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PRESENTATION

Operator

Hello, and welcome to the Repsol's First Quarter 2017 Results Conference Call. Today's conference is being recorded. Today's conference will be conducted by Mr. Miguel Martínez, CFO. A brief introduction will be given by Mr. Paul Ferneyhough, Head of Investor Relations.

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

Paul Ferneyhough ***Repsol, S.A. - Head of IR***

Thank you, operator. Good afternoon, this is Paul Ferneyhough, Head of Investor Relations at Repsol. On behalf of the company, I'd like to thank you for taking time to attend this conference call, setting out the company's first quarter results.

This conference call and associated webcast will be delivered by Miguel Martínez, Repsol's Chief Financial Officer, with members of the executive team joining us here in Madrid.

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

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

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

Thank you, Paul. And thank you to those on the line for attending this conference call on our first quarter results. In today's call, I'd like to cover 3 principal topics: firstly, I'll summarize key messages and the main operational results; secondly, the financial results of the quarter; and finally, an update on our progress towards key strategic objectives.

Starting with the key messages. At the macro level, the first few months of 2017 have seen a volatile and sustained improvement in our market environment, building on the recovery experienced in the second half of last year. Under this scenario, Repsol has continued its transformation, delivering on objectives and accelerating gains from efficiencies and synergies. Based on first quarter results and with commodity price continuing to fluctuate, our overall guidance on targets for the year remains unchanged at the present time.

The first quarter has been strong in terms of EBITDA generation across all division. Our net debt has remained broadly in line with our

December close with a small increase as a result of a build on working capital.

In the Upstream division, volumes were ahead of plan, thanks mainly to higher than budgeted production in Libya. And our exploration program delivered one of Repsol's most important discoveries of recent years in Alaska. The Downstream division demonstrated its strength with the refining business performing in line with expectations and the chemicals and commercial business turning out another solid quarter. Even though a scheduled refinery maintenance limited our ability to generate a premium, the average refining indicator across the period demonstrated the strength of the underlying business.

Let me now go into the main operational highlights from the quarter. Starting with the Upstream division, production averaged 693,000 barrels of oil equivalent per day, a 2% increase quarter-on-quarter and a 3% lower compared to the same period in 2016.

Production volumes were positively impacted by the return of Libyan barrels adding an average of 20,000 net barrels per day in the quarter. Additionally, the normalization of volumes produced in the U.K. North Sea post maintenance in the fourth quarter plus a full-quarter contribution from Lapa, more than compensated for the decline and the disposals of Tangguh and TSP, which close in December. A total of 2 exploratory and 2 appraisals wells were completed in the quarter. 2 wells drilled in Alaska were declared positive, significantly increasing expected recoverable reserves from the existing Pikka discovery. The remaining wells and an additional well completed after quarter end were written off with limited impact on results.

Our exploration program for the year includes a completion of 15 exploratory wells and 2 more appraisal wells. The Horseshoe well drilled during the winter campaign in Alaska's North Slope extended our Pikka discovery and confirm the potential of the Nanushuk formation. The contingent resources are currently estimated to amount approximately 1.2 billion barrels of recoverable light oil from our acreage, of which, Repsol's share is approximately a 40%. Appraisal work planned for next winter will allow us to further define the discovery and to progress the development plan.

In the U.K. North Sea, production at Flyndre started late in March and the startup of MonArb is due in the second quarter. For the second half of the year, we're expecting the Kinabalu redevelopment in Malaysia and the Juniper project in Trinidad and Tobago to commence production.

Finally, in Algeria and Peru, work continues toward achieving first gas from Reggane and Sagari before year-end. Staying with developments, we have recently approved the FID of the Red Emperor project in Vietnam following receipt of state approval and expect first production late in 2019.

Turning now to the Downstream division. In refining, the main drivers of the business remained strong during the quarter. With the margin indicator averaging $10.10 supported by the strength of middle distillate spreads, heavy light crude and fuel oil differentials. This compares to an indicator of $7.20 in the previous quarter and $6.30 in the same period in 2016.

Scheduled maintenance in Bilbao and Coruña impacted distillation and conversion utilization, while reducing the flexibility of our system to generate a premium to the indicator. Planned maintenance in Cartagena starting this week will only partially impact our ability to deliver premium above the indicator during this second quarter.

Our budget for 2017 anticipates the impact of maintenance activities in the refineries and our guidance fully reflects this. The chemical business continued its strong performance, generating an EBIT contribution in line with fourth quarter of 2016. The increase in the price of nafta was offset by increasing international prices, the rest supported by firm global demand. In the commercial business, market benefited from a strong -- continued strong retail environment in Spain, with demand growing modestly year-on-year.

Moving now on the financial results. I'll briefly summarize the principal outcomes of the quarter. First quarter 2017 CCS adjusted net income was EUR 630 million, EUR 58 million higher than the first quarter of 2016. The EBITDA of CCS stood at EUR 1.7 billion, which compares with the EUR 1.2 billion generated in the same period of last year. Net income was EUR 689 million, EUR 255 million higher than in the first quarter of 2016, due to the higher adjusted results in 2017 and the negative inventory effect registered last year as a result of the decline in prices.

In the Upstream, adjusted net income in the quarter was EUR 224 million, EUR 207 million higher than the same period in 2016, principally due to higher realized prices, the resumption in Libya and lower costs. In the Downstream, CCS adjusted net income in the quarter was EUR 500 million, EUR 56 million lower than in the first quarter of 2016.

Finally, in corporate and others, adjusted net income in the quarter was EUR 93 million lower, mostly due to the reduced stake in Gas Nat and gains recognized in the first quarter of 2016 from the repurchase of Talisman bonds, partially offset by lower cost in the corporate center.

Let me now finish with an update on the progress of our strategic objectives in the quarter and the outlook for the rest of the year. Starting with our efficiency and synergy program, good progress was made towards our accelerated target of EUR 2.1 billion of final cash savings by the end of this year. In the first quarter, projects have already delivered more than EUR 500 million from a combination of new initiatives and projects implemented last year.

With regard to CapEx, we continue to optimize our balance sheet with a selective approach to new Upstream developments as well as supporting the performance of our key projects. We expect our Upstream investment intensity to pick up in the remainder of the year and CapEx guidance for 2017 for the whole company remains unchanged at around EUR 3.6 billion, of which EUR 2.7 billion refers to the Upstream division. While average Upstream production was ahead of planning in the first quarter, we remain cautious, given the uncertainties in Libya. Although I'm pleased to report that recent interruptions have been resolved. For 2017, we are maintaining our guidance of around 680,000 barrels of oil equivalent per day.

Looking forward, current assets ramping up or due to start up in the near future along with FIDs this year will allow us to maintain our reference production level of $700,000 barrels a day past 2020, while continuing to focus the portfolio on delivering higher-margin barrels. We currently have 5 major projects progressing towards FID in the coming years. Selectively phasing these projects will allow us to sustain or even increase production through 2025, if commodity prices are supportive.

In the Downstream, our integrated business continues to deliver strong results quarter-on-quarter. In refining, we are focused on improving cost and energy efficiency, and leveraging flexibility in our feedstock product mix. The margin indicator averaged $7.20 in April and the businesses have regained the ability to generate a premium. The remaining major plant around -- at Cartagena is only expected to have a partial impact on premium in the second quarter.

In chemicals, we expect our business to continue to benefit from the cost and energy efficiency projects already initiated, supported by solid demand, favorable margins from higher value products and our enhanced feedstock flexibility. Our commercial business continued to prove effective with every quarter delivering stable results whilst we prepare for the challenges for the next decade.

Turning to our credit rating. During the quarter, we had positive discussions with the rating agencies, and S&P improved their outlook on our rating to stable. Net debt was a little higher at the end of the quarter, reflecting a build in working capital.

Operating cash flow preworking capital more than cover investments, dividends and interest payments. There were only main -- minor proceeds from divestments received in the quarter. We maintain our long-term guidance on targeting cash neutrality of close to $40 Brent on an annual basis and expect to achieve a net debt-to-EBITDA ratio of around 1.1 to 1.2x by year-end, underlining our commitment to stabilize our investment grade rating at BBB.

In conclusion, the first quarter of 2017 has been characterized by an improving macroeconomic environment, overlaid on a hard to predict geopolitical background. In light of this, Repsol continues to focus on delivering a strategic plan that is built on a foundation of value and resiliency. Our Upstream division is focused on reducing expenditure, optimizing investments and deleveraging -- and delivering new projects on time and within budget as well as actively managing the asset portfolio to lower overall production cost.

In the Downstream, our focus on maximizing our integrated margin across the whole value chain is proving to be effective and continues to generate significant levels of free cash flow. We are committed to confirm our credit rating at BBB stable, and lowering the group's free cash flow breakeven to around $40 per barrel.

Now is the time to stay committed to our strategic goals and work our assets to deliver on our guidance for 2017. With that, I will now hand the call back to Paul, who will lead us through a question-and-answer session. Thank you.

Paul Ferneyhough ***Repsol, S.A. - Head of IR***

Thank you, Miguel. In case anybody on the call runs into technical problems during the webcast or conference call, please address any problems to our e-mail address, investorsrelations@repsol.com, and we will contact you immediately to resolve the problem.

Now let's move on to the Q&A. Operator, please, can you lead us through the instructions for placing a question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Paul Ferneyhough ***Repsol, S.A. - Head of IR***

Thank you, operator. Our first question comes from Lydia Rainforth at Barclays.

Lydia Rose Emma Rainforth ***Barclays PLC, Research Division - Director and Equity Analyst***

Two questions, if I could. Miguel, the first one was just on the working capital [news] for this quarter and how you might -- what was the cause of that? And how you see that playing out for the rest of the year. And then secondly, could I just ask you to discuss the situation in Venezuela a little bit more in terms of what you're seeing and within that annual budget that you have for this year, what the contribution of Venezuela is within that base on the CapEx side of the cash flow side?

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

Thanks, Lydia. Well, these were 2 questions that I don't expected. In relation with the working capital, I mean, it's clear that the almost EUR 800 million -- EUR 780 million above what we had at the year-end, it's a mix of many things. First, I'll say that maintenance works that we have been suffering during the quarter in Coruña, Bilbao and the preparation for the maintenance in Cartagena somehow mess up all the inventories in one hand. In the other, during the month of last December, there were a number of cargoes, crude cargoes that were higher than those in March and as we paid in 30 days, this has implied also an increase in the working capital. Another factor has been that the CapEx has been lower than it was in the fourth quarter, and this also has reduced somehow the accounts payable figure. So all-in, I think, that the situation -- well, a final factor is that there some operators and dealers that get their annual payment [rappels] and commissions at the end of the year. So the whole thing has combined to ended up in this situation. To your question for the rest of the year, I think this is a one-off. And basically, at the worst we will ended up with this growth in the working capital at the year-end. So this in relation with the working capital. And in relation with Venezuela, we have been able that both the agreement regarding Petroquiriquire and Cardón are working, and the net that we have because between accounts receivables and accounts payables have improved by EUR 30 million. So right now, the whole thing is working, and we hope it will continue in the short term. Did I answer you, Lydia?

Lydia Rose Emma Rainforth ***Barclays PLC, Research Division - Director and Equity Analyst***

Yes, that's perfect.

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

Thanks for your question.

Paul Ferneyhough ***Repsol, S.A. - Head of IR***

Our next question comes from Brendan Warn at BMO.

Brendan Warn ***BMO Capital Markets Equity Research - Senior Oil and Gas Analyst***

It's Brendan Warn from BMO. I guess you touched on your progressing 5 major projects or phasing of 5 projects towards delivery by 2025, can you just give us an update on those? And I'm guessing they're the AC/DC plus 1. Just particularly with the Duvernay, just what still needs to done to reduce breakevens? And what sort of levels of breakeven are you targeting?

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

Thanks, Brendan. Well, I mean the 5 projects. I remember that in the last call, we mentioned 4 of them, but the fifth one is Sagitario in Brazil, which is a big project, which is now pending on the development program by Petrobras. In relation with the others, I would say, starting with the Duvernay, I think it's way too early to establish a breakeven point. Our estimate for the Duvernay is that probably will -- the development there would be modular, but it will take longer. So basically, it's somehow the future, and we expect to reduce somehow -- derisk the area with the works of all the companies. Think there that the data about wells are communicated in Canada within 90 days and they become public. Basically, what I can tell you right now is that it's liquid rich, the sweet spots breakeven are really low and I'll say more than that, it's more than 300,000 acres, what we have there. So our acreage there is massive and the idea, once we and third parties derisk the area, probably would be to join forces with a third party. But right now, it's quite difficult to assess any breakeven point.

Paul Ferneyhough ***Repsol, S.A. - Head of IR***

Our next question comes from Flora Trindade at BPI.

Flora Mericia Trindade ***Banco Português de Investimento, S.A., Research Division - Analyst***

First question is a clarification on what you mentioned in working capital deterioration. So if I understood correctly, you're saying that for the remainder of the year, there shouldn't be any buildup, but it will be difficult to recover the deterioration weakness in Q1. Just trying to cross check that. And then a second question on the premium of the refining indicator, which you mentioned there was no premium in this quarter. For the full year and considering the $0.6 per barrel premium you have last year, should we assume a much lower level this year? Or do you expect to recover in the second half?

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

Well, in relation with the first one, yes. I do not expect any buildup throughout the year. Only it could be affected if prices move really up, but this will be by far more than compensated by the cash generation. So if conditions price stocking remains stable, yes, I don't expect any buildup on the working capital. And in relation with the second one, this quarter, first one, we have been basically $0.20 below the index, due to the lack of flexibility that Bilbao and Coruña has produced in the whole system. For the second Q, we expect at least to be between $0.30 and $0.50 above the index and for the full year, will be over in $0.70, above the index. Think that -- if the year would have developed without the needed maintenance, we can reach $1 extra in regular conditions, having -- so to put it in other words, in a like-for-like basis, the refining margin would be backloaded in the second half of the year. Is that right, Flora?

Flora Mericia Trindade ***Banco Português de Investimento, S.A., Research Division - Analyst***

Thank you. Perfect. Thanks.

Paul Ferneyhough ***Repsol, S.A. - Head of IR***

Our next question comes from Thomas Adolff at Crédit Suisse.

Thomas Yoichi Adolff ***Crédit Suisse AG, Research Division - VP***

Two questions, please. Just wanted to go back to Sagitario. It's a discovery that we haven't discussed for a number of years, and it's interesting that it has reemerged and according to you, in Petrobras development plan. So perhaps can you give a bit more color on how we should think about Sagitario? Is it a standalone development? What sort of a size FPSO development? How big is actually the field? Some detail would be very helpful. The second question I have is when I asked you this question at any time over the past 3 years, what keeps you up at night? I think you had a very, very long list. It felt like you were working in an emergency room. But if we look at Repsol today, it feels like the emergency room didn't -- moved to a nicer part of Madrid. So really my question is, what keeps you still going? That's a personal question, Miguel.

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

Well, in relation with Sagitario, I mean, we own there a 20% working interest. The first data we have about size would be around 1 billion barrels of oil equivalent. And right now the program, I mean, if things goes in the right direction, it would be seismic processing in the first Q 2018 and probably an appraisal well in 2018 as well. So if things move smoothly, I think that FID would be taking around 2021, 2020 with first oil probably around 2025. So it's going to take a while, but it's a project in which I think that both Petrobras and ourselves are quite interested. In relation with the second one, I don't know. I mean, what keeps me still going. It's true that this year is somehow a transition year, but challenges will always appear, especially in a world in which geopoliticals can change the game in hours. Not to mention next Sunday. So I think that to keep improving the company and give the help I can to the rest of the team is what keeps me going on. More or less, Thomas. Thank you.

Paul Ferneyhough ***Repsol, S.A. - Head of IR***

Our next question comes from Filipe Rosa at Haitong.

Filipe Rosa ***Haitong Bank S.A., Research Division - Head of Research for Portugal***

So coming back to the Venezuela theme. Just to -- if you could give us a better idea, for instance, last year in 2016, what was the EBIT contribution of Venezuela, for us to have an idea what could be at risk if there is a material disruption in that country? And going back to Libya as well, if you could just give us an idea as well what was the contribution of Libya in Q1? And how do you see this going over the next quarters? The stability continues but apparently, you continue to be able to produce there. So if you could follow up on these 2 themes.

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

In relation with Libya, in this quarter, EBIT level, we did EUR 80 million. And the after-tax results were EUR 26 million. And more or less, that can give you some color, taking into account that it's 20,000 barrels, what we have produced daily. If things goes right in Libya, we will expect to reach plateau by January next year, which I think, it's possible if things move smoothly, if things move smoothly there. Plateau, 340,000 barrels, which net for us implies 40,000. In relation with Venezuela, operating income was EUR 81 million and adjusted net income was EUR 45 million in the first quarter. This is more or less the color I can provide you regarding these 2 countries. And for sure are the only ones as of today in which we have some concern.

Paul Ferneyhough ***Repsol, S.A. - Head of IR***

Our next question comes from Jason Kenney at Santander.

Jason S. Kenney ***Grupo Santander, Research Division - Head of European Oil and Gas Equity Research***

Can you talk about the potential for tax rebates and the contribution or support for cash flow from operations? I was wondering if there was a particular support in the first quarter. And if not, if there's going to be support for -- from tax rebates in the second or third quarters? Something that we are watching for.

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

Thanks, Jason. Yes, there is a one-off in the first quarter, EUR 56 million. There were a company, former Talisman, with losses that couldn't be recover. Through a merge with the former Repsol companies, we have been able to really gain EUR 56 million. If you look at the rate, we are in the mid-30s in this quarter and the main reason of this reduction is the EUR 56 million gain we have there. Other than that, I would say there's nothing extraordinary or one-offs in the whole account.

Jason S. Kenney ***Grupo Santander, Research Division - Head of European Oil and Gas Equity Research***

Okay. And maybe one follow up. I was just wondering if you were still proactively looking at further divestments across your portfolio. And I don't know if you can comment specifically on North Africa, potential sales.

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

Not at the present time. I mean, basically, the divestment program, if we look at the figures since we launched the strategic plan in October '15, 'til the end of last year, we divest in my book, EUR 5.1 billion. The total divestments for the 5-year plan 'til the end of 2020 was EUR 6.2

billion. So basically, the whole work has been done and if you look at the -- at our ratios and the reactions of the rating agencies, we are absolutely aligned. Even this quarter, the ratio, debt to EBITDA, I mean, taking into account that it's just 1 quarter was around 1.1. So basically, we're not active at divestment of any part of the portfolio right now.

Paul Ferneyhough ***Repsol, S.A. - Head of IR***

Our next question comes from Irene Himona at Societe Generale.

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

My first question is on the financial results in the first quarter, EUR 155 million. I mean, annualized, it's about 7.4% of your pro forma net debt. It's a bit -- a little bit on the high side. I wonder if you can give us any sort of comment, any guidance for that, for the full year. Secondly, you have made a number of disposals in the LPG business. Again, anything you can say regarding what is a sort of normalized annual EBIT level from that business, given the smaller size would be very useful.

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

I mean the -- starting to the first one, I mean, I think in a like-for-like, I mean if prices are around what we have had in the first quarter and refining margins are also around, really to multiply it by 4 could be correct. The only thing is that I don't know if prices are going to be in the same level as in the first quarter or refining margin. Supposedly, refining should do better in the second half of the year. So I'm quite positive if I look at the results we have obtained this quarter looking ahead. In relation with the LPG, the disposals have had an impact for sure. Remember that 20% of the EBITDA was gained in the pipeline business that was sold last year. Also, within the year, we -- I mean, the formula we have for the LPG, the bottled LPG takes into account the prior 2 months. So to put an example, in March, we had the [primary] price of the average between January and February. But this is stopped by the government. So we can only increase a 5% every 2 months, which is when the prices are changed. So I'll say that basically, right now, the government is due to us some money in relation what we have obtained in the first quarter. In an annual basis, the EBIT at the LPG should be around EUR 130 million, EUR 140 million for the full year.

Paul Ferneyhough ***Repsol, S.A. - Head of IR***

Our next question comes from Biraj Borkhataria from Royal Bank of Canada.

We're going to move to the next question. So the 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 and MD***

Congratulations for getting the net debt to EBITDA down from 2.4x to 1.2x in just 1 year. I was wondering, to your conservations with the credit agencies, at -- is the current level of 1.2x enough to warrant the credit upgrade? Or do you feel like you need to get down to 1x. And then secondly, on the Pikka discovery in Alaska, you're going to do more appraisal in the coming winter. But how do you think about the development? I believe, you've got in mind a modular development. How would you think about structuring it from a CapEx and production standpoint?

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

Thanks, Michele. In relation with the credit agencies. I remember that in one of the meetings, I mentioned that if by the year-end, our ratios between 1.1x or 1.2x, we should merit the BBB stable. Well, they said, yes, but you know, it takes time. So I'll say that at that level, we would be in good shape and probably the recognition of this situation would be done by the agencies. But it always take some time with the agencies to obtain upgrades. In relation with Pikka, I think that right now is way too early. Is way too early because next year we have 2 extra appraisal wells, and probably we'll know better after this. But -- a couple of things are clear in the first analysis we had, a first phase of up to 120,000 barrels gross is what we are looking at it with the data we have today. Having said so, I have to say that the project is way too big, and we wouldn't mind to partner with a third party there. But there's not much data that -- or more color than I can provide you, as of today.

Paul Ferneyhough ***Repsol, S.A. - Head of IR***

Our next question comes from Theepan Jothilingam at Exane.

Theepan Jothilingam ***Exane BNP Paribas, Research Division - Research Analyst***

Just a couple of questions. Firstly just on the Downstream, I think you sort of outlined the conditions for April. I was just wondering how you saw the Downstream evolve in the second half of this year. Any color there? And any strategy around hedging margins? Second question, just in terms of exploration, could you please perhaps highlight any high-impact wells that you see for Q2, Q3 and the remainder of this year?

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

Thanks, Theepan. Well, if I only would know the evolution, I would make a lot of money. But being clear, we expect internally to improve the index. Talking about the index is quite difficult. What we see today is a real strong margins throughout Europe, even the hydro scheming refineries can be at full speed today. So all the factors makes me feel comfortable and optimistic. In relation with hedging, no, we do not hedge. We do not hedge margins in refining. Looking out also at the second half, chemicals are looking really strong. So this is more or less the color I can provide as of today. And in relation with the second -- the rest of the year, second quarter and third quarter, in exploration, probably, Columbia, both onshore and offshore are the most interesting short-term, along with the 2 Vietnamese exploration wells we're going to drill, there are in the area of Ca Rong Do or Red Emperor. So I would say Vietnam and Columbia are the ones that I will bet for looking ahead.

Paul Ferneyhough ***Repsol, S.A. - Head of IR***

Our next question comes from Hamish Clegg at Bank of America.

Hamish William George Clegg ***BofA Merrill Lynch, Research Division - Director and Senior Analyst***

Just a quick clarification. The sort of the net debt creep was really just a seasonal change in working capital, if I'm right in thinking and expect that to reverse. Second question was just on the sort of implied group effective tax rate, it seemed it was somewhat lower in the first quarter, helping your net income. Do you mind giving us a little bit more color on that? And otherwise, yes, that's it for now.

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

Thank you. I think it's more than a seasonal change what we have suffered in this quarter. I think that the whole maintenance plus the number of cargoes that we bought in December, plus the year-end that always with the operators and with the dealers increase. So I would say, partially it's seasonal but partially it's also due to the maintenance that we have been suffering in Coruña and Bilbao. And in relation with the effective tax rate, basically, it's low in this quarter. But the main reason it's that the EUR 56 million we gain with the operation I mentioned before. And other than that, you only have EUR 20 million but those change every quarter, which is the impact of foreign currencies like the real. When we have a devaluation of the real, our capacity to deduct in euro terms the depreciation of the investments we have there shrink somehow the -- and increase our fiscal effective tax rate. And during this quarter, to put the example of Brazil, we have obtained a revaluation of the real, which has implied 13 extra million of gains in the tax. So basically, with these 2 effects, you ended up with the picture we expect. If I have to speak about the full year, for sure it's going to be dependent on oil prices because those are -- I mean, the Upstream area is the one that really is sensible to the tax rates. My estimate for the year would be between 36% and 38% for the full year, for the whole company.

Hamish William George Clegg ***BofA Merrill Lynch, Research Division - Director and Senior Analyst***

Okay. That's perfect. And had one tiny follow-up actually, which was the other question just on the tip of my tongue earlier, which was just regarding exploration. We've seen sort of mixed success in Guyana from the likes of Exxon and Apache. Exxon obviously extending [that leads to] discovery with the success of their Chinook, I think Chinook is pronounced, discovery earlier in the quarter. And Apache actually had a dry hole. Is your Suriname acreage is pretty close to that. Is there any [retreat] to that? And is that position on your exploration sort of target list?

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

Yes, you are right. We have 2 blocks nearby the discoveries from Exxon, but there is no well this year. At least the geologist are enthusiastic about the results of Exxon and probably next year, we'll have something to say about Guyana. Okay?

Paul Ferneyhough ***Repsol, S.A. - Head of IR***

Our next question comes from Christyan Malek at JPMorgan.

Christyan Fawzi Malek ***JP Morgan Chase & Co, Research Division - MD and Head of the EMEA Oil and Gas Equity Research***

Just one question, okay, regarding your sort of medium-term CapEx outlook and the extent of flexibility if oil prices remain under pressure given the prevailing guidance for an increase in 2018 spend. I just want to understand what extent -- or what would be the sort of the percentage increase year-on-year that you're expecting? And where is the flex in that, particularly given delivery of production sort of mid to longer term? Just want to understand that.

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

Thank you. I have to say that for this year, really the flexibility we have CapEx talking, it's really small. I mean, basically, we think that the outlook for the whole company would be the EUR 3.6 billion from (inaudible). Most of it will go to the Upstream division with EUR 2.7 billion for the full year. The impact of production if prices get there, I mean, we have at least from now 'til 2019, without touching the 5 big projects, I can mention that we have Flyndre, which has started this quarter. Next quarter, we'll have MonArb. In Trinidad and Tobago, I think that in the second quarter of 2017 we have the onshore compression project that will help. In the third quarter also in Trinidad and Tobago, we have -- we hope Juniper to help increase an approximately 30,000 net barrels to Repsol. We have Kinabalu in the second half of this year, which will also increase production, Reggane by the year-end as well as Sagari. [Perla] second phase will come probably by 2018. The phase of 600 million standard cubic feet, they -- Bunga Pakma also will increase. I mean we'll start execution and we'll start producing probably by the end -- second half of 2018. So even in this lower scenario, we have ongoing projects, basically ramp-ups, which doesn't imply a lot of capital to really increase production. So we feel quite comfortable with the 700,000-barrels figure for the following year without touching the 5 large projects.

Christyan Fawzi Malek ***JP Morgan Chase & Co, Research Division - MD and Head of the EMEA Oil and Gas Equity Research***

Right. This is squaring -- this just a follow-up squaring that back out with your long-term $40 FCF neutrality. At what point are you saying, sort of if it's implicit that you think CapEx could stay broadly flat, slightly up as you've guided to without having to move it meaningfully higher?

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

Yes. We're going to remain flat if none of these project goes ahead, and the main variance, I mean the 3.6, 3.8 level is the one that guarantees the 700,000 barrels. On top of that, if the conditions are there, and right now the hurdle is at $50, the projects have to present a net present value 0. If these 5 projects come online, then this will be the basic increase from this 3.7 figure, which is what we think able us -- keep us in the 700,000 barrel level.

Christyan Fawzi Malek ***JP Morgan Chase & Co, Research Division - MD and Head of the EMEA Oil and Gas Equity Research***

And would you care to quantify what the CapEx is? The uplift that you'd be expecting, if you sanction those projects?

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

Well, this will come with a strategic plan that probably we'll be either reviewing or presenting next spring. But it's really quite difficult to quantify today this 5 projects because each of them are in a different progress situation. So quite difficult to put a figure there on how any of them and which development would be the optimal to really go ahead with the projects. So I'm sorry, but quite difficult to put a CapEx figure today in these 5 projects.

Christyan Fawzi Malek ***JP Morgan Chase & Co, Research Division - MD and Head of the EMEA Oil and Gas Equity Research***

And sorry, and sorry, just to come back to the long-term goal of $40 just to be really clear. Assuming those projects are sanctioned, would that long-term goal change by definition? Because you've obviously got more burden on your CapEx.

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

Sorry, can you repeat the...

Christyan Fawzi Malek ***JP Morgan Chase & Co, Research Division - MD and Head of the EMEA Oil and Gas Equity Research***

Your long-term goal for FCF neutrality, the $40. Is that variable in the context of the rate of change in your projects and how you sanction those projects?

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

I mean, I'll say it's -- I mean, the -- we are trying to reach an objective of being free cash neutral at $40. This is our main objective. Somehow, becoming producers in areas of low cost. For sure if we go into these projects that probably have some of them a higher breakeven, this would imply extra CapEx. But for sure, if they don't cross the hurdle on the $50 net present value 0, we will not go ahead in the existing scenario. A different thing would be if we find ourself in a price deck or price scenario absolutely different from the one we are today. But it's quite difficult to say. I mean, I only can answer to the existing price scenario.

Paul Ferneyhough ***Repsol, S.A. - Head of IR***

Our next question comes from David Gamboa at Tudor, Pickering and Holt.

David Gamboa ***Tudor, Pickering, Holt & Co. Securities, Inc., Research Division - Associate, Integrateds and Upstream Research***

I have 2 questions, please. First one on the refining side. So given the current global scenario, you've got OPEC cuts, declining production Lat Am, so kind of a shortage in heavy oil. How do you see that, the impact on the light/heavy differentials having an effect on Repsol's refining profitability? I know you're expecting higher refining margins in the second half of this year. But I was just trying to understand how the light/heavy differentials and its most recent behavior impacts your profitability in that business? And the second one is on Alaska again. So you mentioned Pikka plus Horseshoe is around 1.2 billion barrels recoverable. If I'm not mistaken, there were some large numbers out in the public domain when Pikka was initially discovered, I think around 1.4 billion. I just wanted to clarify the size of the discovery, if you are able to share with us the split between the Pikka units and the Horseshoe discovery in that 1.2 billion barrels, and if you're able to share -- if I'm not wrong, this project is part of your AC/DC project. So is a $50 per barrel breakeven also a fair estimate for this development?

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

Well, the impact on light and heavy differentials really impact those that have a higher conversion, which is our case. Taking into figures, we have seen from last year a spread between [Maya] to put an example that has moved from $12 down to $9, $10 this year. So a small shrink in the spread has happened, probably because the cut in OPEC was more in medium to heavy crudes than in other type of crudes. Having said so, we still see a strong demand, and we still see what we have today, which is strong margins. I think that if someone is in the existing situation making as index more than $7 per barrel, there is no reason to think that this is going to change. So the impact as mentioned, it has been between $2 and $3. And in relation with Alaska, I cannot disclose you today the split. We prefer to keep it the way it is because there's much uncertainty in the positive side. And by that, I mean that we are not talking only about Nanushuk, which is what we have mentioned, but we also have other formations there like Alpine and some others. So the whole thing has to be better analyzed before we can give you some data that as of today would be probably wrong. So if I may, I do prefer not to split today. Is that okay?

David Gamboa ***Tudor, Pickering, Holt & Co. Securities, Inc., Research Division - Associate, Integrateds and Upstream Research***

That's fine. Any comments on the breakeven, if you can?

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

Well, as mentioned, it's way too early. But for sure, the data we had before the last discovery where that probably -- or we had around 400 million of oil in place recoverable. Right now, we have more than triple that. So figures may look really good, but the discovery was just a couple of months ago, and we still need more time and more appraisals. Think also that in the area, part of the reservoir, the acreages on Conoco-Phillips, and they would also be drilling probably next year. So this will provide us by far a better insight of what we have before -- of what we have today. Is that okay?

David Gamboa ***Tudor, Pickering, Holt & Co. Securities, Inc., Research Division - Associate, Integrateds and Upstream Research***

Yes.

Paul Ferneyhough ***Repsol, S.A. - Head of IR***

Our next question comes from Giacomo Romeo at Macquarie.

Giacomo Romeo ***Macquarie Research - Analyst***

Couple of questions from me. First one is you talked about most of the projects in the AC/DC group. So just wondering if you can provide some color on Campos 33 and on Akacias, I think, those are the 2 left. The other question I had actually was on Buckskin. In the past, you've mention it as one of the projects for potential FID, this year. Just wondering if there's anything changed there? And if you can provide some more color?

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

Giacomo, in relation with Campos 33, I have to say that the appraisal campaign is completed, and probably we'll go into the commerciality declaration in 2018. The field is quite gassy. We are taking there 50-50 between oil and gas, and the estimated oil equivalent in place is around 1.4 billion barrels. The development, as you can understand, is going to be much dependent on gas price. That would be a great help for the Brazilian society. And right now, Brazil is analyzing and trying to improve with this program, Go Brazil and Go Gas, and we expect shorter than later to really have a better idea on which the gas price may be. But as mentioned, we expect to take the declaration of commerciality by 2018. In relation with Buckskin, the operator is LLOG, and we are working with them in the formal FID. Right now, we are somehow in between the analysis of the engineering and all of those long-lead items that are in progress. So probably, the formal FID will be taken shorter than later.

Giacomo Romeo ***Macquarie Research - Analyst***

And just follow up, can you apply some color on Akacias? Where do we stand there? What's the -- is there anything you're planning to do this year?

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

Akacias in Columbia, it's heavy oil, and we are right now working basically with Ecopetrol to see which is the best way to move ahead. Think that Ecopetrol, it's -- I mean, we have good relation with them and probably FID could go ahead in the first half of next year.

Paul Ferneyhough ***Repsol, S.A. - Head of IR***

Our next question comes from Tristan de Jerphanion at Kepler.

Tristan de Jerphanion ***Kepler Cheuvreux, Research Division - Oil and Gas Equity Analyst***

First question is on Brazil. There has been press reports recently about a failure on a couple of flexible risers, and it's my understanding that one of them was on BM-S-9 presumably few months ago. So first, if you could confirm this? And second, if confirmed, could you please give us some more colors on that? And second question, just to quickly come back on chemicals, I know you're optimistic for the second half of 2017. If you could just provide a hard guidance in terms of EBIT for the year? That would be very helpful.

Miguel Martínez San Martín ***Repsol, S.A. - CFO***

In relation with the first one is the first news we have about -- we are not aware. So if something have happened in the riser, it may not be significant. Or may be in someone else's field. We don't have any data about it. And in relation with chemicals, I would say that EBIT would move around EUR 600 million up to EUR 700 million. EUR 600 million, it's quite reachable. I would say, EUR 700 million would be a good goal for the chemical business. A little below what we did last year, which was around EUR 700 million. Okay?

Paul Ferneyhough ***Repsol, S.A. - Head of IR***

That was our final question and concludes our first quarter conference call. Thank you for joining the call today.

Operator

That will conclude today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.