to some other parts of the world. We are exporting industries.

We are exporting jobs, and we are exporting CO_2 molecule. So when I say that we need less ideology and more technology in Europe. I'm talking about that because we have a serious problem. A lot of European families, they can't afford the energy bills and a lot of European industries are shooting down their operations because they can't afford the energy cost. So we need a broader approach to this energy transition.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

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

Next question comes from Matt Lofting at JPMorgan.

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

Just 2 clarificatory ones left related to your outlook and guidance. First, just to be clear, I think you've referenced a couple of times during the call, CapEx of EUR 5 billion gross and EUR 4.3 billion net of minorities. I understand the point that you're making, I think Josu Jon, as you said earlier, Repsol stated it will continue to fully consolidate both the Upstream and renewables businesses, in which case, could you confirm that the EUR 5 billion CapEx number is really the number on a fully consolidated basis that is like-for-like with the EUR 8 billion CFFO guidance that you've given for '23? And then secondly, on the EUR 8 billion cash flow guidance, does that include or exclude the EUR 450 million outflow expected for Spain windfall taxes that you referenced earlier? And also, does it include any assumed working cap changes?

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

So Matt, you are fully read about the first one. I mean this EUR 5 billion CapEx is fully consolidated. And the number as far as the number of OCF EUR 8 billion is consolidated. My point was that, I mean, the net figure is the same figure we had last year because, I mean, we are incorporating new partners, not to reduce our effort to invest and to create value. I mean we are increasing our effort of transforming the company, and we are maintaining the previous investment effort that a single Repsol half. So the gross figure, that is the real figure, the figure this fully consolidated number is EUR 5 billion, as you mentioned. You are right.

Going to the second one. Yes, the EUR 8 billion cash flow from operations includes the windfall tax and any changes in working capital. Starting from the working capital. It seems to me that this year at $80 per barrel and $4 million BTU Henry Hub, we are not going to see any significant working capital change over the whole year. In any case, this EUR 8 billion is including any change in working capital.

Going to the windfall tax, I said I don't understand the position of the Spanish market regulator because it's not fair, it's not accurate because this effect of this levy was produced in 2022. So my duty is to defend the clarity and transparency in the accounting of the company. I don't understand the reasons of the Spanish regulator but saying that, I mean, I have to apply where the Spanish regulator is selling. So we are going to include this EUR 450 million this year in our accounting but remember, because we had to take into account last year in June, when we calculated the future flows, cash coming from the refining the impairment test the effect of this tax, you are not going to see any material change in the accounting in P&L this year.

You probably will see next quarter. I mean, a reduction of provision EUR 360 million, EUR 370 million, something close to this figure and a negative effect of the EUR 450 million that is, I mean, growth, the regulator is saying, and we are going to apply. Of course, saying that, you are going to see a cash effect for this EUR 450 million in 2 payments over the whole year. And this forecast of this cash payment is already included in this EUR 8 billion figure in order to calculate the cash flow from the operations. Thank you, Matt.

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

Our next question comes from Ignacio Doménech at JB Capital. Ignacio, are you there?

Ignacio Doménech - *JB Capital Markets, Sociedad de Valores, S.A., Research Division - Associate*

Yes, apologies. Sorry I couldn't hear you. So just 1 quick question on your distribution framework. Maybe if you could remind us what's the relationship between share buybacks and cash dividend and how we should be thinking going forward essentially with what level of share buybacks are you comfortable with? Do you have any specific target?

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

My second question, coming back to the refining outlook. I was wondering if you have any visibility of the number of cargoes being expected from Venezuela. This is factored into your outlook? And maybe if you could quantify what's the impact on the $9 refining margin expected for the year?

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

Ignacio, thank you. I mean, starting with the first one, the cash dividend has increased to 11% for this year, 2023. This EUR 0.07 per share. And that is going to stay this year. Of course, we talked about the cash dividend for 2024 in October after the reflection in our Board about that. What we are going to do is, I mean, I'm comfortable taking -- the cash flow from operations and taking the 30% of this cash flow from operations and taking the higher range of that, as I mentioned before. And this cash is going to be this 30% distributed to our shareholders. So that means that more or less the addition of cash applied in the share buyback for us, the cash dividend will be fitting this figure of the 30% of the cash flow from operation.

And today, I mean that is going to depend, as I mentioned before, of the evolution over the year. I mean, in case of going on in the current cash generation we are seeing now in our businesses this year that probably we launched -- we announced a potential new program in July, presenting the results of the second quarter, and we'll have to see in October, if there is room for (inaudible) or no, depending, as I mentioned before, the evolution of the macroeconomic scenarios over the year.

I mean, going to Venezuela, you know that we have had past cargoes over this year 2022. I mean we entered last May after the change of the EU administration, I mean, allowing the assumption of Repsol's lifting operations from Venezuela with this payment in kind for the deliveries we do natural gas, I mean, we enter a new scenario, a new arena. It seems to me that there is room and there is space to go on over the whole year.

In this new dynamic, we started in the midst of May 2022. I mean in our table to define out how many cargoes and so on. But the point is that, I mean, we are on track. We are working in and we start a new pathway in May that with a high probability system is going to go on. The impact on the indicator refining margin, I mean, perhaps is a technicality, not exactly an indicator refining margin because, I mean, in the case the refining margin is going to stay depending on the spreads of these preferences in the market. But if we are able to process more heavy oil than expected, we are going to have a higher premium over this refining margin. Remember that this fourth quarter, the gain on this margin has been above $2.9 per barrel figure.

It seems to me, and if I'm making a mistake because the figure I have in mind yesterday analyzing in our Board, the performance of January this premium was over $4 per barrel. The premium over the figure I mentioned before of $18.3 per barrel of refining margins. That means that in case of having more heavy oil, Venezuela will be, of course, good news. But of top on that, sorry, we are able now to process more Maya that we were processing before because we have more access to Maya heavy oil, we are getting some other heavy oils from Canada, from Latin America, Colombia, from Brazil, from Africa and so on. I mean we are opening these possibilities, and that is good news because the capacity we are going to have to bet the value margin to be above this figure and to have a higher premium this year are going to be higher. Muchas gracias, Ignacio.

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

Our next question comes from Henry Tarr at Berenberg.

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

Henry? Are you there?.

Henry Michael Tarr - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

Just 2 quick ones, actually. Are you seeing any impact on farm down economics from rising rates in the renewables business? I guess that's the first question. And then the second one would be just on the EU funding, under which scheme was the finance for the C43 plant delivered. I guess

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

you're still looking for funding for the electrolyzers and the Ecoplanta project? It's sometimes tough to see how the money from the various parts of the EU were sort of flowing through or not to businesses.

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

So thank you, Henry. I mean, going to your first question, yes, we are seeing impacts on renewable business. But let me say that this impact in general terms are positive for Repsol. I mean, are positive because retail (inaudible) or retail developers will find more difficult to develop and fund these projects. So that -- all that is going to put pressure on their capabilities to rotate these assets because -- I mean, they are going to have more financial difficulties for that. So sponsors and companies with our robust financial position as Repsol has today, I think that we could benefit from this situation with access to financial markets.

And in some way, let me say that it's true that we are also to have a higher financial costs, but at the same time, we are seeing higher PPAs because of the current energy situation. So all in all, let me say that we are not having difficulties to get the ambition in terms of the return of projects we have. And at the same time, we have seen new opportunities to acquire pipeline at quite good prices that is going to allow us to develop our own project. So it's true, we are seeing effects, but we are not seeing any negative effect for Repsol.

Going to your second question, I mean, it's quite complex because we have -- in the case of the C43 project is done. We have European Investment Bank loan. I think that is a 60% more or less of the total figure. That is a figure I have in mind of the total investment, something close to EUR 120 million, I think. In the case of Cartagena and Bilbao, what is called the IPCEI these days, let me say, the framework for the financial of this hydrogen in Europe, they are -- they have been chosen to be part of this program. That means that, that is not automatically giving them a direct subsidy, but is opening the door to be -- I mean, to have a priority in the eligibility of support to these 2 projects, Cartagena and Bilbao.

Going to the Ecoplanta, Ecoplanta is a Tarragona's project where we are going to take the wastes, organic, plastic, paper and so on from the area of Tarragona, urban wastes, and we are going to gassify them to produce methanol, either a feedstock for the cracker or to produce fuels. In that case, this project was qualified in the framework in Brussels of the innovation fund, I mean, technically in Brussels as 1 of the European prioritarian in innovation terms in the energy transition and has direct equity subsidy that is at around 30%, 35%, something like that, of the total investment. That is the figure I have in mind, but I have to check it. Something close -- I'm going to close the figure. So -- Yes, EUR 107 million, excuse me, that could be something below the 30% of the total CapEx, the figure I had in mind was a bit higher.

And that is the full picture about the funding from the European Union. The important thing is not only money, is that -- I mean, Repsol is leading in Spain, the eligibility of projects that are going to lead the energy transition in coming years, and we are proud of that. And of course, this support is going to help us to get in projects that some of them will have some kind of technical risk to get the returns we expect. Thank you. Thank you, Henry.

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

Thank you, Henry. Our next question comes from Maurizio Carulli at Carbon Tracker.

Maurizio Carulli - *Carbon Tracker Initiative - Senior Corporate Research Analyst of European Oil & Gas*

First of all, I have 2 questions, if I may. The first 1 relates to what you have already said about the returns on renewables. You mentioned that real returns on equity will be above 20%. And also, you gave an indication that the real returns on equities for the assets in general, should always be above 10% in your investment framework. The question is, can we get a sense of what real return on equity you are going to get on the electrolyzers plants and also on biofuels, if possible? And ideally, also to have some indication of what would have been the return without the benefit of the debt? So that is the first question. The second question is on emissions. Can we get a sense of what the reduction in emissions you can have for your biofuels with respect to the equivalent traditional fuel in percentage terms in your own plans? Thank you.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

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

Grazie, Maurizio. I mean, going to your first question, returns to renewable the target we have. And we are ambitioning and we are getting -- I mean, as of today, in all the cases is 10% on equity. That is, in some way, our commitment internally to take the investment decision in these assets. As I mentioned before, when we take the three first assets we have in operation, 1 year after being in operation, reality of the return has been 20% over the period. So that's, in some way, target and reality.

Going to the biofuels plant, what we expect from the C-43, the return we expect from C43 and that was in the basis we took when we took the FID of the project is at around 30% of the investment, in the case of the C43.

Going to the hydrogen. I mean we have to take the FIDs of those projects. We are analyzing that carefully. We have to take care of what is going to be the regulation supporting for the use of this hydrogen in our refineries, the European directive, mainly the renewables, the Red III directive and the transposition of this directive in Spain due to what is called the Delegated Act or something like that, that is a transposition of this Red to the Spanish market. I mean taking all these factors we will analyze these electrolyzers.

And of course, our decision would be to invest on them if we are able to be above the cost of capital of Repsol and knowing that there is also an additional effect on the competitiveness of our industrial current refineries due to these potential electrolyzes. But again, we have to take the FID of these electrolyzers and we'll take into consideration all these figures because I'm not going to have you Maurizio. It's going to be a real challenge to make these assets competitive in the current arena with the current power prices and so on. But we'll do our best because we believe in the needs of decarbonizing economy and decarbonizing not only through electricity that is okay, but decarbonizing also the industrial assets of our country and of Europe.

In terms of emission, I mean the analysis we have. And of course, if you want to you could check that in the meeting with our people from the energy transition area and so on with sustainability area. And when we take the advanced biofuels coming from (inaudible) and so on. In the case of the C43, we see a reduction of the total carbon footprint of the fuel after being -- I mean, the total carbon footprint after being burning and so on of something between 70% and 90% of reduction comparing with the minerals over the whole life of the product. But of course, we are ready to check and to have a contrast over these figures. Thank you, Maurizio.

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

Thank you, Maurizio. Our next question comes from Biraj Borkhataria at RBC.

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

A quick follow-up. For your refining division this year, could you just walk us through the planned maintenance schedule and what -- which quarters are heavy, which quarters are light?

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

Yes. Biraj, I'm checking the figures here I have in front of me the whole program. I mean, the turnaround program is going to be a bit lighter what we had last year. The most important turnarounds, I could see they are in the second quarter, we are going to have either Cartagena and Coruña, the hydrocracker or hydro treatment units. In the case of Coruña, I mean, a quite light turnaround program of 8 days of the (inaudible) this first quarter is 34 days, something similar in (inaudible) in the first quarter, also the hydro treatment unit.

And that is marginal because you know that fuel oil is not our main production, but we also have 2 programs for the [best breakers] of Tarragona and Bilbao this first quarter, taking advantage of the current market situation for this -- for the fuel. So all in all, a quite light turnaround program for 2023. We don't have the large turnaround maintenance program we had in the third quarter in Tarragona last year. Thank you, Biraj.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

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

Thank you, Biraj. Our next question comes from Giacomo Romeo at Jefferies.

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

Giacomo, are you there?

Giacomo Romeo - *Jefferies LLC, Research Division - Equity Analyst*

Can you hear me?

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

Yes. Perfectly.

Giacomo Romeo - *Jefferies LLC, Research Division - Equity Analyst*

Sorry, a delay again. Just a quick follow-up on the several questions that have been asked around the timing of potential further tranches of the buyback. Already in 2022, you -- your buyback was heavily skewed towards the second half, I think, over -- around 80% of your buybacks was -- were executed in the second half. What -- and it sounds -- by the sounds of it, it's -- we may actually end up in a very similar situation this year with potentially a second tranche in July and then a third 1 at 3Q results. Just trying to understand what the rationale of ending up with such a concentrated buyback on the second half rather than trying to distribute more the buyback throughout the year? Just trying to understand a little bit more the thinking around this.

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

Yes, Giacomo. I mean -- what we are committing today are 50 million shares. And growth, I'm -- let me say because I know that some of you, you were expecting, I mean, a higher program for today, something close to, I don't know, 70 or 75 million shares and so on. I mean -- and that is okay. But I think that from my side is more prudent to wait to the second half of the year. Why? Because I mean, if you -- we have in case of having, and I'm going to go to a central scenario, we have EUR 2.4 billion, I mean, 30% of EUR 8 billion of cash flow from operation, we have EUR 2.4 billion at the end of the year. And if you take that we have -- 0.9 for the cash dividend, but you have more or less EUR 1.5 billion that could fit more or less with EUR 100 million of shares that could be the central scenario.

In case of seeing, let me say, a pretty good refining margin as we are seeing now and so on, probably in July, we could have in conditions to launch a second program and probably, at the end of the year, we note our program even overcoming the figure I mentioned before. But all that is going to depend on the cash generation of the company. And let me say defining that on February 16, with the volatility we see in the all range of markets and in the midst of our in Europe could be perhaps not very prudent. I prefer, and I'm going to be more comfortable taking this announcement after, of course, approving in our Board in July where probably we could launch a second 1 and depending on the cash generated over the year, perhaps another 1 or perhaps not in October. But I'm going to be more comfortable doing that in the second half of the year. Thank you, Giacomo.

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

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

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

Operator

That does conclude our conference for today. Thank you for participating. You may all disconnect.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2023, Refinitiv. All Rights Reserved.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.