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REP.MC - Q4 2023 Repsol SA Strategic Update and Earnings Call

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## PRESENTATION

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

Good morning, ladies and gentlemen. Welcome to Repsol's '24, '27 strategic update. My name is Ramon Alvarez-Pedrosa, Head of Investor Relations. I would like to thank you all for joining us in person today at our headquarters in Madrid. A warm welcome also to all of you joining us virtually this time.

The event will be led by our CEO, Josu Jon Imaz; who is joined by Antonio Lorenzo, CFO; and all members of the executive team.

Just a reminder, all materials being presented today are already available at our website at [repsol.com](https://repsol.com). This is a live streaming event. A replay will be available once the session has finished.

A quick summary of what is being presented today. First, we will discuss the highlights of our fourth quarter and full year results 2023. Second, we will continue with a deep dive into Repsol strategic guidelines for the period '24, '27. After the presentation, I will be moderating a Q&A session. (Operator Instructions)

Just to make you aware of the logistics for today's event, the presentation and the Q&A session is scheduled to finish at 12 p.m., and this will be followed Spanish wine. We invite you all to stay with us and use this opportunity to talk with our executives, senior management and Investor Relations team.

And now without further ado, I leave the word to Josu Jon Imaz. Thank you very much.

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

Good morning, everybody, and I really thank you for coming to our headquarters today. I mean I remember that the last time we presented the strategic plan 2020, we were in the worst of the pandemic, November 2020. And let me say that the image was fully different, unfortunately. And also thank you for those that who are following this presentation online by streaming.

This is not exactly a strategic plan. Let me say that it is a strategic update. And I said that it's a strategic update because the pillars -- the foundations -- the strategic foundations of what is the strategy of the company were presented that in November 2020.

And what we are doing now is evolving from this plan. I mean, adapting this plan to a new reality. Our vision about the end of the decade remains unchanged, the same commitment in Repsol, with our target of decarbonizing the company of getting net-zero. Remember, that we were the first oil and gas company in the world committing with this target. And also, we are fully committed to take opportunities that we could capture from the energy transition.

On the coming minutes, I'll take you through the details of this update. But before entering and jumping into the update, I'd like to put some light about the performance in 2023 that we presented and released this morning. Starting at the macro level.

Last year was characterized by a volatile, but supportive commodity price scenario. And all that was combined with a quite resilient refining environment. Remember that in our previous call, in the last -- in the third quarter, at the end of October, we expressed and I expressed to use some positive view about last quarter of the year. And I think that this scenario we had confirmed in some way that view.

Brent oil averaged \$84 in the last quarter of the year, 5% lower than in the same period a year ago. Price continued to be pressured by concerns on demand, high inventories and the strong U.S. supply. But on the other side, we have all the geopolitical tensions in the Middle East that, in some way, were adding further volatility to this price. For the full year, Brent averaged \$83 a barrel, roughly 19% below 2022.

In the gas market, Henry Hub averaged in the fourth quarter \$2.9 per million BTU, 54% below the same period in 2022. And this price was negatively impacted by record production levels in the U.S. and high inventories. In the full year, the Henry Hub averaged \$2.7, a 59% decrease from the levels of 2022.

Repsol's refining margin averaged \$9 per barrel in the first quarter. That was, remember, in line with our expectations. Remaining at very healthy levels, thanks to sustained middle distillate spreads and strong, of course, is not very useful this season, gasoline trucks. As of today -- no, sorry, last year, in 2023, the indicator was \$11.1 per barrel. Finally, by the end of the year, the dollar lost some ground, in anticipation of interest rate cuts in the U.S., putting the average for the whole year in \$1.08 per euro.

Jumping now into the upstream. Our business kept its focus on efficient execution of growth projects and portfolio transformation, emphasizing sustainability and profitability per barrel. Fourth quarter adjusted income was EUR 554 million, 7% lower than in the last quarter of 2022, mostly due to lower realization on prices. That was partially offset by a higher production and lower taxes. Full year earnings stood at EUR 1.8 billion, and this figure compares with an adjusted income of EUR 3 billion in 2022.

Production averaged 595,000 net barrels a day in the fourth quarter. That was an 8% higher year-over-year. This increase mainly came from the commissioning of new works in the Eagle Ford and the Marcellus and also the full consolidation of the U.K. since November, more than offsetting the disposal of our Canadian assets that you, remember, that was fully completed last year.

Full year production reached 599,000 net barrels of oil equivalent a day, 9% higher than in 2022. And our average cash realization price in 2023 was \$3.8 per 1,000 cubic feet, 49% lower than the previous year. Here, we are including all the gas prices, also the gas that is sold in the European market -- or with European-Asian references.

On November 1, we took the full control of our U.K. operations that was, remember, part of the transactional agreement we settled with Sinopec that put an end to a long-running arbitration process between both companies. This acquisition has a net cash flow impact of \$1.1 billion to Repsol.

Cash out is expected in the second quarter of the year 2024, but the account payable was already registered in the group's net debt figure as of December 2023. So it's included in what is the net debt at the end of the year.

In the Industrial Division, fourth quarter adjusted income was EUR 561 million, 51% lower year-over-year, mostly due to lower results in refining because comparing with the previous margin and wholesale and gas trading. Full year earnings reached EUR 2.7 billion. That was a figure 16% lower than in 2022, and that was mainly due to the lower contribution of the refining and the chemical businesses.

Refining margins remained robust in the fourth quarter. That was, as I said previously, aligned with our expectations and was decreasing sequentially compared to the first quarter and fundamentally due to weaker medium distillate spreads. The average full year was \$11.1 per barrel, supported by strong demand, low inventories and strong middle distillates and gasoline spreads.

The utilization of the distillation capacity increased to 92% in the last quarter, and the use of our conversion units reached 108%. You know that we are comparing with the nameplate of the plants. The margin premium in the fourth quarter was \$2.1 over the indicator, full year average \$2.3, and that was positively impacted by a higher availability of heavy crude over the whole year, the contribution of biofuels and also higher utilization rates.

The positive refining margin environment has extended so far into 2024. That was, again, supported by the middle distillate spreads. As of today, over 2024, our margin is around \$11.4, \$11.5 a barrel over the 2024 year.

In the last quarter of the year, our refineries received 2 additional cargos of heavy oil from Venezuela, for a total of 14 cargoes in 2023. Last, let me highlight that our new C43, the advanced biofuel plant in Cartagena, received in December, its first cargo of used cooking oil. And these days is starting the operations in Cartagena.

In the chemical business, demand in Western Europe remained weak, with prospects of our recovery being pushed back to 2024, the second half of 2024. Fourth quarter petrochemical margin indicator was EUR 165 per tonne, was in line with the third quarter and 26% below the same period a year ago. And the full year average was 24% below 2022, reflecting lower sales prices. And that was partially compensated by lower energy cost and also a cheaper naphtha.

The EBITDA of CCS contribution of chemicals in 2023 was negative, minus EUR 83 million for the whole year. The customer division delivered record levels of EBITDA in 2023 despite lower sales in service stations and in wholesales. The contribution of our successful multi-energy strategy built around the Waylet app is helping us to capture new clients, retain our customer base and generate cross-selling opportunities.

In this line, the number of digital users of Waylet reached almost 8 million by the end of December, a 2 million increase over 2022.

Fourth quarter adjusted income was EUR 102 million. That was EUR 58 million lower than the last quarter of 2022. That was mainly due to the lower direct sales figure and lower margins in LPG because the GAAP effect in the regulated formula of LPG that was playing positively in 2022 and negatively in 2023.

Full year earnings were EUR 614 million, 56% higher than in 2022, boosted by the outstanding performance of mobility business. The business increased its operating result by 71% year-over-year. And I want to underline that our retail power and gas business reached 2.2 million customers as of December, 700,000 clients -- new clients increasing in 2023.

Finally, low carbon generation, the total renewable generation in Spain reached record levels in 2023, covering more than half of the power demand in the country. Fourth quarter adjusted income was EUR 16 million, which compares to a result of EUR 7 million in 2022. That was driven by a higher renewable generation that was partially offset by lower results in CCGTs and a lower fuel price in Spain.

Full year adjusted income was EUR 75 million, EUR 48 million lower than in 2022, as a higher production in wind and solar couldn't compensate the lower contribution of the CCGTs, the combined cycles and also lower pool prices.

In November, Repsol incorporated Pontegadea as partner with a 48% minority stake to a 618 megawatts portfolio in Spain for EUR 363 million. It was the first time that Pontegadea has taken a stake in Repsol's renewable assets. We are very proud of that.

And the fourth asset level rotation completed by Repsol.

The acquisition of ConnectGen in the states for \$782 million announced in September is expected to be closed in February this month. And with this transaction, we are adding a material onshore wind platform in the U.S., with a 20-gigawatt pipeline that also includes solar and energy storage projects.

Last year, we started up a record of 1.1 gigawatts of new renewable capacity in 2023. And thanks to the new addition, we reached the figure of 2.8 gigawatts of total renewable generation capacity in operation by year end by December, Spain, U.S., Chile and Italy.

In 2024, we expect to add another 1.3 gigawatts in operation, thanks to new additions in Spain, they start production in Outpost, in the states and the ramp up of the 5 projects also in the U.S.

The strong financial and operational performance across our 4 divisions of Repsol to deliver a very solid set of results and cash generation in the year. At group level, fourth quarter adjusted income rose EUR 1.2 billion, putting the total result to December to EUR 5 billion, 26% below full year 2022. The cash flow from operation was EUR 2.2 billion in the last quarter of the year. Full year cash flow from operations was EUR 7.1 billion, and that was also aligned with the last guidance in the third quarter of 2023.

Net debt stood at EUR 2.1 billion as of December, a 7% reduction compared to the previous year. And as mentioned before, this figure includes what is the cash out -- I mean the financial debt that is going to match with the cash out. We are going to make this -- the second quarter of this year coming from the agreement with Sinopec.

Shareholder distribution totaled EUR 2.46 billion through a combination of dividends and share buybacks, delivering on our committed remuneration objective. Remember that we talked about EUR 2.4 billion in July when we presented the second quarter result. That is 35% of the cash flow from operations generated in 2023 after deducting the EUR 2.2 billion cash out for the settlement of Maxus as we also announced or close to 34% of the total cash flow from operations if we include this figure. That is surpassing the higher end of our initial distribution range of 25% to 30% announced at the beginning of the year.

The strong cash flow generation from our business, together with the contribution of disposals and portfolio actions, allow us to finish the year in a very strong financial position with very low giving. And this position gives us some kind of comfortability to face uncertainties in the macro environment and to continue also offering an attractive distribution, even in less favorable commodity price scenarios.

As part of this commitment to improve the remuneration to our shareholders, we are increasing the 2024 cash dividend to EUR 0.90 per share, a 30% higher comparing with 2023. And in addition, yesterday, the Board of Directors approved a 35 million share buyback program to be launched during the next days, weeks, with the intention of canceling 40 million shares before the end of July. This figure will be complemented later in the year to comply with our cash flow from operation, distribution and commitments. So the figure is something between 25% to 35%. With this, we can continue to our update road map for 2024 to 2027.

Let me start by summarizing the delivery completed in the last 3 years. Since we launched our previous strategic plan, Repsol has achieved an extraordinary financial performance be it to supportive environment is true, but also the solid operations across all the 4 divisions of Repsol. It has been 3 years of remarkable cash generation and earnings, delivering more than EUR 21 billion of cash flow from operations and EUR 14 billion of adjusted income over the last 3 years.

We have reduced our net debt by almost EUR 5 billion and are gearing from 25% to 7% over the period. Furthermore, we have distributed more than EUR 6 billion to our shareholders, combining dividends and buybacks. And we have canceled 20% of the total capital of fair shares of the company over the last 3 years. We have also invested EUR 13.4 billion developed in our business and 32 low carbon platforms. And after divestment on asset rotation, it implies a net CapEx of EUR 11.3 billion in the period.

We have significantly exceeded the financial targets that we presented in 2021, 2025 plan over this period of 3 years. And the extra cash generated was applied evenly among higher distributions, CapEx, more CapEx that was announced in 2020 and that in accordance with the capital framework that we defined in our strategy. This let us move faster towards our longer-term objectives, accelerating the portfolio transformation, increasing the returns to our shareholders and maintaining a solid balance sheet that provides flexibility in the face of uncertain macro scenario.

Our team has pursued a very intense activity, both in our Iberian interim and also in our international operations. In Iberia, since 2022, we have approved several transformational projects in our industrial hubs that you could see in this slide, with a focus of reinforcing profitability, efficiency in our legacy assets, but also creating a scalable low carbon platform in our industrial business.

In retail, we have 6 million digital clients over the period, and we have increased 1.1 million power and gas customers. Remember that Repsol is now the fourth operator in the retail power business in Spain, and we launched this business in -- at the end of 2018. So we have built this position almost from scratch.

In renewables, we have put in operation 0.9 gigawatts in Spain of new greenfield generation capacity, and that was aligned with our growth model in this business yet. You know that is fully focused on the terms without limited equity exposure and completing the asset-level rotation operation that was completed 4x over the period in Spain.

Globally, we have made great progress in the high grading of our upstream portfolio, approving new projects taking FID's. At the same time, we were optimizing our geographical footprint. In renewables, we entered the U.S. markets through our stake in Hecate and the acquisition of ConnectGen, and we have put 0.6 gigawatts already of new capacity in operation during this period.

And in Chile, we start up our first 0.2 gigawatts through our JV with Iberia. Our company-wide procurement program generated more than EUR 260 million in savings in 2021, 2023. In addition, we launched the second wave of our digital program. And last, but not least, we have made major progress developing a corporate model we envision, adapting our corporate model to every vertical, bringing world-class strategic partners to our upstream and the low-carbon generation businesses.

The delivery story allows us to make consistent progress towards the operational targets set in our previous strategic plan. Upstream average production is true but somehow behind its target, in large part because of successful divestment activity. Green hydrogen will continue to be a key strategic line of action to decarbonize of industrial assets. However, we have decided to postpone some FID's to ensure we are getting the right level of returns and risk for our capital.

Positive market fundamental support our main macro assumptions for this strategic update horizon. We see curious, some of you, you were in the ESG Day in London, and we were talking about the energy trilemma. I think that things are changing. And in Europe, we are starting giving a bit more of relevance to the security of supply and the energy affordability, on top of the target of decarbonizing the economy.

And this balanced view is positive for Repsol. Development for our industry remains solid, with a growing energy demand that will support resilient, although volatile prices. And in addition to the growth of renewable sources, conventional fuels will continue to play an active role in energy mix. We expect to present underinvestment, raising energy demand and geopolitical aspects will support commodity prices in coming years.

We expect refining margins to remain strong in the short term due to restricted Russian supply and the capacity reduction in the world post-pandemic. From 2025 on, it's true that we see margins normalizing, but still at healthy levels, driven by the balance of capacity additions and closures, higher export competition and less supportive demand.

For gas, in 2024, we see the U.S. spot prices to remain close to last year, consistent with our scenario with high inventories level, high production. In the longer term, sorry, momentum for LNG investment and contracting activity has remained strong, while players continue to position for a market with limited Russian gas to Europe and increasing more and more Asian LNG demand.

In the regulatory framework, we see the need of -- steps that has to be taken to ensure the right incentives and stability needed for investment in the euro low-carbon sources. These investments are crucial to achieve the decarbonization objectives that will generate material value pools.

And to be tackled by players like Repsol that are able to develop sustained advantages in the new markets. For this strategic update, we have worked with 2 planning scenarios. We don't have any crystal ball, but we have to play with the scenarios. What we call the central in this presentation is based mainly on market consensus and a lower, more conservative case. Both cases share a common price tag for 2024. That is the guidance for the 2024 year we gave before.

The lower case aims to demonstrate that even under those low assumptions, the cash dividend growth that we will discuss later is fully guaranteed in Repsol in coming years. We are providing details on these scenarios in the appendix of this presentation you could have.

For the next 4 years, we maintain the approach towards the energy transition presented in our previous strategic plan. We are now more convinced that we were before that is the right strategy for us, embracing the decarbonization process. But let me say, because we want to decarbonize the world, but also because we see a clear opportunity of profits and growth for this company in this new decarbonization scenarios.

So it's an attractive opportunity that we want to capture. We are doing to evolving from the strengths that we have as a company, that is built on our world-class industrial assets, leading positions in core markets and a value creation track record in low carbon. Our strong balance sheet provides the financial flexibility to deliver attractive project pipeline across the value chain, capturing greater value, thanks to our integration advantage in our main markets.

A road map to 2027. As you can see in the slide, the accomplishment of 6 strategic pillars that will be key to success in the energy transition. The fundamental commitment, and I want to underline the term. The fundamental commitment is to prioritize, in this strategic plan, shareholder distribution, providing certainty and predictability to our dividend.

We will develop an advantage and sustainable business portfolio, capitalizing on attractive investment opportunities and high value, low carbon platforms, greater competitiveness and the startup of new high-value projects will increase cash flows, returns on capital and our per share metrics.

Financial discipline, I mean, you know us. We are a prudent company. We'll be at the core of the plan, helping us maximize returns, building optionality, while managing our exposure within the limits of our capital framework.

We will continue evolving our corporate model, shaping a flexible structure and financial model that allows for a strategic road map. And finally, we remain fully committed to our ambition of decarbonizing the route and the road map we defined 4 years ago and all the intermediate targets we have in this road map, and that is aligned with our firm conviction to achieve net-zero emissions by 2050.

Our update plan balances 3 main capital allocation priorities. I mean that's -- I think that probably could be one of the most important lever and probably the next one on the slides in this presentation. The key priority is to enhance distribution to shareholders and to provide certainty and upside to this distribution.

Our commitment for 2024, 2027 is to allocate between 25% to 35% of the cash flow from the operation to our shareholder -- to the shareholder remuneration, including dividends and share buybacks. We will distribute EUR 4.6 billion in cash dividends, guaranteed in any scenario. And on top of this, in our central case, we will devote two EUR 5.4 billion to buybacks for a total of EUR 10 billion in shareholder distribution during the 4 years of the plan.

This year, we will increase the dividend, as I mentioned before, by 30% to EUR 0.9 per share. And beyond 2024, our commitment is to increase the funds distributed as dividends by 3% per year. The total amount distributed as dividend. The second priority is the commitment to maintain our carbon credit rating and a strong balance sheet.

Coming third is our investment plan. Net CapEx, and I underline the term net CapEx. After portfolio management and asset rotation will be EUR 16 billion to EUR 19 billion in the next 4 years. This figure of net CapEx, EUR 16 billion to EUR 19 billion is going to be written on a stone in this plan. And that is going to give the opportunity to address the rich set of opportunities in our portfolio, 35% of the net investment will target low carbon opportunities, and we are building new attractive platforms.

Going to the next slide that I said that it will be the previous one and this one, probably the most important from my point of view of this presentation. In 2024, we will pay EUR 1.1 billion in cash dividends. And you have our commitment that this amount will grow by 3%, the total amount distributed as cash dividend over the whole period of the plan.

This growth is guaranteed, again, under any scenario. This implies a EUR 0.9 DPS in 2024 that will grow by at least 3% per year until 2027, before factoring for any share buybacks. Furthermore as we expect a significant number of shares that could be in buyback over the next years at current prices, and that is, of course, a theoretical exercise. At current prices of the share that will be equivalent to around 10% to 30% of our current outstanding shares, respectively in our lower and central scenarios.

So the actual DPS will grow well above that 3% baseline, reaching the best scenario up to 12% annually from 2025 to 2027, achieving this figure of EUR 1.26 per share in 2027. That is fitting with the case where, in the central scenario, we are buying back and redeeming the shares we are committing.

The DPS growth is reflected clearly in this slide. The higher DPS series start at EUR 0.9 per share in 2024 and reaches EUR 1.26 per share in 2027, and would be the DPS resulting from increase in the dividend payments by a 3% EBITDA year and the change in the number of outstanding shares, following the execution of the up to EUR 5.4 billion buybacks assumed in our central case.

The lower DPS series starting also at EUR 0.9 per share and reaching EUR 1.06 per share in 2027 and will be the DPS resulting for increasing the cash dividend by 3% annually and the change in the number of shares following the execution of the buybacks assumed in our lower planning scenario. The distribution policy is the first priority of this strategic update and is fully supported by the strong financial position of the company. Net CapEx in '24, '27 will be EUR 16 billion to EUR 19 billion. This will be pretty similar CapEx intensity to our investment level over the last 2 years.

We are comparing these figures over the -- let me say, over the same period of time in years, reflecting the process of attractive opportunities in our portfolio.

Net CapEx is defined deducting the proceeds from renewable asset rotation and portfolio management from the gross CapEx, which will be around EUR 24 billion to EUR 26 billion. Firstly, the proceeds from financial exposure reduction from the sale of stakes in our built renewable assets to financial investors and associated project finance to these disposals, this will amount to EUR 4 billion to EUR 5 billion and secondly the proceeds from divestments resulting from portfolio management, which we expect to contribute EUR 3 billion to EUR 4 billion, mostly in the upturn, following our strategy of strengthening and focusing our asset footprint. And let me underline that under this plan, the total net CapEx, the total amount of investment during the next 4 years will be between EUR 16 billion to EUR 19 billion figure.

This implies that in case of lower portfolio rotation or lower level of divestment, we will slow down or even stop CapEx plan to ensure we maintain ourselves within the capital framework I already covered. So EUR 16 billion to EUR 19 billion of net CapEx is the figure that is going to be fulfilled over the whole point and we do whatever it takes to guarantee this net CapEx figure.

Of course, in the central scenario, we are talking about. Of course, if we are in a better scenario, we will talk about that. But in the central scenario that is going to be written in stone. Where exactly we will end within our CapEx range will depend on several factors, of course, in this range, EUR 16 billion to EUR 19 billion, that is going to depend on the macro scenario, is going to depend on development of our opportunities in the pipeline or the balance sheet.

Our key business priority will be focused on the upgrade of the upstream portfolio, development of low-carbon advantaged platforms and delevering of our position in Iberia, all while exploiting integration advantages across the energy value chain.

Upstream we will sustain, is focused on free cash generation and evolving portfolio towards higher margin and lower emission barrels. Industrial, we continue to act as a key cash flow engine, while developing a very promising low carbon platform. Customers will continue to generate stable results on cash flow, consolidating its differential multi-energy proposition and low carbon generation will continue to be a material growth driver for Repsol. One of Repsol's differentiating strength is our integration in key markets across the OECD focused portfolio, where we aim to reach 90% of capital employed in OECD countries by 2030, in the whole company.



In Iberia, where we are highly integrated with presence in all energy value chain and in every component of the value stream, and this integration in the Iberia hinterland is going to allow us to build new industrial low-carbon businesses, with clear competitive advantages, lower CapEx and OpEx as we are liberating on our existing sites and assets with a direct access to customers or access to low-cost carbon-free power generation. In the U.S., we are already increasing our degree of integration across businesses, and we ambition to raise the share of our capital employed in this country to 30% by the end of the decade.

I mean today, the figure is around 27%. So we are talking about a short light increase of this figure from now to 2030. I should also highlight increased role of our trading units in this setup, allowing us to exploit advantages across geographies and products change.

As in the last 2 years, we will face a cycle of a strong investment to take advantage of the business opportunities available in our project funnel. Our investment plan for 2024, 2027 is driven by 3 major factors: the opportunity created by the energy transition, in industrial and customer, the development of our upstream projects with FID that they have been already taken and an attractive pipeline of renewable projects already built in Iberia and the U.S.

Out of the 20 -- sorry, EUR 16 billion to EUR 19 billion of net CapEx in '24, '27, upstream will represent something between 30% to 40% of this CapEx. Investment in industrial will account for around 35%, with EUR 3.5 billion to EUR 3.8 billion invested in the conventional, let me use the term, business and EUR 2 billion to EUR 3 billion in the emerging industrial low-carbon.

Customers will represent around EUR 2 billion and low-carbon generation will invest EUR 3 billion to EUR 4 billion in net terms over the whole period.

Around 35% of the net CapEx will be deployed in projects with low-carbon profile, including also the carbonization investment in conventional business lines. 55%, 60% of net CapEx will be deployed in Iberia and 25% in the U.S., and almost 80% of the CapEx will be spent in growth projects.

Half of the total CapEx is going to be in operation before '27. We are providing ranges for net CapEx as there are inevitable uncertainties around how each opportunity will materialize and what will be the final risk return profile.

But I want to underline that we will only take FID's when we have sufficient confidence in the quality of the project, the regulatory environment and where returns are aligned with our hurdle rates. We are working in the energy transition, ensuring that we build on our competitive advantages. And we are doing that, while we continue investing in our traditional businesses. And we are going to go on doing that because we believe we have attractive and resilient projects.

At group level we estimate an accumulated free cash flow, calculated as cash flow from operations minus net CapEx of between EUR 9 billion and EUR 11 billion until 2027. Upstream, conventional industrial, and customer will be clear, as you can see in the slide, free cash generators. Part of this cash will be used by low-carbon generation and Industrial low-carbon to finance their growth. In terms of capital employed, we aim to maintain a stable exposure to our traditional businesses with most of the growth focused on new low-carbon platforms. And this larger scale portfolio with a greater share of businesses where we hold the competitive advantages will deliver improved returns and cash generation.

The group's cash flow from operations will reach around EUR 8 billion in 2027. So a EUR 1.6 billion increase compared to 2023, of course, adjusting the figure of 2023 under the same commodities prices and the same almost homogeneous scenario.

This growth will be underpinned by the new upstream production on stream by 2027. The start-up of Sines, the C43 and other low carbon industrial projects, a higher contribution of the retail power and gas and the contribution to 6 to 7 gigawatts of new operating renewable capacity we will put in operation over the period.

More and I underlined this figure, more than EUR 1.2 billion of the cash flow from operation in 2027 will come from low-carbon platform. So that's starting to be really material in the company.

So more than the 15% of the total operating cash of the company. We expect return on capital employed to reach 12% in 2027, aiming to surpass 14% in 2030. The combination of capital discipline with the development of advantage business platforms will enable us to deliver higher returns. Repsol has demonstrated a track record of value generation low carbon and we are confident to scale it up towards the second half of the decade.

We will be achieving this in 2 ways. Firstly, and most important, by focusing investment only where we have or we can build a strong right to win, which will translate all that in other returns that are going to be above average. And secondly, by practically managing the new business risk with several levers that mitigate the inherent risk of those in early stages. This track record in generating value has been recognized by the market, as demonstrated in attractive valuation achieved in the partial divestment of our renewable businesses.

In renewables, we are limiting our financial exposure by rotating at holding company level and asset level. The sale of a 25% stake of the business in 2022 crystallized value significantly evolved the capital invested. And as you can see in this slide, our systematic asset rotation model is consistently delivering attractive returns well above our hurdle rate of 10%, the last one in November, that you note, that was in financial terms, probably in the worst part.

In this slide, we are summarizing our capital framework, which is aligned with our main financial commitments under any scenario. The EUR 4.6 billion to be distributed as cash dividends are committed, again, in any scenario.

In our central case, Repsol will be allocating up to EUR 10 billion to shareholder distribution supporting our growth through a net investment of EUR 17 billion to EUR 19 billion, all while keeping a strong balance sheet that guarantees our current credit rate.

Let me now spend some time to go through our decarbonization road map. We were, as I mentioned before, the first company committing with 2050 commitment with clear milestones and intermediate decarbonization targets for 2025, '30 and '40. Our short-term and medium objectives have been successfully tightened 2x, the first in October 2021, in the Low Carbon Day in Mostoles. And the second in the ESG day in 2022.

Forward, we are maintaining these ambitious objectives. During this decade, the carbon intensity indicator reduction target of 15% by 2025 and 28% by 2030. And that is going to be achieved using a wide range of technologies and businesses in some way in line with the vision that we have in Repsol about the energy transition.

Our road map also includes targets for the reduction of absolute emissions, methane routine flaring. And all that is very relevant to have better assets and to improve the operations in our industrial assets, either the refineries, chemical plants and in the AMP. There is not a single path to reach carbon neutrality. We are continuously analyzing the best alternatives and will develop the right mix of technologies and decarbonization routes to get our objectives in the most efficient and in the most profitable way.

Let's now move to the strategic lines in each of the 4 business divisions, starting with the Upstream. Repsol produces today around 600,000 barrels a day, comprising an international portfolio in world-class basins, including some of U.S. top place as well as positions in Latin America, North Africa, U.K. and Indonesia.

Last year, we incorporated EIG in our business, with a 25% of our minority stake. And with this agreement, we brought in, in our reference investor in generally sector that is fully aligned with our vision and is going to allow us to accelerate the transformation of the business towards our strategic goals as a company.

Since 2021, we have made a strong progress in transforming our upstream into a more profitable business. We exceeded the key targets that we set in our previous strategic plan. Between 2021 and 2023, the upstream division generated a free cash flow of EUR 7.5 billion, almost 3x the target defined for that period, and that was driven by our strategy of value over volume and more favorable environment.

We successfully delivered our growth projects with strict profitability requirements, and all that result in a very attractive and resilient portfolio that will sustain future production. And with the aim of concentrating operations in regions where we have material scale and advantages, we reduced the number of producing countries from 18 to 12 over the last years, increasing our average production per country by 50%.

We have defined 3 main strategic priorities that complement with portfolio upgraded actions. They are going to allow us to achieve a more profitable decarbonized and focused business.

In the U.S. and conventional focused on our positions in Eagle Ford and the Marcellus, we want to continue improving our operating model, reducing breakevens and gaining scale. In our conventional assets, we will prioritize higher-margin barrels with low-carbon footprint through the successful delivery of projects we have now on track and by capturing material synergies in the U.K. operations that now, as you know, we fully consolidate.

We also ambition to accelerate the decarbonization of our production and create a focus, but material portfolio of carbon capture storage projects. And I want to underline again the importance of portfolio management in coming years to focus on areas where we have real competitive advantages and greater value creation potential.

In our unconventional assets base, we will continue to play a very relevant role in our portfolio, targeting an average production between 180 and 2,000 barrels equivalent between 2024 and 2027. We will invest about EUR 2 billion in Marcellus and Eagle Ford, taking advantage of the attractive economics and competitive carbon intensity.

We will continue to reinforce our operating capabilities, with intention to strengthen our inventory, to gain some scale in the long term. In the conventional production, we have a set of projects in development. I'm not going to explain all of them. You know them, and you have the slide with the whole description. But we are going to have additional production volumes and higher-margin barrels coming from these projects.

In the next 4 years, we expect to invest around EUR 4 billion in this asset. We are going to contribute with more 95,000 barrels a day of new production in 2027, comparing with 2023 and 135,000 barrels per day in 2030. This incremental production is comprised of low break-even barrels below \$50 in any case, with short project payout. And in this sense, the average cash flow from operations per barrel produced in this project is estimated at around \$36 per barrel, which doubles our portfolio's average.

Let me now highlight briefly 4 of our main projects or resulting from our successful exploratory activity. Campos 33 is a world-class asset in the Brazilian pre-salt, contain gas at 45% content of high-margin liquids. The FID was taken last May with first production plan in 2028, and we expect to have net production of 44,000 barrels per day by 2030 without breakeven under \$40 in terms of net present value.

The pickup project in Alaska is one of the largest discoveries, as you know, in U.S. onshore, it's located in (inaudible) position. It's utilizing extensive existing infrastructure, and with massive resources, the development has been designed in phases through our [old] capital flexibility. It's going to provide us our own production plateau, increasing oil exposure and high-margin barrels. Leon-Castile is another very attractive project that consolidate our presence in the Gulf of Mexico, a region that has already delivered great return to us.

And finally, the (inaudible) 29 field is a Repsol-operated deep water oil discovery in the Mexican side of the Gulf. And this is a project with a high-quality reservoirs and production, high returns, short payback and low carbon intensity.

Portfolio management will play a crucial role in our Repsol strategy to 2027, that is going to reinforce our growth in core areas and is going to generate higher value and cash flow. Our aim is to focus our portfolio in areas where we have strengths and material scale, including U.S. [unconventionals], the Gulf of Mexico, Alaska, LatAm and North Africa. More than 70% of the upstream net CapEx until 2027 will be deployed in these core growth areas. Portfolio management will come from potential projects (inaudible) dilution and inorganic optionality.

The transformation journey initiated by our upstream business years, a goal even more visible during the time frame of this strategic update. This transformation journey may potentially culminate in a listing event in the medium term. By 2027, we expect cash flow from operations to reach EUR 3.3 billion, a 15% increase compared to 2023, if adjusted to a new price deck, and this increase is going to be driven by the new projects and margin improvement initiatives.

Our exposure to Henry Hub has been mitigated through the hedging of 1/3 of our production in Marcellus of 2024 to 2026 through [colors] in all cases. In 2024, with [output call] [3, 4.5], [3, 6.2] in 2025 -- sorry, [3, 5] in 2026, 1/3 of production is already hedged. Our exposure to Henry Hub has

been so mitigated. The average cash flow from operations per barrel produced will increase by 30% in 2027. Of course, always under comparable price scenarios, maintaining a scalable portfolio with more than 550,000 barrels a day of production, including in any case, production or portfolio rotation. And with these assumptions, we expect Upstream division to generate a cumulative free cash flow of EUR 5 billion to EUR 6 billion after investing [EUR 6 billion, EUR 7 billion] over the (inaudible).

The capital employed of the Upstream or (inaudible) countries will increase for 44% in 2023 to 52% in 2027. And the liquid share is going to increase from 34% last year to 39% by 2027. Let me continue with the industrial division, where we have a strong value creation story. Levering on one of the most competitive and integrated refining systems in Western Europe. Our portfolio combines best in class assets with leading operational expertise and integration that is reflected in every benchmark published in Europe, compounding refining systems.

The average cash flow from operations between 2021 and 2023 was 50% higher than the initially targeted for this division, and we delivered an accumulated EUR 1.4 billion per year of free cash flow doubling initial expectations. Almost 40% of that improvement was consequence of increased competitiveness. That was reflected in the higher margin premium and also the excellent results of our trading unit.

The transformation of the business has also delivered a strong progress through an intense decarbonization effort and the development of low carbon platforms on which I will later elaborate.

For the horizon of this update, we have identified 5 key line actions with a focus on maximizing the value of the conventional business while developing the new low carbon platforms. To achieve this, we aim to lower breakevens with efficiency, the carbonization of operations in refining and petrochemicals. We are also increasing developments of our trading business to optimize the value capture in refining our low carbon assets. Chemicals will lever on the expansion of the Sines Complex is a differentiation, better said that an [expansion role]. We are integrating with derivative chemical business.

The current olefins we produce in Sines, invest in differentiated products to enhance margins. We will deepen the transformation of our conventional sites to build our low carbon platforms and let me say that we are building a unique scalable leading renewable fuels and materials platform in Iberia.

We are transforming our legacy sites, changing the feedstock, producing new products, producing renewable fields, transforming the refineries and biorefineries, (inaudible). And our ambition contemplates the option to expand in our flammable fuel business in highly attractive markets as the U.S. Of course, we have to deliver in Iberia. First of all, our position and have to gain the right to win after building the right condition to that.

During the next 4 years, we aim to reduce the refining and chemicals breakeven by over \$1 per barrel and EUR 26, respectively, while we maintain the pace of the carbonization. We are also stepping up trading activity increasing our portfolio across geographies and products. We expect trading achieve an EBIT of EUR 500 million per year in average in '24, '27, a 20% increase over the average of the former period 2023.

Chemicals will benefit from the startup of the expansion of Sines that is going to enhance our production, our margins. We have also new projects in (inaudible). And we also have the expectation that the chemicals market cycles will improve as we progress into this strategic plan.

Our industrial transformation road map focus on technologies and processes with strong synergies with our industrial sites and our market position, a little bit biofuels. And here, including HVO, SAF, represents the most effective path to meet demand for renewable middle distillates. In addition to the C43 plant in Cartagena, as I mentioned, is starting out the operations. Work is underway to retrofit a digital unit in Puertollano with FID already taken last year with other 3 projects that now are under development.

Biomethane variable hydrogen will be alternative routes to decarbonize our sites and products. We are going to capture the green margin premium created by the European Union mandates and we are planning for the development of at least an electrolyzer in each of our industrial sites, taking FIDs as projects and regulations develop.

Gasification is another emerging technology circularity, where Repsol has a market leading position. We are processing waste into valuable fuels and materials, and we have the access to premium markets. In all these routes, we have key partnerships in place to ensure feedstock and technology access, further solidizing our position in the market.

In this sense, Repsol is in advanced talks with (inaudible) to form a partnership in Iberia that will generate significant opportunities to develop renewable feedstocks, specifically for these lipid products. So we are guaranteeing this feedstock for our lipidic projects for coming years.

Our integration and ability to leverage synergies is behind the high return economics of these low carbon projects, we are putting here only examples. In the C43, we will produce HVO or SAF. We benefit from low CapEx and OpEx position, leveraging on the assets, the streams, the utilities and the people and the talent we have in the Cartagena refinery. We have secured, as I mentioned, an advantage feedstock of used cooking oil and so on. And in this sense, we expect around EUR 100 million of EBITDA in this first year of operation. I mean there is a commissioning part and so on in the process, generating a return on investment in the high 20s.

Another example is the future electrolyzer of Tarragona that is going to fit with rehydrogen our Tarragona industrial complex with FID expected later this year. While the economics of green hydrogen are still difficult for new entrants, including utilities, Repsol has 2 specific situations that provide unique on-demand advantages. First, we are the largest hydrogen consumer in Iberia today. And we also have the capability to capture given premium in fields subject to renewable quotas. And the award of this grant from the European innovation fund further supports the economics of this project of Tarragona.

Being conservative, we expect initial green hydrogen projects to just beat the require harder rate with later projects providing greater returns after developing the maturity curve. In any case, we will take FID only when the right conditions are in play, including a clear and stable regulatory framework and the right support from the Spanish authorities. In 2024, '27, the industrial business is expected to deliver more than EUR 10 billion of cash flow from operations and EUR 4 billion to EUR 5 billion of free cash flow. And this contribution is projected to exceed in cash flow from operational terms, EUR 3 billion by 2027. So a 25% increase over the period.

This growth is going to be based on reducing breakevens, the expansion of trading operation, the chemical business upgrade and the industrial low-carbon platform that is going to contribute EUR 0.6 billion to the cash flow from operations in 2027. We will invest a figure between EUR 5.5 billion to EUR 6.8 billion in this business based on a strong pipeline of high-return projects in target technologies. And between EUR 2 billion and EUR 3 billion will be allocated to industrial low carbon, subject, as I mentioned, to the positive evolution of regulatory and market uncertainties.

Additionally, we are going to invest EUR 0.5 billion in low-carbon projects within our conventional industrial assets. Renewable fuel production capacity is expected to grow around 1.5 million to 1.7 million tons by 2027 and a further 1 million tons by 2030. In vulnerable hydrogen, we expect to reach something between 0.5 gigawatts to 0.7 gigawatts by 2027 at the end of this plan. And we have a project pipeline that in case of materialization could reach 1.8 to 2.4 gigawatts by 2030.

Lastly, our energy efficiency investments are going to allow us to further decrease the carbon footprint, achieving a reduction of 1.6 million tons per year of CO2 during the period 2024, 2027.

Going to the customer. Continuing now with our customer division, let me share with you a few data points. We have today more than 24 million clients in the Iberian Peninsula. We are the leading energy retailer in Iberia. We have a very attractive commercial business with a stable free cash flow generation, low capital intensity and a track record of new business build. In 2023, the division delivered a record EBITDA of EUR 1.1 billion in sustained return on capital employed above 20%. Cash flow from operations has grown by 10% since 2019, the pre-pandemic period, mainly driven by our successful entry in the retail power and gas business, the accelerated digitalization and the leading retail fuel business. For the '24, '27 strategic horizon, we will work to strengthen our core business, which are the backbone of this division and the source of cash flow.

To achieve this, we want to maintain our market share and margins by investing in differentiation and digitalization. We will invest in non-oil growth, accelerate efficiencies and deliver a unique offering of 100% renewable fuels produced in our refineries. We expect by 2027 to have around 2,000 of our service stations to sell 100% renewable diesel in Iberia and become also the SAF leader (inaudible).

We are also aimed to build a multi-energy advantage based in our growing position in the retail power and gas, and we have a unique value proposition in this sense, combining different kinds of energies. We will scale new and material business platforms to expand the profitability of our commercial business. The track record of accessing to new revenue pools has been clear over the last year in the case of our commercial businesses, while it has become the market-leading transportation app in Spain and is also one of the most used app in the country. In 2023, it reached 7.5 million users with a total volume of EUR 3.5 billion in transactions and the success of this platform not only brings us a strong differentiation, it's also increasing the value of our customers, compared to (inaudible) users, users of (inaudible) visit twice as much our service station and duplicate their fuel consumption.

We would like to highlight the successful entry in the Power and Gas business. EBITDA this year has been more than EUR 100 million in this business. In 5 years, we have become the fourth player in this business in Spain. Until 2027, we expect to continue the growing cash flow from operations in the customer division achieving a 30% increase comparing to 2023, (inaudible), the cumulative free cash flow will be approximately EUR 2.1 billion over the whole period. And in our commercial core business, we aim to maintain (inaudible) transportation market share about 33% and increased non-oil margins by 30% in the period. We will work to continue growing our digital customer base, targeting more than 11 million digital clients by 2027.

In the retail power and gas, the target is doubling the clients base to 4 million customers and increasing the EBITDA contribution to near EUR 300 million by 2027. In 4 years, we expect that as 60% of our service stations will be multi energy, providing 100% renewable diesel, fast recharging points and the auto LPG.

So the EBITDA coming from these new businesses is expected to reach EUR 90 million by 2027. Moving now to low carbon generation, where we have a clear success story of value-generating low-carbon business. We enter in 2018 in this business today, we operate 2.8 gigawatts of renewable generation capacity in operation diversified geographically. We have a pipeline of more than 60 gigawatts, mainly in our core markets in Iberia and in the U.S. And as a guarantee of maximum discipline of investment decision, we have combined business growth, we have strong capital discipline, investing only in projects with more than a 10% equity return.

As we systematically rotate the projects we have generated between 13% to 16% returns in the 1.3 gigawatts we have already partially rotated to external investors. Having 75% of the generation capacity contracted through PPAs, coupled with our integration downstream and customer and industrial business, we have some clear mitigation of our risk sustaining the future returns of our projects. This growth model was validated with the sale of a 25% minority stake at very attractive multiples crystallizing value and achieving a valuation that grows 3x the capital employed in this business.

For the coming years, we continue seeing a positive long-term outlook for renewables reinforced by supporting policies and growing decarbonization commitments. Our business has an ambitious but very well-grounded plan to deliver profitable growth in this business. By the end of 2027, we expect to reach between 9 to 10 gigawatts of installed capacity with around 30% located in the U.S. and a growing share of wind energy in the portfolio.

In Iberia, our aim to add 2 to 3 gigawatts of capacity over the period. We are also working in the risking of (inaudible), the hydro pump storage expansion project of Spain, and in the U.S., our goal is to develop our new pipeline platforms, building around 2.3 gigawatts of capacity is solar and mainly in wind, thanks to the portfolios acquired to ConnectGen and (inaudible).

The low carbon generation business provides strong flexibility and debt to deploy capital according to the group's needs, it's fundamental to optimize the capital exposure in this business. Consequently, this division is adapting the project financial structure to each region. In Iberia, we continue our strategy of selling a 49% equity stake of our unlevered projects while keeping operational control in an integrated view of this business. These results in roughly 50% financial exposure for Repsol after asset rotation.

Internationally and with a clear focus in the U.S., our business is going to use project financing covering 60% to 70% of the capital needs and the sale of 50% of the project equity. And this structure will lead to 15% to 20% of financial exposure for Repsol in each project after -- project capital after rotation. We are on purpose targeting a high-grade exposure and control in Iberia for this integration of the business. And this proposed

financial structure will allow us to optimize the net capital exposure in the 2024, 2027 period, from EUR 8 billion to EUR 9 billion gross CapEx to a net exposure of EUR 3 billion to EUR 4 billion.

So the net capital exposure over the period is going to be EUR 3 billion to EUR 4 billion over the period. And with this investment plan, our capital employed low carbon generation, we doubled to around EUR 8 billion in 2027. That year in 2027, we expect to reach 9 to 10 gigawatts of capacity in operations. The cash flow from operation contribution is expected to reach EUR 0.4 billion in 2027. To this figure, we will up the profits from the asset rotations that, of course, are not included. And this is important to note that in 2027, this business is going to go on being a growth business with significant CapEx, from this EUR 8 billion CapEx under development. So we will collect the results of our ambition in the following period.

At this point, let me briefly discuss 3 key corporate enablers of our strategy. First, digitalization we are launching the second digital wave in the company. We will invest in an average of EUR 130 million per year, and we have the target of delivering a positive impact of EUR 800 million in 2027 in cash terms compared to 2020. The Italian program, so we are transforming the company. We are developing a great effort in training people, in recruiting people, in improving our skills. And in some cases, having capabilities to our people to fulfill the new needs of these new low-carbon platforms.

And thirdly, technology. More than 55% of our research and development projects are focused on new low-carbon technologies and products. We are, of course, committed to this environmental protection with a strong focus in minimizing the impact of our operation and products. Our commitment with decarbonization is crystal clear, and we also have a commitment to reporting transparency and engagement with our stakeholders without a leading position in ESG rating and the financial support from the European Investment Bank and the Spanish Official Credit institute. We are very proud of that.

Also the work is called in Spanish is the (inaudible) that reflects the solidity of our policies, but we are developing a specific initiative to continue progressing on increasing performance and transparency.

To conclude, I want to spend a few slides to summarize the main takeaways of this strategic update. Starting with profitability in the next 4 years, we will work to deliver significant growth in returns and cash flow generation. I mean, if there is a word along the whole presentation is growth. We are growing in all the metrics, financial metrics over the period.

Cash flow from operation will reach around EUR 8 billion in 2027, a 24% increase comparing with 2023 in homogeneous terms. More than half of the growth will be driven by new projects in industrial low-carbon generation. We're in the range of EUR 9 billion to EUR 11 billion for the whole period under our central scenario, the adjusted net income is expected to reach EUR 4.4 billion by the end of the period.

The average return on capital employed will be about 12% in 2027, adding more value, with a better company, with a lower risk profile and with still a significant portion of our capital in projects under development and adjusting for this factor, the return on capital employed will reach for -- by the end. Our commitment, dividend growth is guaranteed. Regardless of this scenario, next slide, please, with total cash dividends amounting EUR 4.6 billion for the period.

Share buybacks will complement our remuneration to reach our target of distribution of 25% to 35% of the cash flow from operation. Total distributions will reach EUR 10 billion in the central case and EUR 7 billion to EUR 8 billion in what is defined a lower case that is more conservative. Net CapEx won't surpass the EUR 16 billion, EUR 19 billion range in any case in the 4 years. And the fact point in this range, as I said before, will change according to the macro and of course, the maturation of the different projects.

We are extraordinarily confident that this strategic update for 2024, 2027 represents a compelling and attractive investment proposition. We want to develop our story of value growth by increasing returns in a sustainable way, and we are going to do it based on what we consider they are (inaudible). We will deliver attractive and committed shareholder distribution with the cash dividend growth guaranteed in this scenario. We will maintain a strong balance sheet that is going to allow us to guarantee that these distribution commitments while maintaining our current credit rating. And we will increase the cash flow generation of our businesses with higher competitiveness.

We have defined (inaudible) with a portfolio with an earned rate to win in both in conventional and new low-carbon businesses. We ambition to be an industry leading portfolio transformation company, creating advantage low-carbon platforms, more than half of the cash flow growth in this period, '24, '27 is going to come from this low carbon transformational projects.

And of course, there is a sentence that my Board bound me to use. But I mean, I always say that I want to be the most boring CEO in the world and in the sector. And I bring on Mr. (inaudible) prudent and boring means being very attached to the [capital of the company] with a very solid balance because if you have a strong balance sheet, you have flexibility to weather in a sector that is you know better than me because you have experience over the years, the realities of this -- flexibility is going to be a must for us.

Finally (inaudible) summary of our strategic targets to 2027 at group level. As published earlier this morning, the 2024 dividend has been increased by 30% to EUR 0.9 per share. In addition, yesterday, our Board approved a EUR 35 million share buyback with the aiming target of canceling 40 million shares before the end of July, I mean, be sure that in the second quarter presentation that is going to be canceled before that date. And the cash flow from operation distribution in 2024 is expected to be in the higher end of our strategic 25%, 35% range.

Under our planning deck we expect to deliver in 2024, our cash flow from operations of between EUR 6.5 billion, EUR 7 billion, assuming an average production in the upstream, something in between 570,000 to 600,000 barrels a day. Net debt CapEx this year because, I mean, we have projects now, and we see that we could accelerate some actions always under the principle of '16 to '19 over the 4 years will be around EUR 5 billion. And to conclude, I want to express my gratitude, of course, to you for your attention, to the whole company of Repsol, our employees that they are behind the delivery, the strong delivery over the last 3 years, and of course, to our shareholders for supporting the transformation journey of this company. Thank you.

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## QUESTIONS AND ANSWERS

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

Well, the Q&A session starts now. I will moderate it. We will go through a first round of questions. Pleased to allow all analysts to participate. I will kindly ask you to limit the number of questions to a maximum of 2 per person. If there is time, we will open up a second round of questions. Thank you very much for your understanding. Alvaro -- Lydia Rainforth of Barclays.

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

Thank you for the presentation, Josu Jon Imaz. You're far from boring up there, I promise. Two questions, if I could. The first one, the priority that you outlined throughout the presentation was on shareholder returns. And you've taken that step of guaranteeing the dividend side of it and actually talking about buying back a significant amount of shares. Where -- what does that decision reflects where the share price is and the value that you see within the shares. I was wondering why you've -- why you're putting that much [stress] on that?

And the second one, again, you've been very clear about the net CapEx side. How confident are you on realizing those asset sales? And does it include the sell-down from the -- or the potential sale and the upstream side of the listing event?

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

Thank you, Lydia. I mean I'm fully convinced about the upside of the share price. But I mean that is not in our control. So I think that what we have to do is to manage what is in our hands. And what is in our hands is first of all, delivery, delivery and delivery. Because I mean -- I'm sure that at the end of the road, if markets see that the returns are there, that when we talk about the carbonization, we are building platforms where we are capturing the returns we are committed. If markets see that we are fully focused on keeping -- growing the financial discipline of the company. And if markets also see that we have a clear, predictable shareholder distribution pathway for coming years, and we tried in some way to do that through this action of defining a clear pathway for the cash dividend for coming years.



I mean you know that we are going to have a minimum of increase of 30% year-after-year in the total amount we are going to distribute and because we are going to have a redemption of shares because of buyback programs in the framework of this 25%, 35% range of the cash flow from operation, we are going to increase with this second, let me say, addition, the dividend year after year in cash, achieving this, let me say, in the central scenario of EUR 1.26 by '27.

All that is in our hands, and in this sense, that is behind our aim of defining this clear shareholder return because we are convinced that delivering in operational terms, delivering in financial terms and having a predictable return for our shareholders, that is going to be the key driver of any future evolution of the share price.

Going to the second question, I mean, I'm going to talk you about how confident I am about realizing these asset sales. But again, I mean, in case of not having a real execution of this divestment, of this asset rotation, the net CapEx figure is going to be written in stone. That means that in that case, we'll slow down CapEx and in some cases, we'll even renounce the projects because the priority, in financial terms, of this plan, I mean, we have the shareholder distribution, we have the financial discipline. We are going to maintain a whole (inaudible) -- I mean the financial discipline in terms of keeping growing the current rating, plus a maximum of 20% of gearing in the period, and annual CapEx.

But say in that [video], I think that in terms of the rotation in the low carbon business after 4 processes were the last one, I have in mind that probably October -- October '21, '22 were the worst period in terms of tax rates taking into account the policies of central banks and so it was theoretically the worst moment to prove the model. And our fourth asset rotation was developed those days.

So we are quite comfortable. We have a proven model and going to the divestment we have been able over the last 5, 6 years, to exit Russia, to exit Malaysia, to exit Ecuador, to exit Canada, to exit -- I mean a lot of countries. And some of them in a period where the commodity support was lower than it is now. So I'm fully comfortable about the execution pathway we have. But again, you have to -- it's written in stone and I'll do whatever it takes to maintain the net CapEx of the company over the period in a figure between the 16 to 19 in the central scenario. If we are in the lower scenario, we will reduce in the figures we mentioned in the India slide. Thank you, Lydia.

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

Biraj from RBC.

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

The first one, just again on the financial framework. So if I look at the '21 to '23 period, macro surprised the upside relative to your plan. And then you said the extra cash flow was distributed evenly between CapEx, balance sheet and distributions. But looking forward, you've told us CapEx is set in stone, and your balance sheet is obviously much healthier than it was in 2021.

So is it fair to assume that if the macro was to surprise the upside that the lion's share of the excess capital would be additional distributions to shareholders?

And then the second question is just on low carbon. You're still assuming 50% of capital employed in the kind of home regions in Iberia. You've been very vocal in the past around instability on the policy side and taxes and so on. So I'm just wondering, where you are now in your comfort and your ability to deploy that capital in Iberia? And related to that, on your renewables targets, I think previously, you talked about 20 gigawatts to 2030. Now it's 9 to 10 in 2027. Are those targets consistent? Or is there an implicit slowdown there?

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

Thank you, Biraj. I mean it would be great to have a macro environment similar to '22, '23 in coming 4 years. But be sure that -- I mean, I'm not putting any upside scenario in our presentation. We take a central and the lower one, but be sure that if we have a higher, more positive scenario, be sure that the distribution to shareholders will improve comparing with the proposal we have here.

And I mean, my first point is going to be directly improved because in any case, we are going to commit at distribution in the range of 25% to 35% of the cash flow from operations. So you have, let me say, a mathematical first effect. And secondly, be sure that if we are in the range -- in the higher range, the figure is going to be the 35% because -- I mean, that is what we did last year, and that is what we are going to do next year.

So yes, a clear improvement of this distribution, but I prefer not to talk about that because, again, I prefer to be prudent, and we are not today in this more positive market scenario. What we are taking is prudent, as you know, in terms of oil price, in terms of refining margin. In terms of Henry Hub, you could say, okay, I don't know if \$3 is prudent or not. I mean it's true that the average till today, this year is \$2.5, \$2.6. So the impact of this -- of this Henry Hub in cash terms, it could be around \$120 million a year in cash flow from operations. But if you take into account that 1/3 is already covered, we are talking about \$80 million a year.

So if I take the excess coming from the refining margin, when I compare what we have in our central scenario and what we are experiencing over this part of the year, only taking this increase, we are offsetting the reduction we could have -- more than offsetting the reduction we will have with Henry Hub over the year. Again, we will have a higher distribution in that case. And in terms of balance sheet, we protect, also in a strong way, our balance sheet and we'll have more room for CapEx.

But again, we are going to invest only if we see that returns are there, otherwise, the money will be to our shareholders again. Going to Iberia. I mean, I know that this question has a strong interest because we were crystal clear. And I personally was crystal clear in the last presentation at the end of October, when I said that we are not going to invest in these transformation projects in Spain if we don't see a clear certitude in terms of regulation and fiscality.

I was talking about what is called the gravamen or the windfall tax. I mean first of all, let me say that things have changed a bit over the last months. First of all, the European Commission, I mean -- I remember that I state all that at the end of October and the European Commission, the 30th of November, stated that this windfall tax had to be over. That was punishing the security of supply in Europe and that goes also against the need we have to invest to the carbonized European economy. After that, some weeks later, even in Spain, the Prime Minister stated in a public way that we have to rethink and redesign what is called the gravamen because the priority has to be to invest in the energy sector in this country.

So I think that things are -- in some way, things could change in the short term. I'm a bit, let me say -- I have a bit more positive view than I had some weeks ago about that. But we are going to wait. We are going to see. And in case of seeing a confirmation of all these messages and having a clear tax framework with no discrimination for companies investing in Spain, producing in Spain, comparing with our competitors that imported products that are produced outside Spain.

In case of having this clear and predictable framework, we are ready to invest, and we have a set of projects to invest in. And as I mentioned before, we have optionalities. But again, I -- we are going to do all our best to invest this money in Spain. If there are the conditions in terms of stability, tax and regulatory stability, we need to develop these long-term projects.

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

Alastair Syme.

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**Alastair Roderick Syme** - *Citigroup Inc., Research Division - MD & Global Head of Oil and Gas Research*

I just had one question, (inaudible) John. It's really around the -- following on from Biraj, the industrial low carbon businesses are about 15% of your CapEx, your net CapEx over this period, but they're delivering almost 40% of your growth. So it seems sort of -- it seems the returns are exceptionally high. I mean you signaled returns range, but they must be well above that range. So what prevents you from accelerating that investment even further? Surely, that could be scaled.

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

Okay. I mean, first of all, we have to split the animal, if you allow me, the expression. We have the lipidic projects to produce HBO, (inaudible) and so on. We have the hydrant projects that are going to give us room to use this hydrogen to decarbonize the fuels we are producing in our refineries and to comply with the European green premium regulation. We have the biomethane projects and we are taking positions in this market. And the fourth is the classification of urban wastes. Going to the lipidic route, I think that the figures you mentioned are mainly focused on what is the C43 project in Cartagena and so on.

The -- I mean the limits, the restrictions for us, they have been over the last years. First of all, to guarantee enough feedstock to grow because that is crucial to guarantee the competitiveness of these projects. In this sense, what I mentioned and we are going to announce in coming days, I mean, an agreement with Bunge to work together, to develop the opportunities, to develop the feedstock in the Iberian hinterland, we need to operate these plants in the whole value chain is important. It's positive, it's going to give us comfortability about that.

I don't have now the concern about the feedstock related to the C43 in Cartagena, the Puertollano retrofitting, we took FID some months ago. And we are working on preparing the next projects in this direction. And here, I think that we could be able to put 3 more alternatives on track in coming years because after these returns, we talked about (inaudible) because we are able to transform current units in current refineries.

And so we are saving CapEx, we are saving OpEx, we are saving utilities and so on. So now we have 3 potential options, and it seems to me that one of them, because any decisions in this direction is also impacting the current production of refineries, so we have to take the right valuation about what we are gaining and what we are going to lose, but it seems to me that we could have conditions to take, let me say, 2 more FIDs over the period of this plan and probably 3. So again, I think that guaranteeing the feedstock is going to be the crucial issue to go further in this investment process.

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

Sasi?

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

I had two, please. The first was related back to the refining portfolio. You've included a more conservative refining margin scenario of \$6 per barrel and highlighted risk from additional capacity coming through 2025 plus onwards. I was just wondering, in that scenario, are you still comfortable with your refining footprint? You've just highlighted a few projects and high grading the portfolio. But the footprint in itself, does it require any change in the capacity that you'll have?

If you could also highlight some of the dislocations that are existing in the market now, especially for European refining and if there's any opportunities for Repsol on that front, that would be helpful.

The second question was more on the capital allocation. A lot of detail has been provided here. You -- in your central scenario, you have highlighted free cash flow guidance of EUR 9 billion to EUR 11 billion, distributions of up to EUR 10 billion. So in that context, the gearing is around 7%, likely to remain flat, I suppose. Is that the right level for Repsol in that scenario? Are you being a little bit conservative on that front?

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

So thank you, Sasi. Going to your first question, I mean, we don't see -- I mean, we are comfortable now with our footprint, with our 5 European refineries and a Peruvian refinery that, it's in a different context. You know that Latin America lacks refining capacity. In Europe, I mean we are seeing good margins in all our refineries. If you take even the worst of the refining margin period in 2021, our 5 refineries that were in the first and second European quartiles in terms of net cash margins. So we see a clear case in coming years to go on operating our 5 refineries.

We have to, of course, to fight, to work, to try to reduce the breakeven. So we are developing a great effort in this direction. As I mentioned, we are going to reduce in one (inaudible) above the breakeven. 1/3 is going to come for less energy cost more or less, more or less 1/3 is going to come from programming, more integration with the chemical business, OpEx reduction. So that is a great effort we are going to develop in this direction. At the same time, we have been carbonizing our refineries. We don't see -- in terms of the market, the forecast could talk about [15] of reduction capacity in European refining by 2030, more or less that could be a reference. I mean I'm sure that no one of our refineries is going to be there in this scenario.

What we are seeing at the same time is that we are mainly middle distillates producer. We have a market -- the French market that is in our borders. We have 2 refineries, Tarragona and Bilbao that are -- have a French market closer than most of French refineries. We have the north and south and northwest part of Europe. In that direction, we are building the capabilities in the trading and the wholesale business to cover.

We didn't put the Spanish and Portuguese market in the slides. You watch the hinterland mapping and this heart of hinterland (inaudible) west and the south of France and even the area of Marseille and so on and what is the north and the northwest part of Africa are there. It's part of natural hinterland of our refining business.

So going to your question about the appropriate gearing level. I mean, we have -- first of all, our gearing level now is below -- is below 7%. I mean, it's okay. But there is a balance in terms of using the right resources in financial terms of the company. So I'm not uncomfortable with the 7% of gearing because, as I mentioned before, I mean, being prudent is also part of being boring from my point of view. That -- the commitment we are taking is the current rating we have now, that is the BBB+ in terms of Standard & Poor's and equivalent in Fitch and Moody's.

I mean, first of all, rating (inaudible) again maintaining this rating over the whole period. And on top of that, being below the 20% of gearing is the guidance we have. We could because we have the financial flexibility to weather, in some way, the ups and downs over the period. We could increase the current gearing we have. Nothing happens, but our aim is to be below this 20% of gearing.

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

Alejandro Vigil, Santander.

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**Alejandro Vigil** - Banco Santander, S.A., Research Division - European Equity Analyst

Congratulations for the presentation. Just -- sorry to come back to the special tax in Spain, just to be sure. If the Spanish government decides to make the tax permanent, there will be some change in this plan in terms of CapEx priorities, in terms of the net CapEx figure that you presented? And the second question is which are the implications of working in this IPO in the U.S. for your E&P business, which are the key priorities?

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

So the answer is yes because you vouch that we have optionalities in every business. I mean we have ranges. That means that -- I mean the projects are going to compete, that's is normal. But again, let me say, I'm seeing different things. I think that the bet of this investment, I'm not only coming from Repsol, I'm also coming from other companies in Spain is a great opportunity for this country. And what I have listened over the last weeks, not only from the European Commission that was crystal clear saying that this kind of windfall taxes, they have to be over because it's a nonsense.

Because we need just the opposite. We need to incentivize the investment to transform the energy sector and to guarantee security of supply. And I think that even the Prime Minister, the President of government, as we say in Spain, was also crystal clear saying that we have to rethink and we have to change what is written now in terms of government because we need to incentivize the energy investment in Spain.

So I prefer to be prudently positive. And we are, of course, preparing all the pipeline to be prepared to take decisions. And I hope and I expect that we are going to see a stability framework in the Spanish regulatory arena to promote this kind of investment. I mean, not only the investment of

Repsol is, of course, important. We are talking today something in between EUR 16 billion to EUR 19 billion, but also the investment that this country needs in terms of guaranteed security of supply that is very important as we have seen over the last 2 years after the invasion of Ukraine.

Affordable prices, that is also very important for consumers. And it's very important for industries, consuming industries, to compete. And because we are fully committed and we have a clear commitment to decarbonize the part of the portfolio we have to do. And we are committed on that. Because electrification is okay and is a relevant part of the decarbonization process we need in our society, that if we are transparent and we are clear, probably in coming 15, 20 years, half of the economy is not going to be electrified.

And we have to think about planes. We have to think about trucks. We have to think about the maritime sector. We have to think about a part of light-duty cars, industries like the chemical business, the cement business, the paper mills and so on. And we have to recognize with some other kind of fields, this part of the economy. And Repsol is fully committed to that.

Sorry, excuse me, Alejandro, I forget. Yes, it's the ambition we have. And we signed with our partner, EIG, to be fully prepared in the first quarter of 2026 to be able to be prepared for a liquidity event, probably listing the company. And we are on track. We are fully aligned with EIG. We have the same interest on that. Let me say that sometimes the end and the result is very important. But the journey is also very important. Because to be prepared for this listing event, we have to deliver a lot of things in the middle.

The first one, we need a better portfolio in upstream terms. For that reason, we are going to have in 3 years an upstream that is increasing the cash flow from operations from \$14 to \$18.50 a barrel. More concentration in place and areas where we have the right to win and material position, so we are going to go on concentrating this portfolio, having a more under stable portfolio for an investor, increasing the free cash flow generation attractive of this business.

And what I think that is also very important more and more, and not only in European markets, also in American markets, that is going on, decarbonizing the portfolio in terms of Scope 1 and Scope 2 emissions and reducing the methane emission of our production. You have seen the extraordinary reduction we have experienced on that. But we are going to go on in terms of going to the zero routine flaring, reducing venting, reducing fugitive emissions and so on.

So all in all, we are going to be able to have a more under stable and more attractive upstream business that is ready to capture this liquidity event we committed to be prepared last year, so in 2 years, in 2026. If your question would be is there any kind of metric, cash in and so on, coming from this liquidity event in this plan? I mean, nothing is there in any metric. That could be, in any case, an upside coming from this potential listing in 2026.

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

Well, Josu, you already answered the question I was going to make, we received from Michele Della Vigna, which is if within the framework of the CapEx net, is there any proceeds from this IPO included? So you were in advance.

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

No, sorry, Michele. I didn't know your question, but I answered because, I mean, that is -- it's quite automatic to ask about that. No, there is not any proceeds coming from any liquidity event from the E&P on top of, of course, the EUR 2.3 billion we expressed in terms of divestment and so on.

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

Irene Himona from Societe Generale.

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

Congratulations on the strength of the '23 results. My first question, you guide on net CapEx, so you assume asset disposals. Is your production guidance, the 550,000 BD in the plan, on the same net basis? So is it after asset disposals?

And my second question, you aim today for a new stepped-up role in Trading. I wonder if you can talk around that. What sort of increase in working capital do you intend to devote to the business? And does it reflect a higher risk appetite? Or how do you go about it?

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

Thank you, Irene. I mean, doing nothing, doing nothing means operating in the right way, led by Curo, the E&P business and so on. We may maintain 600,000 barrels a day, the production, until 2031, 2032 without any kind of problem doing nothing. And probably because we want to improve the quality of our portfolio, as I answered before to Alejandro, we want to substitute, I mean, less profitable barrels or areas with no growth prospects with new barrels with higher cash flows and higher opportunities of growth. So that is the logic behind the disposals on divestment.

For that reason, I mean, we say probably the production is going to be below this 600,000 barrels a day over the whole period. We also say, I mean, we are not going, let me say, to reduce in a dramatic way our production. So in any case, we say, we are going to stay above 550,000 barrels a day in the period with no problem to do that. But of course, as you mentioned and you asked, Irene, the divestments are included in this figure I said. Because otherwise, probably the guidance will be closer to 600,000 barrels a day than 550,000, as you said.

Going to the trade, I mean, first of all, let me say that is an improvement. I think that in EBIT terms, that 20% more or less if we compare both periods. But I mean, this year, 2023, if I don't have a mistake figure in mind, what we call our two tradings, I mean, the trading of liquids and the gas wholesale in Trading business, they had EUR 1 billion of EBITDA this year 2023. So I mean, these businesses included in the industrial, where I see that you mainly -- and so do I, we follow the refining margin because it's probably the most material driver for Repsol industrial area that is there.

In the Trading case, I mean, what is this 20% of growth? Is something dramatic behind? No, I think that mainly are, first of all -- and there is no any capital expenditure growth. Of course, we could have a short working capital growth, but nothing, let me say, material. First, the concept of hinterland. What I mentioned, I mean, building positions in France, north of Africa, west of Africa, that is the natural development of opportunities of our refining business.

Secondly, everything behind bios and renewable fuels. Because what we are seeing is that we are making money in Trading with these kind of products because we are entering new value chains. And we have -- and probably now we are going to have more opportunities to have short and long position in this business. And you know that when you have this kind of position, you could have an arbitrage and you could have growth in the Trading business. And on top of that, we are also, with the heavy products and so on, entering more in the Asian markets.

So all in all, nothing dramatic, no any change. We are also very prudent and conservative in terms of our Trading activity in terms of value-add risk and so on. Nothing dramatic, nothing changing in risk terms, mainly the logical evolution of our business that is accompanying the asset-based business we have in the rest of the company.

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

Pablo Cuadrado, Kepler.

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**Pablo Cuadrado** - *Kepler Cheuvreux, Research Division - Equity Research Analyst*

Two questions, please. One is coming back to the contribution, given the plan on the low carbon assets. I think you mentioned cash flow of EUR 1.2 billion by the end of the period. I was wondering whether you can probably help us understand a little bit the moving parts there. I think you hinted that the low carbon generation, i.e., renewables, could be around EUR 0.4 billion. But I was wondering whether you can give us a little bit

of a figure about biofuels, hydrogen, biomethane a little bit to get -- probably not looking just the numbers, just a percentage probably would be okay.

And the second question will be on the Henry Hub. I noted that in the central case of your business plan, you are expecting some kind of a slowdown on the Brent on the refining margin, but you are expecting a little bit of an improvement on the Henry Hub. So I guess, probably that could be linked to the expectations for higher export from that market. Clearly, the North American market is a key area for you. But just to understand, what do you think is going to be driving that potential improvement on the Henry Hub in the U.S. market?

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

So yes, going to your first question, EUR 1.2 billion, I was just clarifying a point with Antonio. EUR 0.6 billion, more or less half, could be coming from the industrial business. So that's the part of biofuel and a small part of hydrogen that is going to be in operation. Now we have hydrogen operation because we have a small 2.5 megawatts electrolyzer working in Petronor. But I mean, in 2027, it's going to be material. But half is the industrial low carbon business.

EUR 0.4 billion is going to come from the low carbon generation. Here, we have to take into account that, as I mentioned before, the rotation model in the U.S. is going to be at 50%. So the flows are not going to be included here. So this EUR 0.4 billion is going to be the cash flow from operation coming from Spain because the rest is going to be integrated by equity.

And EUR 0.2 billion, EUR 0.3 billion, as I said, is going to be the cash flow coming from the customer side, so mainly the retail power and so on. So I mean, probably it's not exactly EUR 0.6 billion, EUR 0.4 billion, EUR 0.3 billion because the addition is EUR 1.25 billion. But roughly speaking, that are the figures behind that.

The Henry Hub central case, do we see any improvement in the American market? I mean, let me say and understand my point, what I see is not relevant. Because what I see is what the market is seeing in the States. When we are, some days ago, covering hedging position for 2026 in a collar, put call, 3 million BTU, 5 million BTU with no cost for 2026, it's because the market -- someone in the market on the other side is seeing the way to make money because they are seeing the market there in 2026.

Same thing when we closed position for 2025. So I think that the main driver -- I think now we are experiencing three circumstances from my point of view. First of all, a quite warm January and February in the States, I think that I read some days ago that probably February has been the second or third warmer since they had registers, I think.

Secondly, you know that one of the plants, I'm not sure, I think that is Freeport, had some shutdowns and so on. So they were reducing the export capacity. And third, this announcement of this temporary ban or restriction for new export LNG projects coming from the Biden administration that in some way is not going to have any impact in practical terms in the short term because it's not going to impact in any project that is on track. But in terms of the mood of the market, this kind of things, they have impact.

So now we are in a quite negative move of the market. And in any case, we are going to be prudent related to this point because we have an investment level of \$240 million more or less for the year in the Marcellus. And we have to redefine this investment, reducing in \$80 million, \$85 million already what we are going to invest this year in the Marcellus. And this reduction is not going to impact the production we are seeing for coming 3 years.

So we are acting, we are reacting. The number of rigs is also going to -- has been reduced because these prices framework. So I think that there are cases in terms of demand, in terms of probably a lag in production and in terms of a higher export to support the central case related to a Henry Hub growing. But that is not my opinion. That is what the market is seeing..

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

Kim Fustier, HSBC.

**Kim Anne-Laure Fustier** - *HSBC, Research Division - Head of European Oil & Gas Research*

You guide to EUR 4 billion, EUR 5 billion of low-carbon asset rotation and project finance. Could you perhaps break that down between the two, between farm-downs and project finance across your entire low carbon generation portfolio? I may have missed it. But could you explain again perhaps why you intend to use project finance outside of Iberia but not in Spain?

Secondly, could you talk about how you intend to enter the U.S. renewable fuels market? Would you look at brownfield assets, form a JV? And how would you go about securing feedstock and also with the Bunge JV cover on the Iberia or also U.S. venture?

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

Thank you. I mean, going to your first question, let me say that the view we have about our low carbon generation business is not exactly the same in Iberia and in the States. It's the same in terms of taking advantage of opportunities, of building a business, of building operations and so on. But what we are seeing in Iberia is a business that is core for Repsol. Low carbon generation in Iberia for Repsol is at the heart, at the core of the business of the company.

Because it's not only an operation to produce megawatt-hour and to produce cash. It's also something that is very important in terms of taking advantage and synergies of integration with the customer business. I mean, the PPAs developed between a low carbon generation business and the client business of Repsol, the retail power business of Repsol, are important in terms of growing in the client business of Repsol. We are talking about developing the hydrogen projects in our industrial plants. We are going to be -- I mean, we are already a power consumer in Spain.

Probably we consume today in our refineries 1.2, 1.3 of the total demand of Spain already. But with these hydrogen plants, we are going to increase this production. And it's going to be a green production -- renewable production that is going to fill this hydrogen plant. So we are going to have integration. We are going to have synergies. We are going to have an energy management, a common view for the whole businesses we have in Iberia. So for us, keeping going the integration of this business, consolidating this business, having this full integration is very important.

So in this sense, what we are doing in terms of rotation makes sense because we are increasing in a dramatic way the equity return of this business. But at the same time, we are adapting, let me say, the financial structure of these businesses to the needs of the potential partner this is entering in. But probably the project finance view is not the most attractive in terms of cost taking into account that, finally, we are going to integrate this, that and probably we have a cheaper -- very cheaper ways to finance these kind of projects.

In the case of the States, it's fully different. Because I mean, we are trying to make money there, we are trying to put megawatt-hours there to have the returns and to get the returns we aim to have. But for us, after this return, the capital exposure is crucial, reducing this capital exposure. So from this point of view, I mean, taking a project finance of 70%, 80% and with a PPA that is covering, I mean, part of 80%, 85%, 90% of this production and having an asset rotation with a financial partner ready to enter with a 50% in this asset, I mean, is the way to reduce in a dramatic way, depending, of course, of the multiples that this entrant is paying, the capital exposure to something close to 15% of the total equity.

So that is the rationale behind the different strategies we have. I mean, in case of the future -- and we are not going to go to the customer market in the States so that is not going to happen. In case of having in the future, I mean, some other industrial activities in the U.S. and so on, we could rethink this strategy. But now we are comfortable with that. Going to the split, more or less we are talking about 60% project finance and 2 equity from rotation over the period.

Renewables fuels market expansion, so again, growth we have in the industrial business in the States is an optionality. And optionality means that we are going to prioritize, first of all, Iberia in terms of developing this business. We have six industrial assets in Iberia, five in Spain and one in Portugal. We are going to prioritize Iberia.



And after experiencing the model, and if the conditions are there, we want to maintain the option to go to the States. I mean, in that case, as you mentioned, of course, securing the feedstock will be important. But the agreement we are now closing with Bunge is focused in this first step that is focused on Iberia, the hinterland.

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

Henri Patricot, UBS.

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

Henri Patricot from UBS. Two questions, please, around CapEx. So the first one, just to come back around your comments about re-keeping that CapEx between EUR 16 million and EUR 19 billion, I mean, should you get less cash from disposals or should it be a weaker market environment, what do you see as the marginal projects in which area would you slow down investments to keep the net CapEx within the range?

And then secondly, you emphasized disposals during the presentation. What should we expect in terms of acquisitions? Do you feel like you have enough projects in the portfolio currently to achieve the goals that you discussed today? Or (inaudible) need to make acquisitions?

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

So I mean, we have a large portfolio of projects, as you know, Henri. And going to every of the businesses, in the low carbon generation business, the EUR 3.4 billion maximum capital exposure will be a target of this business in that case. That means that we'll slow down, first of all, the projects with lower returns and that we could have done either in Spain or in the States. Or what will be more probable, in case of having difficulties for an asset rotation, probably it makes sense, if we see the returns there, to dispose a whole asset that you know that some of them could be quite liquid in the market. So this EUR 3.4 billion capital exposure in the business will be a target.

In the case of the E&P, I think that the priority now in CapEx application terms is to fulfill the FIDs we took over the last 2 years in the Gulf of Mexico, Alaska, Campos 33 and so on. On top of that, I think that the development of the most profitable site as what we are doing now of the unconventional will be the next one. The third will be the growth in the core areas. Probably the fourth, exploration, and the last, any growth outside the core areas. But again, I have to have in front of me the returns at the right time of every project to take the right decision.

And again, in the industrial side, I think that it will be similar as, I think that was Alastair who asked me about the lipidic projects. Projects with 25%, 27% returns, they are going to be accelerated. Projects that they could be close to the harder rate to take decisions are going to be the first to be delayed in case of needed. But I mean, your answer -- your question is very right from my point of view. Because what is -- the guideline is that this EUR 16 billion, EUR 19 billion is going to be there in the CapEx.

Sorry, acquisitions, you are talking about large acquisitions as a company. It's more -- I mean, here, you could apply this forbidden statement about the most boring CEO in the world. I mean, we are not going to enter in large transaction. Saying that, in the E&P business, I mean, first of all, what is, from my point of view, a quite important transaction is the liquidity event we are going to prepare. But it's not, of course, any kind of acquisition.

You could see small things that we are doing over the last 2, 3 years. In the low carbon generation business, it seems to me that today, we are quite comfortable with the platforms we have to grow. We have 60 gigawatts of pipeline to grow. So I don't think we are going to have surprises in terms of these small acquisitions of EUR 300 million, EUR 400 million, EUR 500 million.

In terms of the industrial business, we are doing small things, I mean, to guarantee the biomethane projects for our refineries. Probably, I mean, this deal I mentioned before, I mean, it's going to be in the framework of these kind of small transactions, where we are going to put money, but I mean, nothing relevant.

In the E&P, we are going to see portfolio management operations, I mean, sales and disposals, as we are doing in the Marcellus and Eagle Ford over the last 2, 3 years. I mean, the aim has to be to optimize the portfolio, to capture synergies. Probably in the U.K., why not, we could be part of this kind of transaction.

Now we are starting to manage enough leeway in the U.K. business. You know that we have a strong and large pool of tax credits in the country. On top of that, I mean, we have the capacity to capture synergies. I mean, I'm sure that you are going to see transactions. You are going to see operations. But forget large acquisitions, that is not going to happen.

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

Giacomo Romeo, Jefferies.

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

Two questions, please. The first one on your low carbon generation business. It looks like you are assuming a pretty strong acceleration in capacity growth after '25. Just wondering whether you are somehow assuming an improvement in the permitting to allow you to get to those targets? And is the 20 gigawatt by 2030 still achievable in your view?

And the second, on hydrogen. Last time -- the last strategy update, you gave us a very compelling picture of the opportunity set for hydrogen from Spain. Has that changed in any way or it's just seeing a little bit of delay in how that will play out? And you talk about 10% IRRs in Tarragona. When you think about projects of substituting gray hydrogen for green hydrogen, what sort of gas price/carbon price assumption you are considering?

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

Thank you, Giacomo. Going to your first question, low carbon generation. First driver of our decision is going to be returns. I mean, the first target, return. Second target is going to be capital exposure. And the third, I mean, in order of priorities is going to be megawatts. So we are not going to take any decision in terms of investing to get a megawatt target at the end of the road. Return and capital exposure are going to be the main drivers.

Saying that and applying this approach, what we are seeing today, depending on the evolution of the business, depending on the evolution, of course, of the returns and depending on the evolution of the macro scenario, we are seeing something in between 15, 20 megawatts by 2030. We will be 9, 10, 10 could be the high range if things are okay in 2027. And we prefer to put a broad range instead of putting a figure, an ambition of 20. Because the risk is that -- I mean, if you put an ambition like that, that you could, in some way, prioritize the megawatts over the returns and the capital content. And that is not going to happen. I mean, the prioritization is going to have these three priorities.

We are -- we saw a delay because, as I mentioned before, we have the expectation of having some projects in operation in 2025. And now I mean, we are going to see these projects in operation 2026, 2027. The reasons, I mean, I think I want to split, let me say, the general hydrogen mood in our society from the hydrogen in our refineries. I think that we have, in some way, entering in some kind of reality in social and business terms when we talk about hydrogen.

I mean, 2 years ago, everything was hydrogen with no regard in the cost and the competitiveness of these molecules. And I understand that point. That was part of the reaction of Europe. I mean, we were invaded in Europe in 2022 and we have the need to build a new energy system, trying to decouple. It's a good year's supply from the Russian gas. I mean, some kind of ambition with, let me say, forgetting cost and some other things were part of the mainstream in Europe.

Now I think that -- and that is a logical process. We are seeing a quite balanced position between security of supply, price and decarbonization. And I think that hydrogen is going to be part of the energy portfolio in our society, no doubt about that. And we are going to be the proof of that. But I think that we have to invest in hydrogen, where returns are there and the economics are supporting these kind of projects.

In the case of the refineries, it's clear that because this hydrogen produced is going to be more expensive, the gray hydrogen, no doubt about that. But the economics are not comparing with the gray hydrogen we produced before. It's going to compare with the HBO we have to import from Singapore to cover the green premium we have to have in Europe. And to produce the SAF that European directives are regulating, we are going to need what is called renewable fuels with known biological origin.

And the way to produce that is not transforming or [transfecting] lipid molecules. I mean, we need the hydrogen to produce this kind of regulatory, mandatory molecules that the European regulation is enforcing. So the economic case for our projects is supported by this regulation case. So in these terms, I'm quite comfortable about the capacity we could have to put 500, 600, 700 megawatts in operation by 2027. That is a very material production.

I mean, today, I mean, you don't see this kind of electrolyzers of 100 megawatts of capacity in the European arena. So that is a very ambitious target. But I think that is an ambition that is fully landed on what is the economic reality in the market and is, in some way, guaranteeing the returns that are going to create value for our shareholders. So that is the reason of what you said and as I said before. And of course, we have to see a stable fiscal and regulatory arena in Spain to take these kind of decisions. But again, I think that, that could happen.

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

Paul Redman, BNP Paribas.

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**Paul Redman** - *BNP Paribas Exane, Research Division - Research Analyst*

I just had one question, and it was about sustainable aviation fuel. So in your capacity guidance to 2027, you're talking about 1.5 million to 1.7 million tonnes per annum of renewable fuels. How much of that could be sustainable aviation fuel? And in your growth in CFFO within the industrial business, what are you assuming in terms of production of sustainable aviation fuel by 2027?

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

So thank you, Paul. I mean, that is -- first of all, that is going to depend on the market, mandatory, regulatory situation, of course. But I believe in SAF. I believe in SAF because, I mean, there are debates in the political arena and so on. And I understand this debate about restricting the flights in short distances and so on. I mean, that is a tiny -- it's a drop in the ocean. It's not going to change in any case the emission level of the aviation sector. And I think that the solution is going to come from SAF. It's going to have -- it's going to come from renewable fuels.

Technically, it's possible. The narrative in real terms, in practical terms of CO2 reduction is there. And I think that mandates are going to come. Of course, I think that the European push is very important. And I think that it's positive, of course. But we need to accommodate the European position with the Americans, with some others. Because otherwise, what we are going to see is planes that they are going to fuel in one part of pump to come to the other one. And that is not going to be the solution at all.

So going to the SAF, the restrictions in 2027. It seems to me that the plant we have in Cartagena, the C43, could be in an 85% technically be producing SAF. So we are talking about 220,000 tonnes a year. The Puertollano retrofitting plant, it's true that is cheaper in CapEx terms. But the deal of the products is also different. So I think that there, we are going to have a restriction of 35%, 40%, more or less. That means that we will be able to produce an additional 80,000, 100,000 tonnes a year. And it's also true that a part of the HBO we produce in our refinery probably we'll have to check that in technical terms in a deeper way but could be also SAF.

So all in all, I think that being producing technically potential 400,000 tonnes a year of SAF in 2027, it seems to me that could be realistic. But again, if we don't have market, let me say, for 400,000 tonnes a year in 2027, probably we'll have to produce more HBO and less SAF to take advantage in regulatory terms of these products or to sell them to our clients. It's true that some companies, and I appreciate this effort and we have experiences with some companies, they are taking unilateral initiatives to incorporate SAF to their fuel. But it's true that they have to compete in a global market. So we have to see. But we are prepared to do that, Paul.

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

Marco Cristofori, Intesa Sanpaolo.

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**Marco Cristofori** - *Intesa Sanpaolo Equity Research - Research Analyst*

Two small questions. The first one is on Vitol, which is buying a large refinery in the Mediterranean. So just to say if you see that the entrance of this trader into the downstream world with direct asset could change in some way the rule of the game in Europe. And the second question is on Venezuela. You simply mentioned a little bit, but just to understand if in your business plan is included something in that country.

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

Marco, thank you. I know the Saras refinery in Sardinia. And I mean, it's a very good refinery, let me say. It's big but not only big, it's a good refinery. I mean, I don't have any restriction to speak in positive terms about my competitors. The conversion rate is high. It's a good refinery. I think that is integrated with some power, renewable and also CCGT units. And it's a very competitive refinery. But it's an export refinery. Because I mean, you are in an island and you don't have a domestic market, you have to export your product.

So it makes sense, I don't know, from the point of view of a trader to enter in this kind of business. But again, I mean, we like to compete, Marco. And we have to compete day-after-day with, let me say, competitors in better conditions than the European ones. For instance, the diesel coming from India, from Middle East and so on. But that is part of our business. And we are able to compete to maintain our share in our market and to be competitive in this arena.

So of course, with my whole respect to Vitol and to the competition of Saras, I mean that goes part before also for day-after-day. And we'll go on competing. But I'm comfortable with the position we have that in -- the access to our main markets that are mainly Spain, Portugal and the south part of France, the great advantage we have is that we are integrated by land. And that is an external advantage comparing with a very good refinery that is placed in an island.

Venezuela, yes, we include from this country -- let me say, let me express in the accurate way. We are putting the same metrics we had in November before the license approved by the American administration at the end of the year. That means that we are taking a prudent position. We are taking a position where we are mainly producing gas. Today, as you know, in the JV we have with Eni, we are producing 580 million cubic feet a day.

So we have increased with the debottlenecking and so on with short investment, the gas production. And we are lifting cargoes to be paid by this gas -- for this gas we are producing. I think that we lifted almost 10 million barrels over the whole 2023 year that came, 95% of them, through our refining system. And that is the operation we are seeing also for coming years. And that is, let me say, factored in the metrics of the strategic plan.

It's true that we have good news from December on because the new license means that we are going to be able to increase our exposure in the oil production we have in the country. In our case, in Petroquiriquire, investments we have there in the JV, we are starting to develop a strategy to do that. You know that all that is also subject to a complex social, political and economic arena. But our approach in metric terms in the strategic plan was product. I mean, this second part was not factored in the metrics of the business plan. We are doing that. But that is not in the metrics we include for our strategic update.

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

Okay, it's 12. I think we already covered most of the...

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

I mean, probably you have more, but I'm fresh. If you prefer to follow some minutes, I mean, it will be great. I don't have any type of restriction in time terms. If you prefer, you could have a shorter wine and more questions but up to you. Probably you are tired, but I'm okay.

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

Probably, we have time for one more question. Álvaro Navarro?

**Álvaro Navarro** - Bestinver Sociedad De Valores, S.A., Research Division - Senior Analyst

Facing the IPO of Repsol Upstream, do you have any target in terms of net proved reserves for next year? Because I know that you are increasing production for unconventional and maybe this is not a priority. But I would like to know that.

And also, about gas prices, I would like to know which are the references of prices you have for your production. Because I understand that you have production linked to Henry Hub, but also you have domestic production in other countries, in Bolivia, et cetera. So if you can give some detail about how do you get to your average realization gas prices.

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

Thank you very much. I forgot talking about reserve replacement ratio. Let me say that it will be impossible 7 or 8 years ago, where in any result presentation, in any strategic presentation, one of the crucial questions was about the reserve replacement ratio. I didn't hide them because are bad. What we have as forecast from the period '24-'27 is around 8 million new -- 800 million, sorry, new barrels as addition of 1P reserves that is more or less covering -- I mean, don't take the figure of 800 million. I think that, that is around this figure. But what is important is 100% of the production we are going to produce over that period.

It's going to come from new FIDs. I mean, in this period, we are going to take the FID of Mexico. We are going to take the FID of a new project in the Gulf of Mexico, Baskin. We are going to take Sakakemang. We are going to, of course, to add the resources from the unconventional we are developing and so on. And the figure is 100%. But not only because the IPO, because again, we are convinced that our production, our reserves, mainly based in the large base of resources, contingent resources we have in our upstream are sustainable to guarantee the future of this business. And of course, that is also important for us, eventual listing or IPO event.

I'm sure that the IR team is going to be ready to answer to your question in a more accurate way. What we have in -- what I have in mind, sorry, 35% is oil production, more or less, in our portfolio, mainly related -- I mean, you have, in some cases, in Iberia, you have (inaudible), in some other -- but it's all. More or less, if you take the whole gas, that could be 65%. I mean, about this figure, 65%, 40% of this 65% is Henry Hub or related to Henry Hub. That will be the 25% of the production of Repsol, more or less.

You have a 15% of the total figure of production, so probably 25% of the gas, that is related to Brent and liquids. You have a part that could be something close to a 15% of the total production of Repsol that could be linked to NBP, TTF and JKM. And you have the part of Bolivia, I think, that is -- it could be said that is linked to liquids, mainly. The part of Venezuela has a fixed price. In Trinidad and Tobago, you have to add probably a 5% of the total portfolio that is linked to the price of the ammonia. But it's sure that the IR team will be ready to give you more clarity and all the clues about these prices of our portfolio.

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

Okay, last question from Lydia.

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

So Josu, you also presented a little bit of an outlook into 2030 as well on the cash flow side. And it does look like the cash flow growth accelerates almost as you get into 2030. So is that a reflection of really the CapEx that you're putting in now and the low carbon business really starting to make money as we get further towards the end of the decade?

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

Okay. We prefer to stop in 2027. But Lydia, you are right, I don't have any kind of problem in going further and talk a bit about 2030. I see an upstream growing with best and new barrels. Why? Because from 2027 to 2030, three important projects are going to enter in operation.

One of them is going to be Campos 33, 44,000 barrels a day producing by 2030. That is the peak. I think that will start in 2028. But we have a ramp-up, the peak is in 2030. 45% is liquid production. So it's going to be okay. And you know that we have a 50% of the gas also committed to a contract. Sakakemang is going to come. Mexico, very good barrels, Baskin, the enlargement of Baskin. So I mean, new good barrels are going to come sometime in between '27 and 2030 that is okay.

If we go to the industrial, the two or three new lipidic projects I talk about to Alastair are going to be there. And that is big money, good return project, new cash flows. If we go -- I mean, João, your portfolio in the low carbon generation business, I mean, it's going to -- because if you take -- when you take our -- the figure I have in mind, EUR 8 billion capital exposure in 2027 to the low carbon business, I think that EUR 2.6 billion are not producing anything. It's -- I mean, project is on track.

All these projects, and with all the rotation (inaudible), but they are going to come in the '27, 2030. So this figure is growing. And I hope and I expect that the business, led by Valero also in the commercial side, is going to be able to increase the position in the retail power business and to the international lubricant business that is also growing. It's going to grow -- I mean, there are businesses that are fully hidden, that the international lubricants business is going to add EUR 50 million, EUR 60 million in new cash flow from operations over this period '24-'27.

So I mean, what I'm seeing, Lydia, is a growth story in coming years for Repsol. I think that is the fourth strategic plan or update that I have presented as CEO. The first one was 2015. Resilience was the keyword because we were in the midst of the storm. So we have to resist, resiliency was the important thing. We started talking about value and growth in 2018, at the end of 2018. But the pandemic comes. Okay, I'm sorry. And again, unfortunately, we went in 2020 to the resilience. And I think that we have performed over the last 3 years, starting from that very sad and bad situation in a good way in business terms.

And I think that this strategic update for me, let me say, is because the circumstances, the same time, I think that we have a clear opportunity in coming years of having growth in results, growth in cash flow from operations and a clear pathway of growth for the distribution to our shareholders. So I hope and I expect that, Lydia.

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

So thank you very much. There has been some questions not answered that we received online. So we will do it through the IR team. Thank you very much for the attendance. Thanks for the people that follow us streaming. And I remind that this session will be on our website. So thank you very much and have the time for a shorter Spanish wine. Thank you.

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