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PRESENTATION

Operator

Hello, and welcome (technical difficulty) first-quarter 2026 results conference call. Today's conference will be conducted by Mr. Josu Jon Imaz, CEO; and a brief introduction will be given by Mr. Pablo Bannatyne, Head of Investor Relations.

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

Pablo Bannatyne - *Repsol SA - Head - Investor Relations*

Thank you, operator, and good morning to everyone joining us today. Welcome to Repsol's first-quarter 2026 results presentation. Today's conference call will be hosted by Josu Jon Imaz, our Chief Executive Officer, with other members of the executive team joining us as well. At the end of the presentation, we will be available for a Q&A session. Before we begin, let me remind you that 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 on our disclaimer.

With that, I will hand the conference call over to Josu Jon.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Thank you, Pablo. Good morning, and welcome to everyone. Last quarter marked a solid start to the first year of our update, 2026-2028 strategic roadmap that we presented six weeks ago in March here in Madrid. And most of you were present here. This strategic roadmap is built on three clear pillars: increased cash flow generation, higher shareholder returns, and disciplined capital allocation, always preserving the strength of our balance sheet.

Since then, since our Capital Markets Day, the escalation of the conflict in the Middle East has had global implication for our industry, increasing volatility across commodities, and reinforcing uncertainty around the near-term economic outlook. Our market environment has since become more complex, shifting from concerns about oversupply risk to a very different context of actual physical disruptions.

The closure of key energy routes has led to a significant tightening of oil, gas, and products markets, increasing price fluctuations and reshaping global trade flows. In this situation, Repsol has remained focused on the safe and efficient operation of its assets, ensuring continuity of energy supply while taking timely and disciplined actions to help mitigate the impact of fuel price volatility to our customers.

As of today, across our assets remain stable and reliable -- all the operations, I mean. With no material exposure to the Middle East, we are well positioned to navigate the current environment and benefit from commodity market dynamics, all that supported by our diversified and resilient portfolio.

Looking at the main developments of the first quarter, in the upstream, we completed the agreement to incorporate the TotalEnergies to our UK JV, creating the largest independent oil and gas producer on the UK continental shelf. In addition, we continue moving forward with our project pipeline, starting production at Lapa South-West and reaching the latest stages of development in Pikka, in Alaska.

In Venezuela, the recent updates in the country could provide a material upside within the portfolio. In the industrial side, the performance benefit from the strong refining environment in March and the increased contribution from trading businesses. Results were partially held back by non-transcended results and time lag effects on product pricing, which are expected to flow through the P&L in coming months in the next quarter.

In customer, activity remained resilient, supported by higher mobility sales and the continued growth of our customer base. In terms of results, first-quarter adjusted net income reached EUR873 million, a 57% increase over the same period in 2025, mostly due to a stronger contribution from industrial. Cash flow from operations stood at EUR1 billion, 2% higher than in the first quarter last year.

Cash generation was impacted by a EUR1.4 billion working capital buildup, mainly related to inventories linked to higher prices and volumes as we ensure full security of supply to our refining system in this complex and volatile environment. Excluding working capital movements, operating cash flow generation amounted to EUR2.4 billion, more than covering investments, interest, and shareholder remuneration in the quarter.

Net debt closed at EUR4.8 billion, a EUR0.3 billion increase over December. Gearing rate here stood at 14.3% and 6.5% if we exclude leases. Shareholder remuneration was aligned with our distribution objectives. The first cash dividend of 2026 was paid in January, amounting to EUR0.5 per share. The second dividend will be paid in July to reach a total dividend of EUR1.051 per share in the full year. And thus, this figure is, roughly speaking, an 8% increase compared to 2025.

Dividends will be complemented with share buybacks to reach our committed 30% to 40% cash flow from operation distribution objective. And aligned with this, the first buyback program of 2026 was launched in March for up to EUR350 million, with additional buybacks to be implemented in the second half of the year.

Looking briefly at the evolution of the main macroeconomic indicators in the period, Brent oil averaged $81 per barrel, 7% higher year on year, moving within a range between $61 and $127 through the quarter, so a strong volatility in the period. The Henry Hub averaged $5.1 per million BTU, 13% higher than in the same period in 2025, driven by severe weather at the beginning of the year and the ongoing ramp up of new LNG export facilities in the US.

Repsol's refining margin indicator was 106% higher compared to the same period in 2025, mostly driven by higher middle distillate spreads since March, particularly diesel and jet fuel. At the exchange rate, the dollar averaged $1.17 in the quarter, an 11% depreciation compared to the first quarter last year in 2025.

Turning now to upstream performance, adjusted net income was EUR302 million, 5% lower year over year, driven by a weaker dollar, as I mentioned before, and the divestments executed in 2025. This was partially compensated by higher gas realization prices and a stronger contribution from equity affiliates. Production averaged 539,000 barrels equivalent per day, in line with the first quarter in 2025.

The higher contribution in the UK, the Gulf of America and Trinidad & Tobago was partially offset by disposals, a force majeur situation in Peru and lower unconventional production due to the extreme solid weather conditions we had in the US, mainly in January and February. Excluding these disposals I mentioned before, production was 4% higher year over year.

In the UK, on March 13, we completed the agreement to incorporate TotalEnergies assets into our North Sea JV. The resulting entity that is named NEO NEXT+ is projected to produce around 250,000 barrels per day in 2026, of which around 60,000 are net to Repsol. In Libya, first-quarter production reached 42,000 net barrels per day, 11% above the same period in 2025, demonstrating the resilience of our operations despite a localized disruption in March. Furthermore, we strengthened our position after being awarded with two new exploration blocks in the first licensing round held in the country in nearly two decades.

In our development pipeline, the volume growth forecast to 2028 will be supported by derisked projects that are already producing or close to first oil. In Brazil, in the Santos Basin, the development of Lapa South-West reached first oil in March. The project features three wells tied back to the existing FPSO, contributing to increase the total production in the Lapa field to 60,000 gross barrels of oil per day, where Repsol holds a 15% interest.

Furthermore, the development of Raia -- Raia, remember, that is the former Campos 33 in the Campos Basin -- entered its six-well drilling phase, representing an important milestone towards the planned startup in 2028.

In Alaska, the first phase of Pikka is mechanically complete and undergoing final commissioning. First oil is expected in -- I mean, in an imminent period, coming days, coming weeks. And key facilities are being integrated with the objective of reaching a plateau production capacity of 80,000 gross barrels per day by the end of July, early third quarter.

In the Quokka unit that is located in the Nanushuk area to the east of Pikka, the successful completion of the first appraisal well earlier this month in April has further delineated the potential of all this Nanushuk reservoir. In addition, our commitment to Alaska was reinforced after securing 42 new exploration licenses in the latest federal round, supporting future development plans in the area.

Finally, in Venezuela, last quarter, we reached a strategic agreement to ensure the continuity of natural gas production in Cardon IV. Moreover, after quarter end, we signed an agreement to resume operational control of the Petroquiriquire oil asset, and this includes plans to increase gross crude oil production in the country by 50% within 12 months and to triple it over the next three years, all under a disciplined free cash flow positive framework for capital allocation.

Our priorities in the country are clear: monetizing current production and increasing our volumes. Within this framework, next week, our Cartagena refinery will receive the first oil cargo linked or associated to the gas production of Cardon since the issuance of the new US export licenses that, remember, we received we were allowed to -- with these licenses at the end of February, additional cargos are expected going forward.

Continuing with Industrial, first quarter adjusted net income was EUR440 million, 233% higher than in the same period a year ago. The improvement was driven by higher contributions in refining, Peru, and the trading businesses, partially offset by weaker chemicals and non-transcended sales. In refining, the better results due to higher refining margins were partially offset by non-transcended sales adjustments, as I mentioned before, and a negative price lag effect, mainly in kerosene sales. I mean, these adjustments are expected to be fully reverted in coming quarter.

The refining margin indicator averaged $10.9 per barrel, roughly in line with the fourth quarter of 2025 and $5.6 higher than in the first quarter last year. The indicator averaged $6 per barrel through January and February, rising in March to an average of $20, driven by stronger middle distillates as a result of the conflict in Iran.

Since the closure of the Strait of Hormuz, diesel and jet fuel spreads have suffered extreme volatility, resulting from the interruption of product flows and tight global inventories. HVO and SAF margins have also experienced a material increase due to the escalation of the mineral alternatives and also because the increase of the regulatory demand of this kind of products.

The premium generated over the indicator averaged $5.7 per barrel in the quarter, mainly due to a better crude and products balance optimization and the contribution of buyers. Let me say that in this disrupted and complex situation, I mean, the margin indicator in some way is losing the capacity to define what is happening in margin terms in the refining system.

So we are going to see this kind of, let me say, exceptional premiums because with the high flexibility of the assets we have, all that is enabling us to efficiently adapt the crude diet. And our products yield to this kind of exceptional situations and disruptions that are happening in the market. That is the explanation, let me say, for this exceptional situation.

Utilization of distillation capacity reached 79% in the quarter, while conversion units operated at 86%. Crude throughputs were negatively impacted by the reduced availability of the topping unit in Cartagena. Remember, the fire we had in January, together with crude supply constraints in January and February due to the severe weather and the storms that were preventing vessels from docking at some of our refineries, mainly Tarragona, Petronor, and Coruña.

The trading businesses delivered a very strong performance in the first quarter. The operating income was EUR343 million higher year over year, reflecting a solid contribution from both crude and gas trading activities. In Chemicals, Repsol's margin indicator averaged EUR174 per tonne in the first quarter, negatively impacted by the sharp increase of raw material costs in March, which was not yet reflected in selling prices.

The situation in the Middle East has tightened the global petrochemical market due to supply constraints and the consequent reduction of production in Asia and Europe. Margins are going through a period of exceptional volatility, especially affecting naphtha-dependent producers with limited feedstock flexibility.

Regarding the transformation projects within our industrial portfolio, the new HVO unit in Puertollano is this week starting the production, becoming our second facility in Spain for the production of 100% renewable fuels. In renewable hydrogen, we approved the construction of our second large-scale electrolyzer to be built in Bilbao at our Petronor refinery and is expected to start up in 2029. Remember that the project has received EUR160 million in funding from the European Union.

Going on now with Customer division, first-quarter adjusted net income was EUR160 million, a 3% increase over the same period in 2025. And this result was mostly driven by a higher contribution from mobility. Cash flow from operations amounted to EUR429 million in the quarter. Sales of road transportation fuels in Spain were 11% higher compared to the same period last year. Non-oil contribution margin in our service stations was 11% higher year over year. So non-oil is increasing step-by-step its contribution margin to our service station business.

In a complex environment of higher fuel prices and significant daily volatility, Repsol strengthens its customer value proposition by doubling discounts that are applied through the Waylet app as well as increasing discounts to professionals and self-employed workers. These initiatives had a direct and positive effect on Waylet registrations and fuel sales.

In power and gas retail, we added 129,000 customers in the first three months of 2026, reaching 3.2 million clients. That is equivalent to a 20% increase year over year. And as a result of the larger customer base, the power commercialized by Repsol was 26% higher compared to the first quarter in 2025. The number of digital clients reached 11.2 million at the end of the quarter, a 17% increase over the same period of 2025 with Waylet as the main contributor. Finally, around 1,600 service stations offer 100% renewable fuels as of the end of March with 62% of our Spanish network already providing multi-energy solutions.

Turning now to Low Carbon Generation, the adjusted net income was EUR4 million negative, a EUR6 million decrease compared to the first quarter in 2025, and results were negatively impacted by lower electricity prices in Spain that more than compensated the higher power production.

The average pool price in Spain was EUR43 per megawatt hour, roughly 50% below the same period last year due to an exceptionally rainy quarter. The power generated by Repsol increased by 57% year over year due to a higher contribution from combined cycles and renewables. Wind and solar production reached 2.3 gigawatt hour, 80% higher comparing with -- compared to 2025.

Renewable generation capacity under operation reached 6 gigawatts by the end of the quarter, thanks to the startup of new capacity in Spain and the addition of the last part, 133 megawatts of Pinnington solar farm in the US that is now reaching its maximum capacity of 825 megawatts.

Finally, we continue to execute our asset rotation strategy. In the US, the divestment of our stake in Outpost agreed in December was cash in, in the first quarter. And the rotation of Pinnington is expected to be launched over the course of 2026. And in Spain, we are progressing with the second phase of the rotation that was launched in 2025.

Moving now briefly to a summary of the financial results, in this slide, you may find an overview of the figures that we cover today. And for further details, I encourage you to refer to the complete set of documents released this morning.

Regarding the outlook for the rest of the year, let me say that it is the most complex part of my speech. Because first, I mean, what is known, April production has been impacted by the planned turnaround of Peru LNG liquefaction plant and now almost complete, which is factored in our budget. Full-year production guidance remains in the range between 560,000 and 570,000 barrels per day, and that is driven by the increased production in conventional that is already happening and the start-up of Alaska.

In refining, diesel and jet prices are expected to remain strong in the second and third quarters, even in the case of the reopening of the Strait tomorrow. Moreover, the drawdown of strategic reserves implies that inventories will need to be refiled, boosting European diesel demand into the second half of the year.

The refining margin indicator has averaged $11 in April and the current scenario of refinery maintenance plan for 2026 has been adjusted to prioritize production and feedstock flexibility. The premium over the indicator has averaged above $10 this month, underpinned by the higher share of middle distillates in our mix and increased sales to our domestic market in Iberia.

Strong disruptions in spreads and discounts of our crude slate and products are allowing optimization of our planning and programming, increasing our refining premium to high figures. And with respect to the cash flow from operations outlook -- and I was referring to this outlook when I said that this is the most complex part of my speech. I mean, in light of the extreme level of uncertainty and volatility, we are not providing a revised guidance at this point.

I mean, let me remind you that based on the updated sensitivities under the new reporting model, every $10 increase in the Brent price would translate into roughly EUR250 million of incremental annual operating cash flow on average for the period 2026- 2028. Roughly speaking, it's a bit higher, EUR285 million. But I mean, this year, because the gas component in the production is a bit higher, let me approach saying that could be roughly speaking, EUR250 million.

Similarly, for every $1 per barrel increase in the refining margin indicator, the cash flow from operations will increase by around EUR200 million. You may apply those sensitivities to estimate the expected cash flow from operation under the commodity scenario you deem appropriate. I mean, I don't have the crystal ball that is needed to give you a guidance about the evolution of the commodities over this year in this disrupted scenario.

And that being said, we can confirm that between 30% to 40% of the additional cash generated will be allocated to shareholder remuneration in any case, as I said, in the speech of the Capital Markets Day last month, in line with our capital allocation policy.

To conclude, this first quarter marks a solid start to the first year of our updated strategic roadmap. Our recent Capital Markets Day established a robust framework to deliver cash flow growth with great visibility, increase shareholder remuneration, and maintain a rigorous capital discipline.

Even though the current market environment is clearly more uncertain than what we had at the beginning of the year as the closure of the Strait of Hormuz has altered international trade flows, the economic impact of the conflict solely will depend on its duration, the damage to energy infrastructure that we don't know in the whole dimension, and indirect effects through industrial value chain and financial conditions.

In this scenario, Repsol benefits by a limited exposure to the Middle East and our Tier 1 refining system in Europe, heavily weighted towards middle distillates, output, and production with flexibility to adapt our crude oil diet. In addition, our advantaged location in the Iberian Peninsula provides access to feedstocks and markets in the Atlantic Basin.

The startup of Pikka will provide near-term growth to our upstream volumes while adding a world-class asset to our portfolio with a long-term production plateau. The improved situation in Venezuela, not factored in our projections, is another material upside to our strategic plan. At this moment, we are prudent in our financial outlook, as I mentioned before, subject to the evolution of the macroeconomic scenario in coming months, always maintaining our commitment to distribute 30% to 40% of the cash from operations to our shareholders.

With this, I will turn it over to Pablo as we move on the Q&A. And thank you very much for your attention.

Pablo Bannatyne - *Repsol SA - Head - Investor Relations*

Thank you very much, Josu Jon. Before opening the Q&A I will kindly ask participants to limit yourself to a maximum of two questions. If time permits, we will try to cover more in a second round. To begin, I would like the operator to remind us of the process to ask a question. Please, operator, we'll go ahead.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Pablo Bannatyne - *Repsol SA - Head - Investor Relations*

Biraj Borkhataria, RBC.

Biraj Borkhataria - *Rbc Capital Markets - Analyst*

Hi. Thanks for taking my question, and thanks for the presentation. Just the first one on refining. There's obviously a lot of volatility in that, and you're very well set up to benefit. Could you just unpack the premium as you see it? Can you talk about the biofuels' contribution in the quarter and anything else to note?

And just on the maintenance point you made, should we assume that refining is running at full capacity through 2Q and 3Q through the summer? And then second question is just on the Pikka ramp-up, which you mentioned, I've noticed that those barrels, the Alaska North Slope barrels have been, in particular, bid and trade at very strong premiums relative to other benchmarks. So could you just highlight when you expect to get that project to plateau? Thank you.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Thank you, Biraj. So first, our refining system is running at full capacity. The distillation percentage average in April is 85%- 86%. That is the average of last year. You know that we try to refine or to distillate, better said, the last barrel, giving us a positive margin, looking for the full coverage of the conversion. And we moved as far as we could, the turnaround, the maintenance period. For instance, we had a turnaround period in May in Cartagena to change the catalyst of the hydrocracker. And we moved this maintenance to October-November. So that was done.

On top of that, we also had in Tarragona a turnaround that was the place also to first quarter of 2027. So we are going to operate because now -- I mean, it's not only a financial approach. I think that now we have the responsibility as a responsible operator to guarantee that we could provide the products that our hinterland and our customers, they need.

So you know that, for instance, kerosene production is very important for the Spanish economy because mainly in summer is very dependent on the aviation and the tourism season. We have been able, over the last weeks over the last two months, to invest and to change logistics in our refineries to increase our historical kerosene production.

We have increased now 25%. I mean, May, better said, we are going to be prepared to increase now 25% of level -- the level of kerosene we had three months ago in February. We are going to be able to produce 95,000 barrels a day of kerosene in our refining system from May on. That means that we are going to not only to be able to provide our customers; but even more, we are going to be able to offer an additional production to any problem or disruption that could come in the Spanish market from some other operators.

I mean, we are going to be able to provide a 25%, roughly speaking, of the demand we had last year from our kerosene customers. I'm not saying that the game is over because, I mean, we could have tensions in the market. And we could have tensions because, first, the countries sending tourists to Spain, they could have problems to fuel their planes in their countries, in the countries of origin.

Perhaps some of our competitors -- I mean, I don't know the situation, so I can't speak, of course, on behalf of them. But saying that we are developing all the effort to, let me say, squeeze the production capacity we have in this second quarter with our refining system. So you could assume that Biraj, that the refining system is going to work at this full -- not only capacity, I mean, adapting their products to the main needs in the market.

I mean, again, as I said before, now the margin is not exactly the best indicator, the best KPI to follow what is happening. But I mean, even if tomorrow -- and that will be great to see that the Strait of Hormuz is getting fully operational. I mean, I think that this year, as average, we are going to see even in a full normalization of the situation in a good way, a refining indicator that is going to be probably above $9 a barrel for the whole year. And a premium that seeing the figures that we are experiencing now and even seeing a normalization in two months, probably the premium is going to be above $5 for the whole year.

So -- and we are, of course, prepared to take and to capture these margins. I mean, going to Pikka, I rely on the operator, Santos. I can't add more to the information that was provided last week by Santos. We fully agree with -- because, I mean, our technical people is engaged in the technical team of the operations.

I mean, all the mechanical part of Alaska, where mechanical is fully completed, commissioning activities are almost finished. They are progressing well. First sales revenues are expected, roughly speaking, in two months. And the plateau capacity of 80,000 barrels a day, gross, of course, is expected in July. So that is, roughly speaking, the approach I could give you about Pikka. And let me say that the first oil is imminent. Thank you, Biraj.

Pablo Bannatyne - *Repsol SA - Head - Investor Relations*

Sasikanth Chilukuru, Jefferies.

Sasikanth Chilukuru - *Jefferies LLC - Equity Analyst*

Hi. I'm afraid I also had a question on the $10 premium to the indicated refining margin. I specifically wanted to check on one key factor that you had highlighted. You talked about spreads on the discount and discounts to the crude slate, which seems a little different from what we are hearing from your peers. I just wanted to understand what your crude slate was, how this -- you're getting these discounts, I suppose? And also if the Venezuelan barrels and the cargos are going to make any material impact or they're already factored in this, yes. Thanks.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Thank you, Sasi. I mean, I know that it's perhaps -- and I'm sorry because, I mean, the complexity of what I'm going to explain -- and that is my problem; it's not yours -- it's not easy at all. But again, I mean, when you -- we take the refining margin indicator, what we are taking is the structure of a slate and the structure of yield of products and the conditions we have and we see in the market, and we budget that for the whole year.

What is happening now, for instance, I mean, you know that our exposure to Middle East is tiny, but we have a 6% of Basra oil that -- I mean, when you introduce in our refining margin, the Basra, I mean, because it's very complex crude oil to be bought today in the market. I mean, the premium over this crude oil is extremely high.

So we are not, of course, using Basra in our system. We substitute the Basra by heavy oils with strong discounts coming from Latin America. So all that is improving in a dramatic way. I mean, we are taking in a very volatile situation. We have extreme opportunities to optimize the refining margin indicator that are not there every day because you have, let me say, very heavy oil. You have residues with -- because the Brent price is very high. You have heavy oils that are competing probably with fuels and some other products that today could be in relative terms, extremely cheap.

And because the high conversion capacity we have in our refining system, we are taking advantage of this crude oil. So we are, let me say, beating in a clear way the refining margin indicator. Going to the yield of products, again, I mean, remember, we were producing, roughly speaking -- I mean, don't take the exact figures. But we could be producing 350,000-360,000 cubic meters of kerosene per month at the beginning of this year. And that was budgeted in our refining margin indicator.

What is happening now, thanks to the investment we developed over the last two months, either operational, either logistics in some of our refineries in May, June, we are going -- from May on, we are going to be able to produce 560,000 cubic meters of jet per month. What is happening with these figures that because the spread of the jet is significantly higher than the spread of the alternative products we were producing in a refining margin indicator, we are going to improve in a dramatic way the refining margin indicator through the premium.

I mean, you are seeing this premium. I mean, $1 per barrel of this premium is coming from this change or this increase in the jet production. So you could say, okay, please change the margin indicator because all that is going to be more simple. That could be an option. But I'm even discussing with my own team because we don't know in this volatile situation what will happen in May or in June. So perhaps we have to change twice the refining margin indicator over the quarter.

So at the moment, please, what is real is that the refining margin indicator plus the premium is reflecting the real margin we are capturing. The refining margin indicator is, let me say, the theoretical construction that works in a normal situation, in a normal way. And the premium is what we are capturing above this, let me say, refining margin indicator. I know that it's complex. But again, I don't have another way to explain that.

Saying that, when I said before to Biraj that even in the case of opening tomorrow Hormuz, we are seeing a minimum of $9 plus $5. That means that we are seeing a total refining margin over the year, even if situation is normalized tomorrow, probably above $14 a barrel for the average of the whole year. Thank you, Sasi.

I'm going to Venezuela. I mean, again, the Venezuela cargos, structurally, they don't improve the refining margin because if I have to assume that we are buying the Venezuela cargos at the same, let me say, fair discount, fair value that the Colombian Castilla, sorry, or the Mexican Maya or the Canadian heavy oil -- that is theoretical, of course. But if there is more heavy oil in the Atlantic Basin, I mean, from Venezuela, from Canada, from Colombia, from Brazil, from Mexico and so on, the equation supply/demand of heavy oil is not so tight. So the discounts are higher.

So let me say that not because one or two cargos are coming to our refining system, but because there are more heavy oils thanks to the Venezuela recovery, and I think that is important to see that Venezuela in social and economic in production terms is starting to recover after January, where a new opportunity for Venezuela started. So I have to assume that in some way, having a good access to heavy oils is good for our refining system. Thank you, Sasi.

Pablo Bannatyne - *Repsol SA - Head - Investor Relations*

Alastair Syme, Citi.

Alastair Syme - *Citi LLC - Analyst*

Yes, thanks, Pablo. Josu Jon, I wanted to ask about biofuels. I think from memory, your biofuels investments are based on a 15% hurdle rate and a EUR275 tonne of HVO versus feedstock I just really wanted to confirm those assumptions and ask with current margins, I guess, around 5 times that level, if that's having any impact or discussion in Spain about how RED III gets implemented? Thank you.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Thank you, Alastair. First, I didn't say before that in this premium, a part of this premium is also coming from the bio component that nowadays that is included in this premium. And as I mentioned before, it's significant. I mean, when we prepare the budget of the year, we assume, roughly speaking, for this year that the HVO minus UCO margin could be at around $850, $875 per tonne. And those figures, roughly speaking, the margin for this year, I mean, we have to take into account that Puertollano is starting the production this week. So I mean, we missed from January to April, the Puertollano's production.

The EBITDA for this biofuel industrial business could be at around EUR90 million. And we have to add another EUR25 million from the trading area and EUR25 million from the client renewable fuel EBITDA. So roughly speaking, we had budgeted EUR140 million for the bio business as a whole, I mean, taking, let me say, the comprehensive view of the business for this year.

We have to take into account that today, we could have EUR570 million, roughly speaking, of capital employed in this business. That is important. You know that when we talk about EUR570 million, we are taking the C43, I mean, Cartagena, Puertollano, plus what is now in the investment pipeline in the Ecoplanta. And that is, of course, still producing.

If we take the average as of today, so it could be $1,450 per tonne of HVO minus UCO. At those prices, roughly speaking, the industrial EBITDA, I mean, if we maintain this average over the whole year could be at around EUR220 million, roughly speaking. And if we include trading plus the commercial side, we will be talking about EUR270 million of EBITDA. That is, roughly speaking, almost close to half of the capital employed in this business. So that is the best picture I could provide you today, Alastair. Thank you.

Alastair Syme - *Citi LLC - Analyst*

Just to jump, I mean, obviously, the return on investment that's -- the return on investment of that's huge. And does that provoke any discussion in Spain about RED III?

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Discussion about RED III, yes?

Alastair Syme - *Citi LLC - Analyst*

Well, just implementing?

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Alistair, you are right. I mean, let me say that there is a roadmap to increase this demand that is mainly linked to mandates in the framework of the RED III. I mean, if we take -- I don't have all the figures in mind, Alastair, Alastair, sorry. But if we take the potential demand in Europe this year could be a 30%, 35% higher than the demand we had last year due to the application of European directive.

On top of that, we could expect some additional impacts coming from the change of the concept of the double counting in Germany that they are also to increase the real demand and so on. So on the other hand, you are going to have also, I mean, new capacity entering in the system that in some way is going to balance all that.

We have to take into consideration, Alastair, that the price of the HVO is in some way depending on two factors. The first, we can't forget that the HVO is also competing with the mineral diesel. So there is a component coming from the mineral diesel that is also, in some way, contributing to forming the price of the HVO. And you have a premium delta that comes from, let me say, from the nature of the bio market.

So in this sense, about RED III, I think that increasing the mandates of RED III could, in some way, increase this delta. From the Repsol point of view, let me remind you that with the new plant of Puertollano, we are only providing a 70% of our own sales with our customers of biofuels. So we could have even in a prudent way, some kind of room to increase a bit our production, taking, let me say, a limited risk. Thank you, Alastair.

Pablo Bannatyne - *Repsol SA - Head - Investor Relations*

Michele Della Vigna, Goldman Sachs.

Michele Della Vigna - *Goldman Sachs - Analyst*

Thank you, and congratulations on the strong results in such a volatile environment. I wanted to ask two questions, Josu Jon. First of all, I was wondering if the current better macro environment makes a potential liquidity event over your E&P business more or less likely. On one side, you will probably get a better valuation. On the other one, the company is able to generate a higher free cash flow in the near term. So I was just wondering how you're thinking about that.

And then second, perhaps a bit of a difficult and unfair question. But I was wondering, do you have in mind a number of months whether -- if the Strait remains closed, you would end up finding it difficult to have enough feedstock to feed into your refineries. Clearly, this is not just about your refiners. It's more about the global balances. But do you have in mind a kind of duration that would really start to put the feedstock to the refining system at risk of shortages? Thank you, Josu Jon.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Grazie mille, Michele. Going to your first question, I mean, I'm going to be crystal clear about that. Now I'm not in a hurry to jump into a liquidity event in this context. We have -- and let me say that the two partners of the business, Repsol and EIG, we are fully aligned on this perception.

In technical terms, we are fully prepared. All the -- I mean, reporting, adaptation to SOX, I mean, all this, let me say, this burden, we have to work in to prepare the company to be prepared to go to the American market. All that was done. But going to the fundamentals, I mean, I think that we are very comfortable in this 2026 year, not jumping into this liquidity event.

I'll try to elaborate. We are convinced that the upstream, the quality of the upstream, we have -- and not because the commodity prices and so on is better than what we had three months ago or six months ago.

I mean, with Venezuela derisked with any significant increase showing to the market that we are increasing the production -- oil production in Venezuela with all the support of Venezuelan government and all the support also of the American authorities -- with -- seeing that the payments of the gas we produce in Venezuela to help to stabilize the country, they are -- got in a regular and good way with Alaska producing in a good way.

With Quokka, the results we are seeing in the wells in Quokka in Alaska, giving us new expectations about Alaska. Preparing the FID of Pikka 2 for the beginning of 2027, I mean, when we take all that, the perception we have is that, I mean, decoupling, the commodity scenario, we are going to have a better upstream in three months, in six months, and probably in one year on from now.

So if we take this analysis, I'm not saying that is right. I'm saying that is our analysis and is our expectation. So we are comfortable in the current situation. And let me say that we are not going to jump to a liquidity event in the short term, Michele. Going -- and I mean, the better valuation, you know the M&A world probably as far as I know or better, probably.

And you know that -- I mean, these temporary circumstances are not changing in a dramatic way the valuation of our business because an investor is seeing the long-term view of the business. So we are improving the fundamentals. So I think that this view is in our mind, more important than taking, let me say, the opportunistic advantage of seeing the oil price high to jump into the market. So that's our view.

Going to your second question, I mean, probably -- and I have had the opportunity to talk to most of you in -- most of you, I say, the analysts, you are today following this conference in a personal way over the last eight weeks, even when we were -- most of you were here in Madrid and we were having a coffee after the Capital Market Day and so on. And you know that my view has been, let me say, I have had from the very beginning, a concern about what is happening in the market related to the situation in the Middle East.

I mean -- and I'm going to say that quote of never say never. I think that what we are seeing in the market is so disruptive. I mean, it's unprecedented that we could see, let me say, disruptions that probably we haven't experienced in any time in our lives. Saying that, we are more protected. I mean, I'm not going to say never, but we are more protected than others, Michele.

And the reason is, first, because, I mean, in logistic terms, we are fully dependent on the Atlantic Basin, North America, Latin America, West Africa and a bit of Northern Africa, Algeria and Libya, and a bit of North Sea. So we are, let me say, in the more robust and safest part of the supply chain.

I could imagine a war with a crude oil disruption, yes, because, I mean, we are missing probably today 11 -- I mean, following your company owned estimations, 11 million, 11.5 million barrels a day, adding crude oil plus products. And I mean, we can't sustain the world situation. So we have to -- if this situation goes on, the only solution is the destruction of demand.

And probably, we are going to see, in this case, you are analyzing, I mean, the -- and/or moves that could remain closed for more time. Probably the demand is going to show some kind of elasticity to price. So in that case, perhaps countries or areas, and I think mainly in Asian countries, they could have more difficulties to get the supply, not only because of the logistics, also because of the price.

Because, I mean, today, we are seeing countries like Pakistan, Bangladesh, Philippines and some others that they have real difficulties to provide or to have the oil. So I think that we are not going to suffer this oil restriction.

And because we have a strong refining system, and I'm not only talking about, of course, Repsol, but in Spain, I have to -- I only have positive words to my competitors like Moeve, BP, and the other companies with assets in Spain or Galp in Portugal. I think that in the Iberian Peninsula, we have a real privileged situation to resist the situation of guaranteeing the supply in a better way than some other countries in Europe. Saying that, I mean, I can't say never because it's going to depend on the evolution of the situation.

Pablo Bannatyne - *Repsol SA - Head - Investor Relations*

Alejandro Vigil, Santander.

Alejandro Vigil - *Santander - Analyst*

Yes, hello, good morning. Thank you for taking my questions. The first question is in continuation with these comments about this second energy crisis in five years. In the previous one, there were several European countries taking an interventionist view, market intervention, price caps. If you are seeing a similar potential risk of market intervention in this context? That will be the first one. And the second one is about the blackout in Spain last year. How is the situation in terms of potential compensation or which is the amount you are claiming insurance? What can you tell us about that?

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Gracias, Alejandro. Thank you so much. I mean, you mentioned the previous crisis of 2022. First, I mean, let me say that the nature of both crises is fully different, mainly for our market, for Repsol. Because in the Ukrainian crisis, Ukrainian invasion crisis, better said, we didn't lack in Europe a single drop of oil products over this crisis because all the Russian products were diverted towards China, Asia, India, I mean, some other geographies. And now what we have is a real problem of supply, a product restriction.

Remember that at that time -- you perfectly know because you are a Spaniard. In November 2024, there were proposals at the Spanish Congress to reintroduce similar mechanisms for the energy sector from 2025 onwards. And these proposals, they didn't succeed because they lack the parliamentary support in Spain.

In the European level. Remember, that at that time, there was some kind of approval of some kind of windfall tax that was called contribution. And we are not seeing at the moment a real aim to approve such a measure in the European level. But let me elaborate perhaps a bit more. We are now in Spain, as I said to Michele some minutes ago. We have reinforced supply system, thanks to companies like Repsol, Moeve, BP, Galp. That's Galp in Portugal that invested hard in the refining system.

So in the case of Repsol, we have invested EUR15 billion in our industrial business in Spain since the financial crisis of [2008]. And on top of that, I have to mention that we have invested more than EUR1.4 billion in the last weeks to guarantee the supply of kerosene to guarantee the Spanish tourism season. I mean, if you suffer the losses from time to time, and every time you have profits, you suffer from confiscation.

I mean, you are not going to invest anymore, of course. You are not going to invest in working capital to guarantee the supply if you don't have the incentive of profits, the legitimate incentive of making money. So it seems to me that introducing an extraordinary levy on the energy sector will be not only unjustified and counterproductive. I think that it will undermine the security of supply and erode the competitiveness of European industry at this critical moment.

I mean, if we take also into account that over the last 15 years, at 20% of European refining capacity has been shut down or idle. I mean, a new levy will accelerate this trend, increasing the dependence on imports and in some way, also reducing the security of supply. So from my point of view, this kind of debates, they create regulatory uncertainty, they divert resources away from investment, and also they put at risk the projects we need to decarbonize our industry and our economy.

And of course, the risk is worsening, the risk of security, of supply in coming months in Europe. So I tend to think, Alejandro, that this kind of confiscatory levies are not going to appear this time, neither in Europe nor in Spain.

Going to your second question about the blackout that you know that is a trending topic in the Spanish media these days. I mean, we know exactly what the consequences of the blackout were for Repsol. Remember that we talk about different incidents: a first blackout impacting in Cartagena, another disruption, nothing to do with that in Puertollano related to a distributor.

I mean, if we go to the major blackout on April 28, one year ago, which shut down our operations for days at five refineries and three petrochemical sites, remember that I explained before that we experienced a similar event in 2016 in Bilbao in the Petronor refinery. And in 2022, the Spanish Supreme Court issued a decision confirming full compensation for Repsol's affiliate, Petronor, that was EUR18 million for the 12-minute blackout we suffered at that time that stopped our operations in the refinery for four days. And we were fully compensated.

I mean, roughly speaking, this EUR18 million is close to the impact on each of our refineries from the blackout we suffered in April. We estimate a recoverable amount of EUR105 million in the legal claim we are entering in. So we are fully committed, Alejandro, to seeking legal accountability from those responsible for these events. And we initiated this legal process last week.

And I mean, before entering in any lawsuit, the law requires the opposite party to be invited to seek a settlement. And in this sense, I mean, last week, Repsol already was complying with this legal requirement. And we sent formal notices, what is called burofaxes, to Red Electrica and to the distributors with which our industrial centers, they have contracts. And if this prior attempt dispute resolution is not satisfactory, Repsol will formally file the corresponding lawsuits to all these companies.

And let me say, I rely on the Spanish justice system. I believe we have a solid and reliable judiciary. In the end, we will be compensated as we were in the Petronor case. But let me say, and I finish Alejandro, that probably the court task may be somewhat more complex this time because the regulator, the CNMC, didn't fulfill, from my point of view, its duties in an efficient way.

Because I have the impression that the regulator, the CNMC, has applied what is called in Spanish, la teoría del ventilador, we could say -- describe that in English as an scattergun approach. And it has mixed very serious issues that affected the supply, allegedly caused by the system operator, with dozens of alleged deficiencies over a two-year period. And all that is creating confusion.

Perhaps that is what the regulator intended, I mean, to give the impression that it's distributing blame. I mean, however, a technical reading makes the responsibilities much clearer. So again, we have a solid judiciary. Spain is a democratic and solid state where the rule of law works. And I'm convinced that the truth will prevail and Repsol will be, at the end of the road, fully compensated. Gracias, Alejandro.

Pablo Bannatyne - *Repsol SA - Head - Investor Relations*

Guilherme Levy, Morgan Stanley.

Guilherme Levy - *Morgan Stanley - Analyst*

Hi, hello, thank you for taking my questions. Maybe showing the refining crude procurement debate, could you perhaps, even if just qualitatively, share with us how much of your crude supplies currently come from purely spot transactions versus how much they are coming from perhaps the benefits of your long-term relationships with different players in LatAm?

Because I wonder if that's also playing a role here in your ability to source crude maybe better than peers. And then secondly, thinking a bit more about upstream, perhaps pick your brain about short-cycle investment opportunities that you could now pull the trigger on in light of the higher oil and gas price environment? Thank you.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Obrigado, Guilherme. Going to the refining, roughly speaking, 80% of our supply comes from long-term contracts and 20% is spot. But I mean, saying that we don't see -- I mean, that is not our mainstream case. We don't see any kind of concern to supply our refineries. I answered before, I think that it was to Michele. I mean, we could see disruptions. I'm not going to say never because things could be worse. But I mean, in the current situation, I think that price is going to be the concern. Price is going to be a problem, but we are going to be able to supply our refineries in our central case in a normal way.

Going to the upstream -- only -- I mean, you mentioned that we have short-cycle opportunities to invest due to these prices. I mean, you have three ways, let me say, to increase your production in a structural way: first, M&A and today is not the best moment to buy; secondly, exploration. Exploration, the results are going to come. And we continue exploring as we demonstrated with the Alaska bid where we were granted in 43 new leases, new licenses.

And the third one is the unconventional. And of course, in the unconventional, we are taking flexibility to improve our position. So if we take the figures of the first quarter and we compare with what we have over the whole year, we are going to increase in 22,000 barrels a day our unconventional production, but you have to take into account that there are two effects here.

First, because the cold weather, probably we were producing 10,000 barrels a day less in the first quarter because the cold we have in Marcellus and Eagle Ford and the increase of new parts that we are going to take advantage of them to increase our production over the year. All in all, 22,000 barrels a day of increase over the whole year in the unconventional, if we compare with the first quarter.

If we take that, we take the Peru incident, we take the ramp up of Leon-Castile, plus Alaska that is going to come plus Lapa South-West for that reason, we are quite comfortable with the guidance of 560,000, 570,000 barrels a day for the whole year. Thank you, Guilherme. And today -- I mean, this morning, that is not -- I'm not going to extrapolate today's production to the whole year. But this morning, we are producing 570,000 barrels a day in our system. Obrigado, Guilherme.

Guilherme Levy - *Morgan Stanley - Analyst*

Perfect. Gracias.

Pablo Bannatyne - *Repsol SA - Head - Investor Relations*

Fergus Neve, Rothschild & Redburn.

Fergus Neve - *Rothschild & Co Redburn - Analyst*

Yes, hi there. Thank you very much for taking my question. Two for me, if I might, please. Just first on chemicals, you talked to a tighter petrochemical market in your slides. Could you just give us any color on how the chemicals business has been performing this month and whether it's been able to kind of start capturing those margins, please?

And then secondly, can I just ask what you're seeing in Iberia in terms of fuel demand at your retail sites given the current price environment? Do you expect to start seeing demand destruction if prices remain at current levels? Or do you think they need to move higher before you would see any meaningful destruction start coming through? Thanks.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Thank you, Fergus. So going to your question, first, in the short term, the chemical business is performing in a bad way. And I tried to elaborate. And that is behind also the -- you could see the impairment we have introduced in a prudent way in our P&L this quarter. Because, I mean, the huge increase of raw materials, naphtha, LPG, energy, natural gas, plus -- I mean, we are not able to translate these prices to our customers. I mean, the plastic producers from the -- I don't know, the automotive sector, the food sector, and so on.

So what we are seeing in the short term is a worsening of these margins because this short-term situation, that has, in some way, pushed us to be prudent in terms of the book value of the chemical business in our company. Saying that, we are fully focused on putting in operation the new projects that are going to give us additional margin, the ultra-high molecular weight polyethylene plant in Puertollano, the derivative chemical business in Sines, plus the electrification of the crackers, as I mentioned before, plus the splitter of propylene in Petronor that is starting this second quarter its operation.

With all the cost measures, improving the logistics and so on, we are enforcing. I mean, yesterday, we have the Board meeting, and I maintain my commitment to the Board yesterday that in 2026, we aim to have zero EBITDA, a neutrality of EBITDA in our business, in our chemical business. And we aim to be positive in our operational results in the EBIT in 2027. So we are fully focused on that.

And when we go to the Iberia fuel demand, what we are seeing in the first quarter and in March and in April is an increase of a figure that is close to 10%. 10% in the first quarter and 3%, 4% in April, roughly speaking. And that is curious, Fergus, because it's counterintuitive.

But remember, I don't know what is going to happen. So I don't want to -- I don't have a crystal ball. But I only introduced a variable in the debate. We have -- Spain received 100 million visitors a year. We are after France, the second country receiving visitors in the world, and in revenues, the second one behind the US.

So I think that we are going to see a twin phenomenon this summer in Spain. And I don't know what is going to prevail. I think that the global tourism probably is going to suffer because, I mean, aviation prices, lack of security in the world, and so on. But on the other hand, Spain is a tourism destination more secure, safer than some others. And it seems to me that many Northern European citizen, they are going to take the decision instead of going I don't know where. And you could imagine places, and I'm not going to mention any country -- to come to Spain.

So we could have a positive effect on the Spanish tourism. I don't know what is going to prevail. But taking into account this reflection, we don't see today a reduction of volumes in our Iberian business. What I'm saying for Spain, I mean, it's also replicable for Portugal that is, I mean, as attractive as Spain in tourism terms. Thank you.

Fergus Neve - *Rothschild & Co Redburn - Analyst*

Brilliant. Thank you very much.

Pablo Bannatyne - *Repsol SA - Head - Investor Relations*

Henri Patricot, UBS.

Henri Patricot - *UBS AG - Equity Analyst*

Hello, everyone. Yes, two questions, please. Two questions, please. The first one I wanted to ask on Venezuela. Good to see the progress with the payments for Cardon IV. I was wondering if you have had any more discussions regarding the payments for the past production over the past year in particular. And secondly, coming back to a question around short cycle potential upside due to production. I wanted to check on Libya. What's your latest outlook on the production potential in near and medium term? Thank you.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Merci, Henri. I mean, Venezuela, I'm going to be crystal clear about that step by step. Now we are fully committed to collaborate, to contribute to the recovery of Venezuela. And our main contribution to recover Venezuela, taking advantage the opportunity we have in our hands is, first, to stabilize the gas production. We are going to increase up to 10% in coming months, thanks to our debottlenecking process, the gas production in Cardon.

Of course, all that under the agreement we achieved three weeks ago about the sustainability of this production, that means that this year, we have a clear commitment from PDVSA to receive the cargos that are going to pay the full gas we are producing in Venezuela.

And in Petroquiriquire, last week, we signed an agreement where, as paying agents, Repsol, we could be able to manage the oil production, of course, paying the royalties, paying taxes, paying the OpEx and CapEx. Petroquiriquire needs to increase the production and having a percentage -- a fair percentage for the service that the operators, the shareholders, PDVSA and Repsol, will provide to the Petroquiriquire assets.

So that means more cargos to be paid and increase in production, more taxes and royalties for the country, a contribution to the recovery of Venezuela and the social and economic recovery of Venezuela, the political stabilization in a win-win strategy.

From my point of view now -- and of course, we know what is the debt we have with PDVSA. PDVSA knows that. I think that, I mean, a time for that will be open in the future, no doubt about that. But now from our point of view, it's time to do what I mentioned before. And if Venezuela recover from the current situation, if there is any higher production, more revenues, I'm sure that we are going to find windows of opportunity to talk and to try to address this question.

Going to the Libya, I mean, Libya, remember that this quarter, we have been producing 42,000 barrels a day, even taking into account that we have an event of two, three days, an operational event in a pipe that is -- I mean, transporting the crude oil from El Sharara to Zawiya and the refinery in the Libyan Coast. I mean, 42,000 barrels a day could fit, roughly speaking -- and I could -- I mean, perhaps make a mistake with the figure, with 320,000 to 325,000, 327,000 barrels a day.

And the best expectation I have today, gross. I mean, the figure I mentioned now is gross that we could finish 2026 with 350,000 barrels a day. That means an 8%, roughly speaking, of the current production increase. That means that we could be producing something net Repsol 45,000, 46,000 barrels a day in Libya. So an important improvement comparing with the 32,000, 34,000 we produced two years ago.

On top of that, connecting new wells, of course, is the magic for getting these figures. We are exploring. We are now engaging in an appraisal drilling well in Libya. And on top of that, you know that this quarter, we were awarded with two new exploration opportunities, one of them onshore in the Sirte basin and the second one offshore in front of Benghazi in the east part of Libya.

So again, we rely on Libya. Stability is there. I think that the job that -- I mean, General Haftar and the Libyan Army is developing, I mean, to stabilize the country to -- I mean, to reduce over the last year, the impact of any security disruption in the country, including terrorism and so on. It is very important, not only for Libya, not only for the stability of the country, but also for the stability of Europe and the Mediterranean basin. So we rely on Libya. And I think that we are going to have, in the country, I mean, good news step by step in terms of political and social stabilization. Merci, Henri.

Pablo Bannatyne - *Repsol SA - Head - Investor Relations*

James Carmichael, Berenberg.

James Carmichael - *Berenberg - Analyst*

Hi, guys. Thanks for taking my questions. Just wanted to come back on Alaska for a second. I was just wondering, obviously, Pikka looks to be going well. Just wondering if you can provide a bit more detail on the Quokka appraisal, the operator's commentary seem to indicate some positive results there.

And obviously, you flagged winning sort of just over 40 exploration licenses. How important, I guess, do you think Alaska could be to growth going forward? And then just coming back on refining, not to sort of underestimate the achievement. But in terms of that 25% increase in kerosene production you flagged February to May, I mean, is that as far as you can push it? Or is there potentially sort of more upside if you see that as the right way to go further in the year? Thanks.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Thank you, James. I mean, Quokka, the test of the well was really very, very positive. I think that the production was at around 2,800 barrels a day that for a test is an impressive figure. I mean, it's perhaps too early to comment that. But our perception today is that in gross production, Quokka is a new Pikka 1. I mean, what we have in our hands in Quokka is something equivalent to a Pikka 1.

If we take into account -- of course, we'll have to drill new wells to maintain the plateau in Pikka1 in coming years and so on. But we take that. We take what we are seeing in the prospect of Pikka 2. Pikka 2, we are working, in fact, in the FID, the preparation, the engineering preparation of the FID. But of course, our approach, fully shared with Santos, is that -- I mean, it's important to analyze, to see the behavior of the production of the wells of Pikka 1 to incorporate to use all this information to improve the engineering of Pikka 2.

When we take Pikka 1, Pikka 2, where we take FID next year plus Quokka and we put and project this development, I mean, we are seeing in 2032, 2033, a gross production at around 150,000, 160,000 barrels a day in Alaska, so where we retain a 49%. So in some way, Alaska is for Repsol could be -- let me use the term I know that perhaps could be a bit -- I mean, big words, but a bit a company maker for Repsol because what we are growing the way we are growing -- we are going to grow in Alaska is going to add a lot of value to our company.

I mean, I prefer not to say -- not to answer to your question in front of my refining team. Because when I asked to them -- four weeks ago, they developed a huge effort to increase enough 15% the production in Coruña and Petronor. And when I ask to them about going on with this effort, they answer, Josu Jon, that is impossible. I mean, we are achieving the limit.

Three, four days ago, this extraordinary team came to me saying, we have been able and we are going to be able in May to increase in an additional 10% this production. That means that all in all, we are going to increase in at 22%, 25% the previous production we have.

So now my answer is no. We had -- and we got the limit. Because, I mean, in technical terms, it's not easy. Let me say that we increased the logistics. In operational terms, we changed things and so on. But I mean, 95,000 barrels a day of kerosene, it means that is a figure close to 12%, 13% of our total production. It's a very high figure. So my answer will be we can't do more. But again, we are going to do our best to increase this figure, James. Thank you.

Pablo Bannatyne - *Repsol SA - Head - Investor Relations*

Nash Cui, Barclays.

Naisheng Cui - *Barclays - Equity Analyst*

Hey, good afternoon, everyone. Thanks for taking my questions. Two, please. The first one, you delivered very strong trading results in Q1. I wonder if you could provide some color on the trading performance in April and perhaps some of your expectations for Q2, please?

My second question is, Josu Jon, I agree we are in a very volatile environment. But could you just update us on Repsol's current oil and gas hedging positions and how the current volatile environment could lead you to change your hedging strategy? Thank you.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Thank you, Nash. I mean, as far as I know, so April, I don't, of course, talk about the whole second quarter. April is going to be close to March in terms of solid results in trading. And the second quarter probably because it's going to be probably even better than the first one. I'm talking about the trading of liquids because if we go to gas, you know that the gas trading business of Repsol is fully impacted by the American winter.

So you know that January, February, depending on weather, we captured a lot of positive margins because we are able to replace the gas from Canaport towards the New England area, capturing the high margins in the area. So as always, gas is going to be lower in the second, third quarter, and fourth quarter is going to depend on the December weather.

And liquids, probably second quarter are going to be even better than the first one. Hedging, we don't use to hedge the oil. The only exception we have (technical difficulty) $2 per 1 million BTUs, roughly speaking and 5.2 or something similar as a call. And we have a similar color covering 20% of the 2027 production with no cost but only related to Henry Hub production. Thank you, Nash.

Naisheng Cui - *Barclays - Equity Analyst*

Very helpful. Thanks, Josu Jon.

Pablo Bannatyne - *Repsol SA - Head - Investor Relations*

Matt Lofting, JPMorgan.

Matthew Lofting - *JPMorgan - Analyst*

Hi, thanks for taking the questions and doing the presentation. Can I just ask, I mean, obviously, the refining environment is exceptionally volatile. When you look at April, perhaps as an example, could you share a sense of the range in the realized margin that you've seen around the sort of the average that you mentioned earlier, if the sort of the daily range is too volatile and too wide, perhaps? For example, is a five-day moving average or whatever you think is most appropriate?

And then second, I just wanted to ask you on cash flows. Generation in operating cash flow in the first quarter is very, very strong. I just wondered if you could share the extent to which there's positive timing effects in there, perhaps linked to inventory gains that we should be aware of as we think about the cash flow trajectory for the rest of the year. Thank you.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

So Matt, I mean, it's not -- I mean, I agree with your point about volatility, mainly if you analyze the margin indicator, then day after day, when we see the whole picture of the margin, I mean, the indicator plus the premium is not so volatile.

So I'm going to give you the real figures. April, we have an indicator of $12 a barrel and a premium that is going to be at around $15 a barrel. So that means that we could have $25, $27 a barrel for the whole system. And some days, we have seen -- and I mean, probably I have to dip a bit more on -- to dive -- sorry, a bit more on that. But some days because the decoupling between the physical Brent and the financial one, we saw strong decreases of this refining margin indicator. But those days, in real terms, the premium we were capturing was significantly higher.

So all in all -- I mean, there is some volatility as always. But we are seeing a quite constant margin in April that all in all, as I mentioned before, could be at around $12 a barrel indicator and $15 the premium. And we are entering May tomorrow, I mean, under this scenario. I don't know what could happen. It would be great, I mean, to see some kind of -- because as I mentioned before, we could have concerns about the supply and so on worldwide. But the situation today is there.

Cash flow, you are right. The cash flow generation in first quarter was high, and we were very transparent about that that we took advantage of -- to increase our working capital. First, in physical terms, let me say that we have fulfilled all the capacity we have to store crude oil products in our refining system. And I mean, even contracting new capacity and so on, that means that it's not going to be easy for us to increase the physical exposure over the year. I mean, the working capital is going, of course, to evolve depending on the evolution of the price, and that is not in our hands.

But if we -- I mean, decouple this effect, that is, of course, important to guarantee the supply of our customers in this complex and volatile time, we could think that the inventory effect is not going to have any negative influence over the year in terms of tonnes of volume. I mean, we are not going to see changes, and the changes could be only positive. That means -- or neutral. I mean, maintaining the current storage or reducing the level of physical storage depending on the evolution of events.

If we talk about prices, Matt, I mean, I don't -- I can't give you a clue because that is going to depend on the evolution of crude oil price and product price. And that is not in our hands. But I could imagine that the cash flow from operation is going to be pretty good over the year. As I mentioned before, I'm not going to give you a guidance because I'm not able to do that. But remember, we had something in between $5.5 to $6 in an environment where we were talking about $7.5 a barrel of refining margin and $1.5 of premium for the whole year and $65 a barrel for the Brent oil for the whole year.

So if you take the sensitivities that you perfectly know, of course, Pablo and the team will be ready to work this figure with you. And you take the consideration I developed in this conference, probably you are going to have some kind of real clue about the cash flow from operations for the year that, again, is not going to have any negative effect in terms of inventory coming from the volume side. If we talk about prices again, I could give you additional clues. Thank you, Matt.

Pablo Bannatyne - *Repsol SA - Head - Investor Relations*

Paul Redman, BNP Paribas Exane.

Paul Redman - *Exane Bnp Paribas - Analyst*

Hi, guys, thank you very much for your time. Yes, two questions. First one just on CapEx. You've guided to EUR2.7 billion for the year on a net CapEx basis. I just wanted to ask how much divestment or acquisition you're including in that number?

And then secondly, Accelerate EU has come out. I want to see whether you're getting any -- or having any conversations with governments about -- it sounds like you're running as hard as you can around jet fuel, but whether there's any more pressure on Repsol from governments to see if you can go further.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Thank you, Paul. So I mean, the exact figure I give in the Capital Market Day, you are right, it was EUR2.7 billion. I mean, I'm working under the range, EUR2.5 billion. I mean, that's in the middle. I think EUR2.5 billion, EUR2.7 billion, as you mentioned, could be today our best approach to the net CapEx of the year. There is no -- any disposal or acquisition included in that figure. That means that the only, let me say, inorganic thing in this figure is the rotation -- the recurrent rotation of the assets of low carbon.

And let me say that it's working in the right way. If you analyze the cash figure we released this morning with the papers of the results and so on, you could see that even the renewable business, the low carbon business has a positive free cash flow this quarter because this model of cash flow from operations plus investment, we are growing in this business, of course, minus the -- in this case, the cash in coming from the Outpost rotation.

So now we are engaged in the final part of another rotation of 700 megawatts of assets in Spain, and we expect to have a positive result of this process. So things are going to work in the right direction, and we are comfortable with the EUR2.7 billion for the year net CapEx you mentioned before.

We have a very transparent, direct, and positive dialogue with the Spanish government. Because, of course, the Spanish government knows that -- I mean, in any European country, jet is important. But I mentioned before, if you analyze the percentage of the gross domestic product that tourism represents in Spain; and if we go to areas like Balearic Islands or Canary Islands that are fully dependent on aviation, I mean, that is, let me say, in national terms, is fully strategic for Spain, the jet production.

We have a very positive dialogue with -- in this case, with the Environment Transition Ministry and with the Vice President that is leading this ministry. And we are informing them of all this evolution before we are developing the robustness of the refining system in Spain. And in this sense, again, as I mentioned before, I can't say that the game is over because it's not dependent only on Repsol. But Repsol today is ready and could say that we are going to provide all the jet that we provide to our customers last year over the whole summer.

And we have an excess of 30% of this figure that we are ready to work in terms of trying to solve another problems that could appear. And when I say another problems, I'm talking of, for instance, I mean, some other operators that they could have a gap between production and demand or what could happen. As I imagine, a flight, Birmingham-Malaga, transporting British tourists to Malaga. That is quite normal in summer. Nice city, Malaga.

And I mean, if we have the product in Malaga to provide the fuel or the refueling, this company needs to go to Birmingham is okay. But perhaps this company could have in Birmingham a problem to be refueled. So when I say that I don't know if this 25%, 30% of excess capacity is enough, I'm talking about that.

It's true that now there are some kind of restriction in regulation in European level that every airport has to refuel a minimum of 90% of the fuel this plane needs for this flight. It seems to me that -- and we are talking with administration about that that in European level, probably, they have to change this rule. Because otherwise, we could have problems in some European countries not able to fulfill or to enforce this rule.

But again, Repsol is going to do its best to contribute to the Spanish society in terms of guaranteeing the maximum security of supply, not only with our customers, but also thanks to the efforts we develop to provide additional needs. Is that going to be enough? I don't have a full answer, but we are going to do our best in this direction. Thank you.

Paul Redman - *Exane Bnp Paribas - Analyst*

Thank you, Josu Jon. I'll book my Malaga flight.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

I mean, I'm from San Sebastian, but -- from the other side of the Peninsula. But again, Malaga is a fantastic destination. Thank you, Matt.

Pablo Bannatyne - *Repsol SA - Head - Investor Relations*

Christopher Kuplent, Bank of America Merrill Lynch.

Christopher Kuplent - *Bofa Merrill Lynch - Analyst*

Thank you, Pablo. Just two more questions, please, and maybe a view as well. Josu Jon, you were mentioning potentially having to change definitions of indicators versus premium. I hope you don't. As long as you give us the transparency that you're giving us on both, I'm very happy with sticking to the existing definitions.

And to that point, if I could ask one more question on your March data, you told us about the indicator being as high as $20 then. Do you have the data for how high the premium was in March that you were able to extract? That's question number one. And question number two, sorry, a tiny detail, but just wanted to see whether you could give us some insight into the extra central costs that you have recorded in industrial EBITDA in Q1. That sounds like a one-off in your spreadsheet at EUR250 million. But if not now, we can revisit after the call as well. Thank you.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer, Executive Director*

Thank you, Chris. So first, you are right. And again, I have to excuse myself. Because, I mean, the indicator is working in a normal situation. But what we are seeing is fully disruptive, and it's not working. So we -- of course, we are fully transparent, Chris. And you have, on top of the indication on the figures I could provide you here, you have the team of Pablo Bannatyne ready to work with you in terms of providing all the figures you need to follow what is happening.

In March, roughly speaking, the indicator was at around $20 a barrel, and the premium was at around $10 a barrel. In the case of April, as I said before, we could be talking about $12 and $15, roughly speaking. So it's -- the total figure is similar in both months. And behind this $10 of indicator of premium in March is the 5.7 average I mentioned before.

This extra negative central cost that we reflect in industrial, I'm going to try to elaborate. I mean, this is happening every quarter. What is happening now, again, that because the price differences are so high, the impact in the P&L is significantly material this time. And for that reason, we have to explain that.

I mean, imagine that our refining is selling in March 30th, the product to our service station network or to our trading business. And the refining business is, of course, taking the price of this product and what the market is defining that day. But because in March 31st, the last day of the quarter, the product is still in a company included in Repsol Group, I mean, we can't -- in the consolidated figures of the company, we can't take this market price.

We have to discount or to reduce the real price in the market till we are able to sell this product in the market. That probably is going to happen in the service station case in April 1 or 2 and in the trading perhaps 10 or 15 days later. So that it's happening. I mean, it's a rule that is working every quarter.

But this quarter, because the high increase of prices, the effect of this, let me say, extra negative cost is included as a non-transcended operation that is included in the central cost of the industrial area. Be sure that this EUR200 million -- roughly speaking, EUR250 million in March are EUR250 million we take not only Spain, but also Peru. They are going to appear in the second quarter. And if they don't appear in the second quarter, it is because at the end of June, we are still seeing, let me say, a higher increase of prices. Probably that is not going to happen.

The central scenario is that this EUR200 million, EUR250 million of negative central cost plus an additional EUR200 million that they come from the lag in the pricing for the aviation sector that you know that this industry is working with the prices of the month before are also going to appear in the result of April.

And that is perhaps behind the comments that in a right way, some of you did this morning, saying that probably the industrial area result, the adjusted net income was below the -- slightly below the expectation. If you add this EUR400 million, EUR450 million that are going to appear in the second quarter, perhaps you have an answer to your reasonable doubt. Thank you, Chris.

Christopher Kuplent - *Bofa Merrill Lynch - Analyst*

That's great. Very helpful. Thank you.

Pablo Bannatyne - *Repsol SA - Head - Investor Relations*

Thank you, Chris. That was our last question today. With this, we will be bringing our first-quarter conference call to an end. Thank you very much for your attendance.
