Repsol boosts its multi-energy transformation via Upstream partnership with EIG

Madrid, September 7th 2022

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1. SUMMARY

Repsol has signed a binding agreement with EIG (through its wholly owned Breakwater Energy Holdings S.À R.L.) to sell a 25% equity stake in its global Upstream business (“Repsol Upstream”) for $4.8 billion, consisting of $3.4 billion equity and $1.4 billion net debt. The transaction will sharpen the focus of Repsol Upstream as a company delivering efficient, resilient, gas-weighted operations centred on regional hubs and with a focus on the United States. At the same time, the agreement delivers upfront capital to Repsol to invest in the Energy Transition.

The $4.8 billion offer value implies an enterprise value of $19.0 billion for 100% of Repsol Upstream – substantially above analysts’ consensus valuations-, with net cash proceeds to Repsol of $3.4 billion and with the upstream vehicle holding $5.6 billion of net debt.

The transaction implies an enterprise value to 2P[1] reserves ratio (EV/2P) of $8.3/barrel of oil equivalent, which is above the 2022 global transaction EV/2P average of $5.7/barrel of oil equivalent[2].

The transaction encompasses Repsol’s global exploration, development, and production portfolio, with 2022 full year estimated production of 570 thousand barrels of oil equivalent per day and proven and probable (2P) reserves of 2.3 billion barrels of oil equivalent[3], of which around 70% are gas volumes. Repsol Upstream also holds contingent resources (2C) of 3.6 billion barrels of oil equivalent[4].

Repsol Upstream will be restructured under a single entity and EIG will acquire a 25% interest upon closing of the transaction. The newly structured entity will maintain its current workforce together with the existing management team and business plan, complemented by EIG’s extensive financial and strategic expertise. The vehicle will focus on further strengthening, high grading, and decarbonizing its global portfolio, with the potential to IPO the business from 2026 in the United States, subject to favorable market conditions. Repsol, in its position as majority shareholder, will continue controlling the vehicle, and continue to consolidate it within the accounts of Repsol Group.

The strategic partnership will benefit from EIG’s expertise in seeking to maximize future value creation and enhance Repsol Upstream’s strengths as a leading international gas-weighted upstream company. The newly structured Repsol Upstream entity will continue with existing Repsol Group upstream’s ESG[5] targets and policies, further reinforcing them with EIG’s robust ESG standards.

EIG is a provider of institutional capital to the global energy and infrastructure sectors and is committed to influencing ESG industry best practices across its portfolio. With four decades of industry experience and a long-term track record of investing capital in energy, and including upstream and energy-related infrastructure, EIG has committed more than $41.5 billion to the energy sector across 38 countries. Repsol Upstream will benefit from EIG’s unique leading energy track record of investing across the capital structure of the global upstream sector.

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[1] *Proven and probable reserves*
[2] *IHS Transaction Analysis (Data YTD until June 2022)*
[3] *2P as of end of June 2022*
[4] *2C as of end of June 2022*
[5] *Environmental, Social, and Governance*

The transaction is subject to customary regulatory approvals and Closing of the transaction is expected to take place within the next six months, once the corporate reorganization of the Repsol Upstream business has concluded.

2. TRANSACTION RATIONALE

The transaction represents a new milestone in the 2021-2025 Strategic Plan that positions Repsol to play a leading role in the Energy Transition by delivering net zero emissions, while crystallising value in each of the defined four business areas.

The investment of EIG into Repsol Upstream:

- ❖ Accelerates Repsol´s multi-energy transformation into a leading low carbon energy player:
  - Repsol was the first company in its industry to target zero net emissions by 2050
  - Delivers on the fulfilment of key objectives of the 2021-2025 Strategic Plan
  - The transaction is an initial bold move to transform Repsol businesses to low carbon, as it liberates capital to invest in further portfolio decarbonisation initiatives across the four areas

- ❖ Demonstrates Repsol's ongoing commitment to generating shareholder value by unlocking the embedded value of its upstream business, whilst maintaining significant exposure in a robust price environment:
  - The transaction implies an attractive $19 billion enterprise value for Repsol Upstream – substantially above current analysts' consensus valuations
  - Repsol Upstream is a strong business platform with a balanced portfolio, excellent operational performance and with a clear focus on cash flow generation
  - The alliance will seek to ensure Repsol Upstream's scale and competitiveness

- ❖ Strengthens Repsol Upstream's business platform with the right strategic partner:
  - EIG, as one of the world's most respected energy investors, endorses and enhances Repsol Upstream's value proposition as a leading International Company
  - The transaction better aligns Repsol Upstream's ownership base with its strong U.S. asset base
  - Partnership with EIG delivers on all the objectives embedded in Repsol's current operating model

- ❖ Reinforces Repsol´s financial capacity to invest in its energy transition strategy with a less leveraged position.

3. TRANSACTION DETAILS

a. Scope

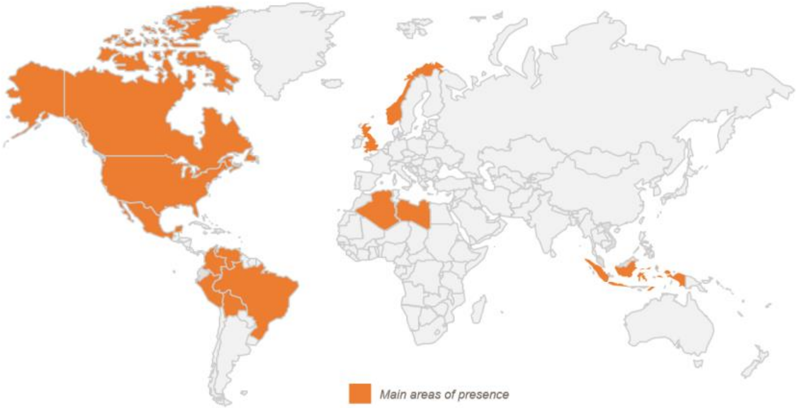
Scale

2P Reserves[1]
2.3 Bboe

2C Resources[2]
3.6 Bboe

2022E Production
~ 570 kboe/d

Countries[3]
14



Positive Cash Flows

1H22 EBITDA
$4.0 billion

1H22 Cash Flow From Operations
$2.7 billion

1H22 Capex[7]
$0.9 billion

1H22 Free Cash Flow
$1.9 billion

Balanced Portfolio

% Gas: Liquids[4]	% North America: International[5]	% Operated: Non-Op[5]	R/P Ratio[6]
~70%: ~ 30%	~55%: ~ 45%	~60%: ~ 40%	>11 years

Note: Bboe (billion barrels of oil equivalent); kboe/d (thousand of barrels of oil equivalent per day)
1. 2P figures at end of June 2022
2. 2C figures at end of June 2022
3. Includes all producing countries and Mexico, which is in Exploration phase.
4. Percentages based on 2P volumes
5. Percentages based on 2P and 2C volumes
6. Reserves to Production (R/P) Ratio. Calculated based on 2P and 2022E Production
7. Correspond to Investments and includes G&A

Repsol Upstream is committed to efficient, flexible, highly technological, world class exploration and production, focused on key geographic areas and reduction of emissions.

The portfolio of Repsol Upstream is made up of strategic areas in North America (US, Canada, Mexico), South America (Brazil, Peru, Bolivia, Trinidad and Tobago, Colombia and Venezuela), Europe (Norway, UK), North Africa (Algeria, Libya), and Asia (Indonesia).

As indicated above, Repsol Upstream estimates full year 2022 production to be of approximately 570 thousand barrels of oil equivalent per day and has 2P reserves of 2.3 billion barrels of oil equivalent, of which around 70% are gas volumes. Repsol Upstream also has 2C of 3.6 billion barrels of oil equivalent.

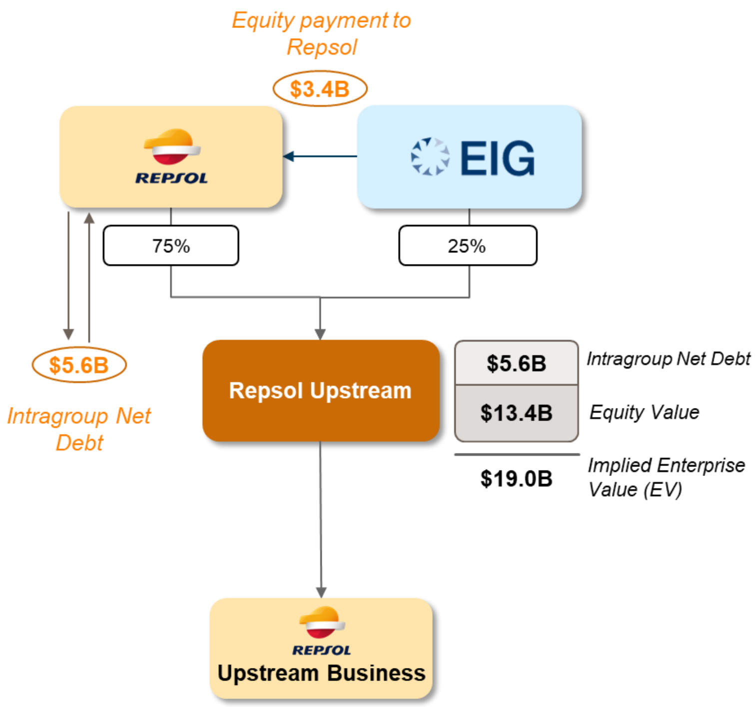
b. Transaction Overview

Transaction Structure

The transaction implies an enterprise value for 100% of Repsol Upstream of $19.0 billion and with a net debt of $5.6 billion. Repsol Group will provide associated intragroup debt to the vehicle at completion at market rates.

This corresponds to an enterprise value of $4.8 billion for the 25% stake sold to EIG with June 30th 2022 as Economic Date. After deducting net debt for EIG's stake of $1.4 billion, equity value of EIG's 25% stake is $3.4 billion.

The $3.4 billion equity payment to Repsol Group will include: (i) a 70% upfront payment on completion and (ii) the remaining 30% to be paid in three equal annual instalments over a three-year period.



A simplified transaction structure will be implemented for the Repsol Upstream business, resulting in a flexible, versatile vehicle that aims to maximise value for both shareholders. Certain internal non-upstream assets (including the LNG[6] Business in North America and the Trading Business in USA) will be excluded from the perimeter in addition to marginal, largely dormant upstream subsidiaries linked to previous exploration positions.

Governance

No change of control with Repsol remaining the controlling shareholder and, as such, retaining control over the operations. Board of Directors will be composed of eight Directors as follows: (i) four to be appointed by Repsol, (ii) two appointed by EIG and (iii) the remaining two Independents appointed by both partners. Repsol will appoint the Chairperson, who will have casting vote.

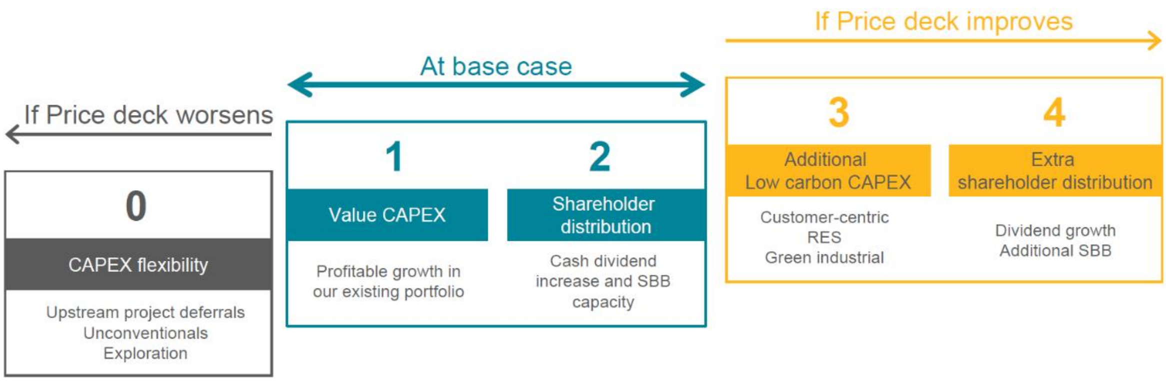
[6] *Liquified Natural Gas*

Use of Proceeds

In line with the Strategic Plan, the transaction is fully aligned with Repsol's core focus on accelerating its corporate transformation by delivering capital to invest in the energy transition.

The proceeds will support the growth of Repsol's capital deployment into Low Carbon Businesses, in line with its 2030 ambition for Low Carbon Business to represent 45% of Group capital employed. These businesses will be focused on: (i) Low Carbon Generation; (ii) new industrial Low Carbon platforms (circularity, H2 or e-fuels); and (iii) decarbonization through efficiency initiatives, E-mobility, and other Customer Centric value-added energy products and services. These investments will be based on the strategic capital allocation priorities highlighted in the current Strategic Plan.

Additionally, Repsol will have the ability to optimize its debt structure, strengthen its balance sheet and/or accelerate shareholder distributions while seeking new opportunities aligned with Repsol's envisaged transformation.



c. Economic Impact

Repsol, as controlling shareholder of Repsol Upstream will continue consolidating its upstream assets and their results on a global basis, using the same accounting methodology currently being applied to the Repsol Upstream business.

The transaction is expected to strengthen Repsol's Balance Sheet through the $3.4 billion proceeds from EIG's investment and to reduce Repsol's leverage ratio[7] below 10%. Additionally, Repsol does not anticipate any income statement impact from the transaction.

[7] *Leverage ratio of Net Debt to Capital Employed*

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This document contains information and statements that constitute forward-looking statements about Repsol. Such estimates or projections may include statements about current plans, objectives and expectations, including statements regarding trends affecting Repsol's financial condition, financial ratios, operating results, business, strategy, geographic concentration, production volumes and reserves, capital expenditures, cost savings, investments and dividend policies. Such estimates or projections may also include assumptions about future economic or other conditions, such as future crude oil or other prices, refining or marketing margins and exchange rates. Forward-looking statements are generally identified by the use of terms such as "expects," "anticipates," "forecasts," "believes," "estimates," "appreciates" and similar expressions. Such statements are not guarantees of future performance, prices, margins, exchange rates or any other event, and are subject to significant risks, uncertainties, changes and other factors that may be beyond Repsol's control or may be difficult to predict. Such risks and uncertainties include those factors and circumstances identified in the communications and documents filed by Repsol and its subsidiaries with the Comisión Nacional del Mercado de Valores in Spain and with the other supervisory authorities of the markets in which the securities issued by Repsol and/or its subsidiaries are traded.

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In October 2015, the European Securities Markets Authority (ESMA) published its Guidelines on Alternative Performance Measures (APMs). The guidelines apply to regulated information published on or after 3 July 2016. The information and breakdowns relative to the APMs used in this presentation are updated quarterly on Repsol´s website.

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The information contained in the document has not been verified or revised by the Auditors of Repsol.

5. IR CONTACT

Repsol Investor Relations

Tel: +34 917 53 55 48

e-mail: investor.relations@repsol.com

www.repsol.com