Investor Update 1Q 2016

Repsol Investor Relations

2016-2020 Value & Resilience

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2016-2020 Value & Resilience

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Company Overview

1

Company overview

1Q16 key messages

- ✓ **Net Income:** Strong in a volatile market
- ✓ **Net Debt:** Stable post dividends
- ✓ **Strategy:** On target and making progress
- ✓ **Production:** Double compared to Q1 15
- ✓ **Cash Flow:** Downstream as FCF generator
- ✓ **Portfolio:** As of today €2.8 Billion in disposals

Company overview

Repsol today - An integrated company operating across the entire value chain

~2.4 billion boe
proved reserves (*)

Integrated
business model

Delivery on
commitments

>700 kboepd
production

Diversified and global
portfolio

~1 million bpd
refining capacity

World-class explorer

Core businesses:
Upstream and Downstream

Capable and
talented workforce

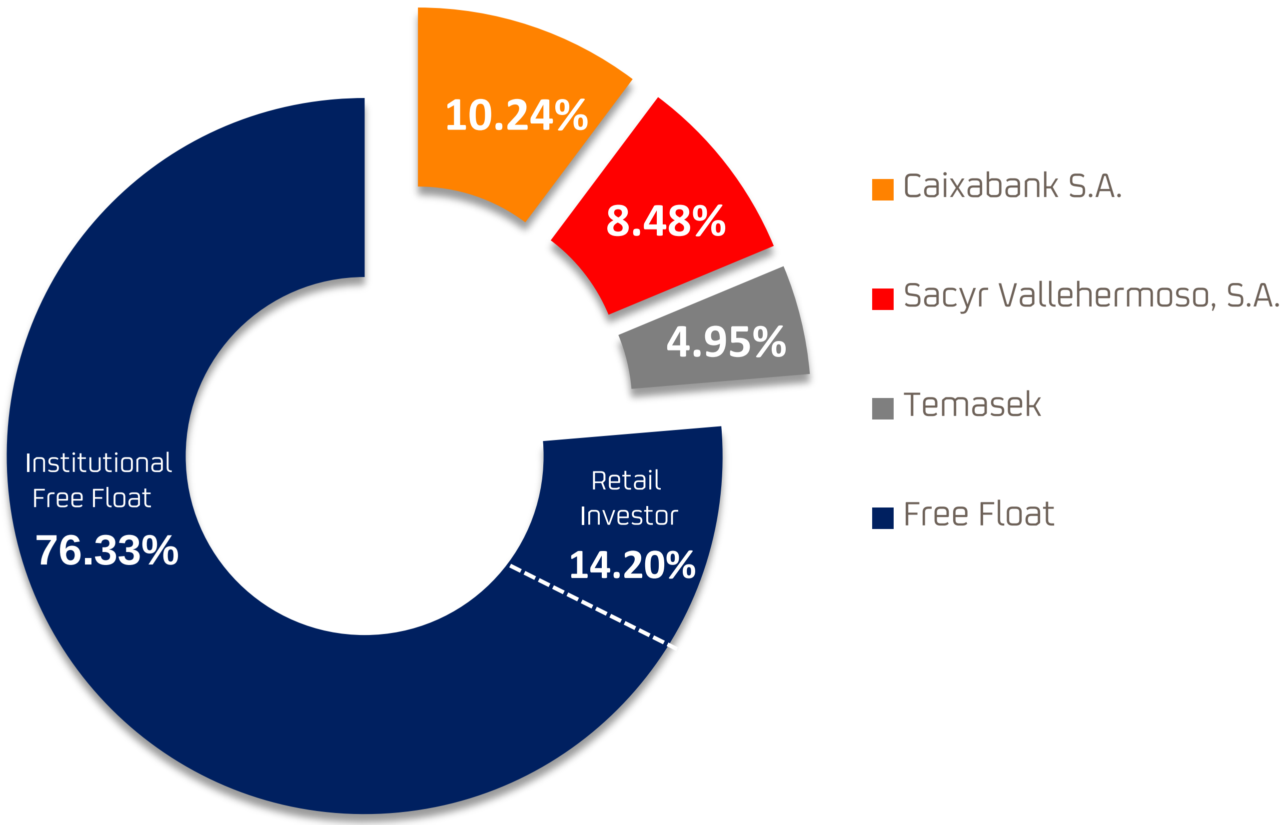
30% stake in Non-operated
shareholding: GNF

Tier 1 Downstream

(*) As at 31/12/2015

Company overview

Repsol's shareholders



Total number of shares as of May 2016: 1,442 million

Key strategic lines 2016-2020

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Key strategic lines 2016-2020

Value and resilience

VALUE

Shift from **growth to value delivery,** prepared for the next growth wave

Commitment to **maintain shareholder compensation** in line with current company level

RESILIENCE

Top tier resilience among integrated companies

Self-financing strategy even in a stress scenario

FCF breakeven after dividends at $40/bbl Brent[1]

PORTFOLIO MANAGEMENT

Capex flexibility

(~46% Capex reduction vs. 2014) [2]

Creating value through portfolio management

(€6.2 B divestments: € 3.1 B in 2016-2017 period**)**

EFFICIENCY

Synergies and company-wide Efficiency Program with strict accountability [3]:

€2.1 B/y savings target in 2018 (€1.5 B Opex + €0.6 B Capex)

> 50% target to be achieved in 2016

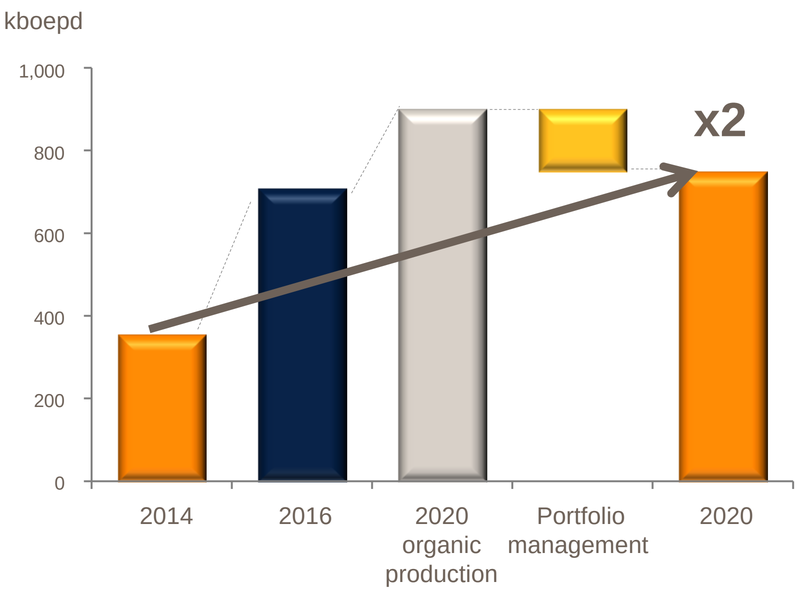
Creating value even in a stress scenario through efficiency and portfolio management

(1) Repsol released a FCF Breakeven at $50/bbl on strategic plan 2016-2020 presentation. FCF breakeven at $40/bbl with the revised scenario.
(2) Repsol released in 2015 full year results presentation an additional investment reduction for 2016-2017 period.
(3) In 1Q2016 projects have commenced that will secure 62% of the 2016 annual target and by quarter end 22% of the full year target had already been realized and booked.

Key strategic lines 2016-2020

Shift from growth to value

// Upstream production evolution //



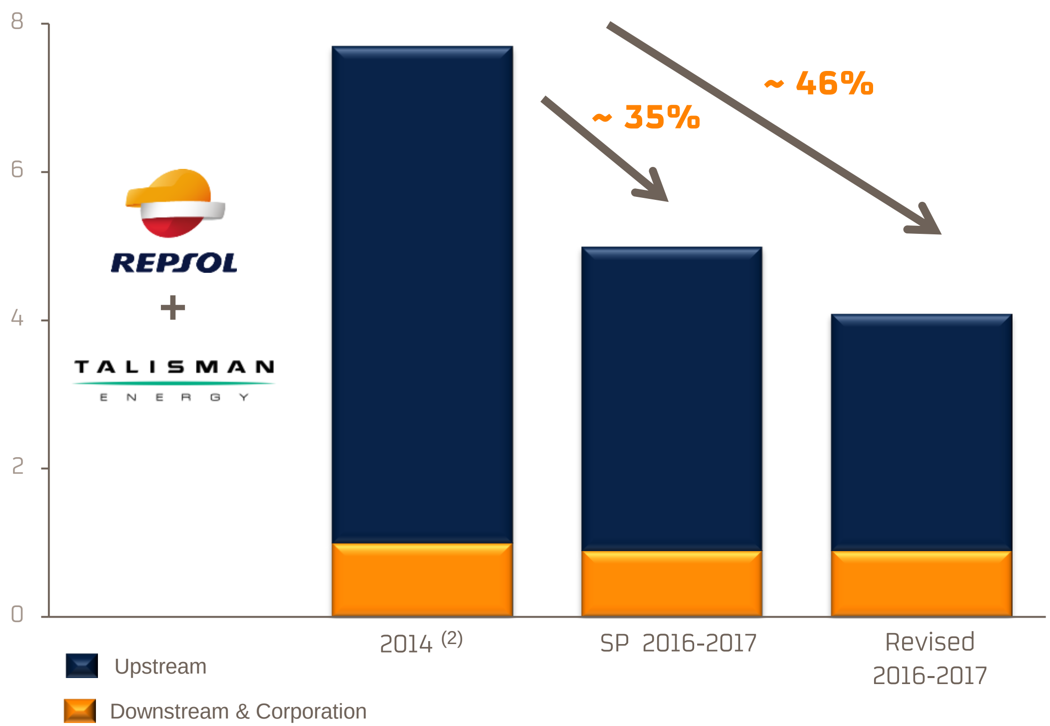
- Achieved critical mass in E&P business
- Extensive portfolio of assets and development projects
- Optionality to improve portfolio value by divestments

Achieving optimal size and portfolio mix

Key strategic lines 2016-2020

Additional Investment reduction for 2016 and 2017 around **€1.8B**

// Group annual Investment [1] //



- Capex optimization and implementation of our efficiency measures.
- Low Downstream capital requirements
- Deferring non-critical investment in development and producing assets.
- Keeping 2016 our production level at around 700,000 barrels per day.

Repsol shows flexibility in this challenging environment

1. Investment does not include G&G and G&A from exploration.
2. 2014 Capex figure includes Repsol and Talisman.

Key strategic lines 2016-2020

Strict accountability on Efficiency Program

Pre-tax cash savings	// 2016 //	// 2018 //
Synergies	€0.2 B	€0.3 B
Upstream Opex & Capex efficiency	€0.6 B	€1.1 B
Downstream profit improvement and efficiency	€0.2 B	€0.5 B
Corporation right-sizing	€0.1 B	€0.2 B
	€1.1 B	€2.1 B

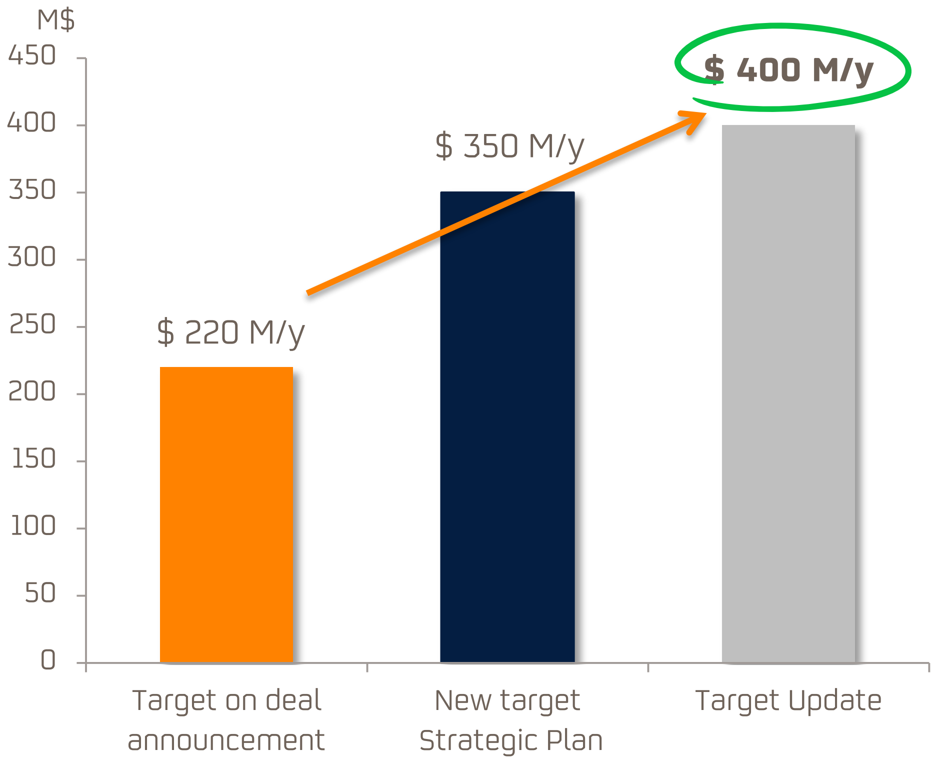
- Recurrent synergies target increased to 400M$
- 50% of synergies already implemented
- Upstream program ahead of schedule (700 efficiency initiatives identified)
- Downstream and Corporate on track
- Upstream unit Opex reduction of 13% in 2016

More than 50% of the efficiency plus synergies target in 2018 to be achieved in 2016

Key strategic lines 2016-2020

Synergies from Talisman integration are already being delivered

// €250M in 2016 of which ~200M already captured //



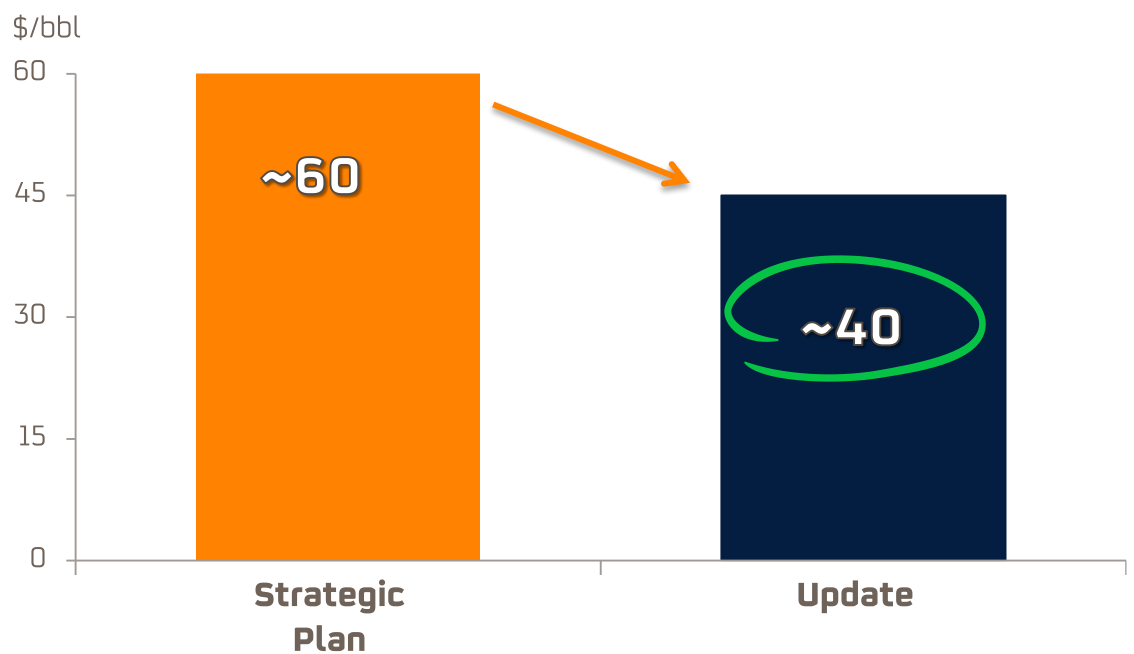
- **Finance:** repurchase of Talisman bonds and joint financial optimization
- **People and Organization**: workforce and contractor reduction from overlaps
- **IT:** application & infrastructure rationalization
- **Exploration:** highgrading of Talisman portfolio
- **General services:** joint insurance program

Repsol increases recurrent synergy target derived from Talisman Integration up to 400 M$ pre-tax

Key strategic lines 2016-2020

Breakevens

// Group FCF breakeven after dividends and interests **(2016-2017)**(*) //



Resilience: $40/bbl free cash flow breakeven after dividend and interests

(*) Scenario used to estimate breakevens (Stress case): Brent price of 40 $/bbl for 2016 – 2017, and 50 $/bbl flat 2018 – 2020; HH price of $2.6/Mbtu for 2016 – 2017, and 3.5 $/Mbtu 2018 – 2020; Repsol refining margin indicator of 6.9 $/bbl for 2016 and 6.4 $/bbl from 2017 onwards. Breakeven does not include any proceeds from divestments, with the exception of the piped LPG sale already accomplished .
Repsol's Base case is: Brent price of 40, 55, 65, 75 and 85 $/bbl from 2016 to 2020 respectively, HH price of 2.6, 3.2, 3.7, 4.2, 4.8 $/Mbtu from 2016 to 2020 respectively and Repsol refining margin indicator of 6.9 $/bbl for 2016 and 6.4 $/bbl from 2017 onwards.

Key strategic lines 2016-2020

Repsol profits from a high Downstream/Upstream leverage

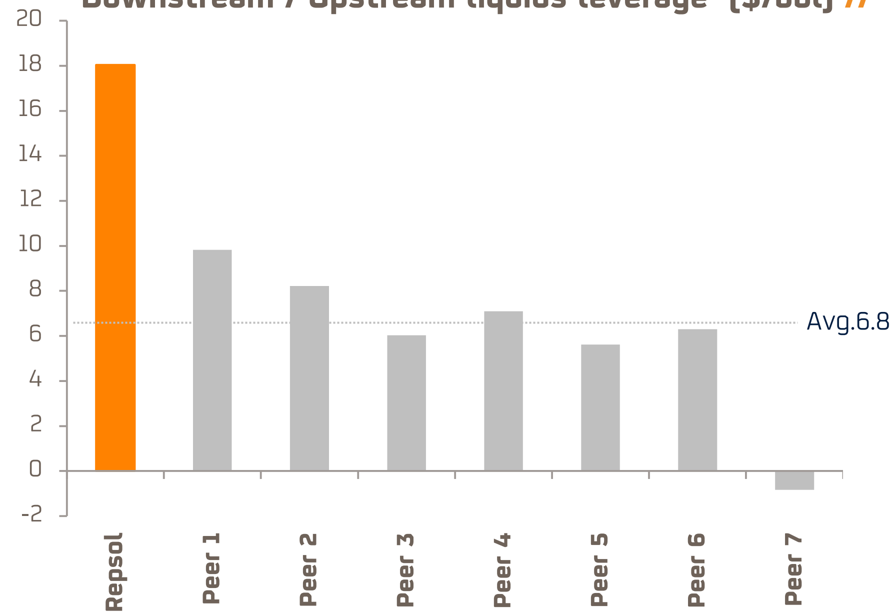
// Avg 2010-15 R&M integrated margin [1] x 2015E Downstream / Upstream leverage ($/bbl) //

Repsol	Peer 1	Peer 2	Peer 3	Peer 4	Peer 5	Peer 6	Peer 7
124%	99%	109%	53%	119%	65%	86%	32%

Dowstream / Upstream leverage

2015E Refining distillation / Upstream total production (%)

// Avg 2010-15 R&M integrated margin [1] x 2015E Downstream / Upstream liquids leverage ($/bbl) //



Repsol	Peer 1	Peer 2	Peer 3	Peer 4	Peer 5	Peer 6	Peer 7
324%	190%	193%	84%	230%	98%	157%	60%

Dowstream / Upstream liquids leverage

2015E Refining distillation / Total Liquids production (%)

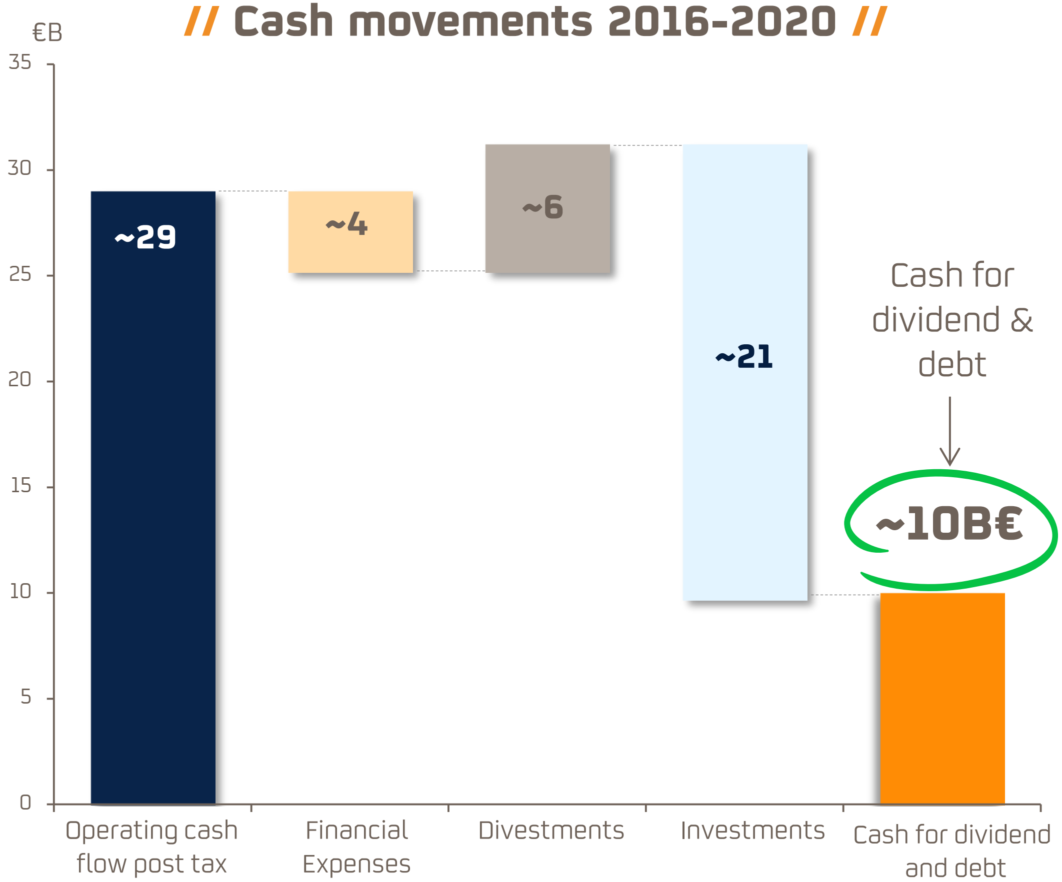
[1] Figures based on 3Q15 reported information. R&M operating profit is a proxy of the impact in FCF breakeven under the assumption that Investments=Depreciation. Integrated R&M margin calculated as CCS/LIFO-Adjusted operating profit from the R&M segment divided by the total volume of crude processed (excludes petrochemicals business). Source: company filings

* Peers companies considered: BP, Shell, Chevron, Total, Exxon, OMV and ENI

Key strategic lines 2016-2020

Self-financed Strategic Plan even under the stress scenario

// Cash movements 2016-2020 //



- Reduction of our capex budget in 2016 below €4B
- Investment reduction for 2016 and 2017 around €1.8B
- Aceleration of efficiency and synergy target in 2016 → €1.1B
- Reduction of Group FCF breakeven to 40$

Sensitivities (5 years accumulated)	FCF	Adj. Net Income
Brent +/- $5/bbl	€1.5B	€1.3B
	-€1.5B	-€1.3B
Henry Hub +/- $0.5/Mbtu	€0.8B	€0.6B
	-€0.8B	-€0.6B
Refining Margin +/- $1/bbl	€0.8B	€1.1B
	-€0.9B	-€1.1B

Progress of Strategic Plan

3

Progress of Strategic Plan

Strategic Commitments Follow up

Capex in 2016

- ✓ **Exploration**
- ✓ Deferral of **non-critical investments**
- ✓ Capture of sector wide **deflation**
- ✓ **Re-visit on-going development** projects

€3.9B

Efficiency & Synergies

- ✓ Target represents more than half of the 2018 objective
- ✓ **Upstream:**
  - ✓ **2016 Opex per barrel: 13%**
- ✓ **Downstream:** in line with our targets
- ✓ **Corporation:** in line with our targets

€1.2B (*)

Cash Neutrality break-even

- ✓ **Capex reduction**
- ✓ **Opex efficiency targets**
- ✓ **Synergies capture**

~40$/bbl

(*) 2016 estimate figure vs € 1.1 Bn established as target for 2016.

Progress of Strategic Plan

Strategic Commitments Follow up

Efficiency & Synergies Program ✔

	Target 2016	2016 Estimate
Synergies	0.2	0.2
Efficiencies	0.9	1.0
Total (B€)	1.1	1.2

Capex Flexibility[3] ✔

	Target 16-17	1Q2016
Repsol Capex (B€)	~3.9	0.8

(3) Target excluding G&G and G&A.

Divestments & Management Portfolio ✔

	Target 16-17	1Q2016
Divestments (B€)	3.1	2.8[1]
Production (kboed)	706 [2]	714

(1) Includes projected proceed on agreed transactions and other operations.
(2) 2016 Annual Budget.

Value & Resilience ✔

	Target	Actual
CF Neutrality BE ($/boe) [4]	~40	~40
E&P FCF BE ($/boe)	~65	~65

(4) FCF after interests and dividends (0.5 €/share paid in 1Q16 and 0.3 €/share to be paid as complementary dividend in 2016)

Finance Commitments ✔

	Target	1Q2016
Investment Grade	Maintain	Maintain

Progress of Strategic Plan

Portfolio management

Wind Power

Sale of our offshore wind power business in the UK for 238 million euros

- After tax capital gain of 109M€
- Cash from this sale is expected to be received during 2Q 2016

CLH

Sale of Repsol's 10% stake in CLH

- We sold our stake in CLH for 325 million Euros
- Around 300 million Euros of capital gains

Piped LPG

Sale of the Piped LPG business for 788 M€

- Generating an estimated pre-tax capital gain of ~470 M€
- Will be cashed-in mostly in 2016. Capital gains also to be booked mainly in 2016

Peru & Ecuador LPG

Sale LPG businesses in Peru and Ecuador

- Agreement with Abastible company totalling 335 million dollars transaction
- A multiple of approximately 8 times EBITDA

Alaska dilution

Agreement with our partner Armstrong to dilute our position in North Slope

- Positive impact on our cash flow of around 700 million Euros

E.F. Gudrun

Eagle Ford divestment and acquisition of Norwegian producing assets

- Significant improvement in the cash flow generation in 2015-2017
- Improvement of operations thorough the nomination of a single operator

Yme

Transfer of our 60 per cent stake in the Yme field to OKEA

- Saving 200 million euros of decommissioning costs in the 2016-2020 period

TLM Bonds

Repsol amortizes part of TLM's debt and reduces its financing costs by >80M$/year

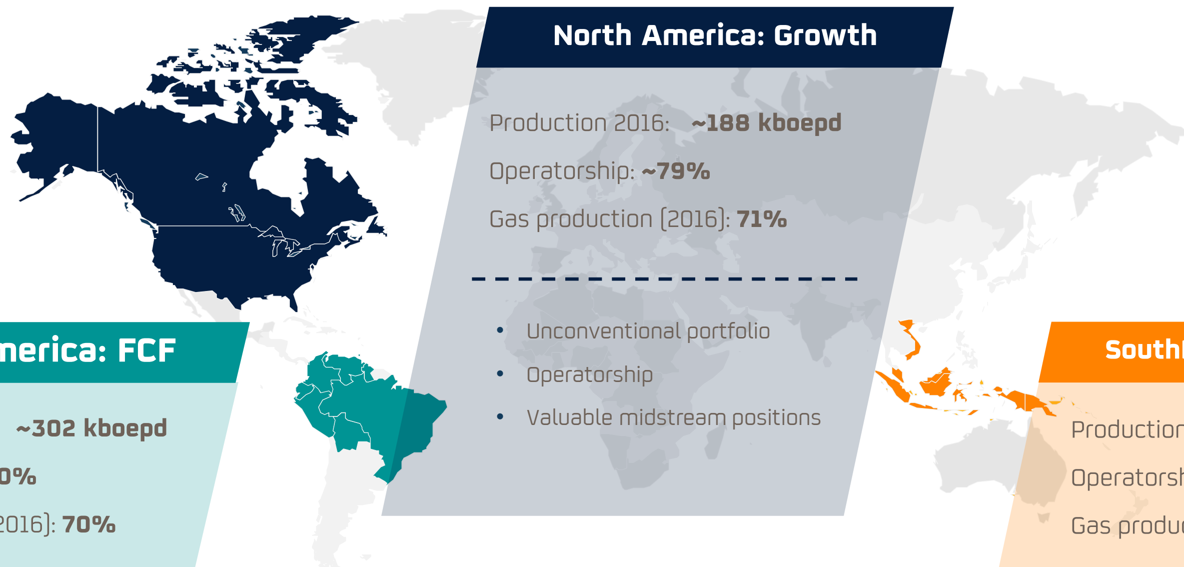
- Repsol amortizes TLM bonds in the amount of approximately 2.7 billion dollars
- Total capital gain of approximately 300 M$ pre tax

Upstream

4

UPSTREAM

3 core regions in the portfolio



North America: Growth

Production 2016: **~188 kboepd**

Operatorship: **~79%**

Gas production (2016): **71%**

- Unconventional portfolio
- Operatorship
- Valuable midstream positions

Latin America: FCF

Production 2016: **~302 kboepd**

Operatorship: **~20%**

Gas production (2016): **70%**

- Regional scale
- Exploration track record
- Cultural fit

SouthEast Asia: FCF & Growth

Production 2016: **~109 kboepd**

Operatorship: **~37%**

Gas production (2016): **77%**

- Self-financed growth
- Relationship with governments/NOCs
- High potential exploration blocks

Main Figures

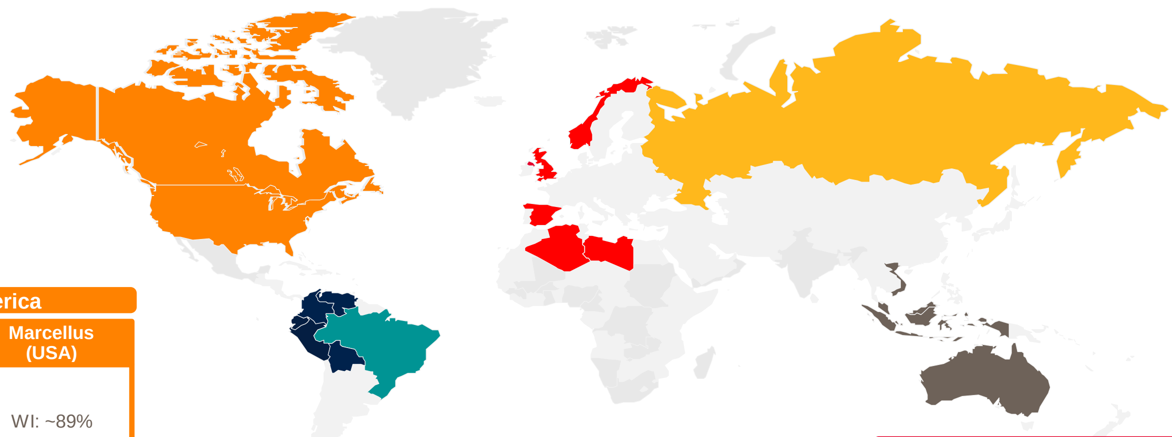
- **Current Production** >**700 Kboed**
- **1P Reserves** (*) **2,373 MMboed**

NOTE: Europe, Africa & Brazil ~ 116 kboe/day

(*) As at 31/12/2015

UPSTREAM

An extensive pipeline of organic opportunities



North America

Eagle Ford (USA)	Marcellus (USA)
WI: ~31% in basin and 37% in JV	WI: ~89%

Duvernay (Canada)	GoM / Mid-continent (USA)
WI: 100%	WI: 28%/~11%

Brazil

Sapinhoa (former Guara)	Lapa (former Carioca)
WI: 15%	WI: 15%

Africa & Europe

Reggane (Algeria)	MonArb / Flyndre Cawdor (UK)
WI: 29.25%	WI: 30% Redevelopment

Latin America

M. - Huacaya (Bolivia)	Carabobo – AEP (Venezuela)	Cardon IV (Venezuela)	Kinteroni + Sagari (Peru)	Akacias (Colombia)
WI: 37.5%	WI: 11%	WI: 50%	WI: 53.8%	WI: 45%

SouthEast Asia

PM3, Kinabalu (Malaysia)	C. & J. Merang (Indonesia)	Red Emperor (Vietnam)
WI:41.4% PM3* WI: 60% K	WI: 36% C / 25% JM	WI: 46.8%

// Exploration //

Contingent resources

- Unconventional North America
- Brazil: Campos-33, Sagitario
- Russia: Karabashky
- Colombia: CPO9 & Niscota
- Alaska: Colville High
- GOM: Leon
- Indonesia: Sakakemang
- Vietnam: Red Emperor extension
- Kurdistan
- PNG: PDL10

Prospective resources

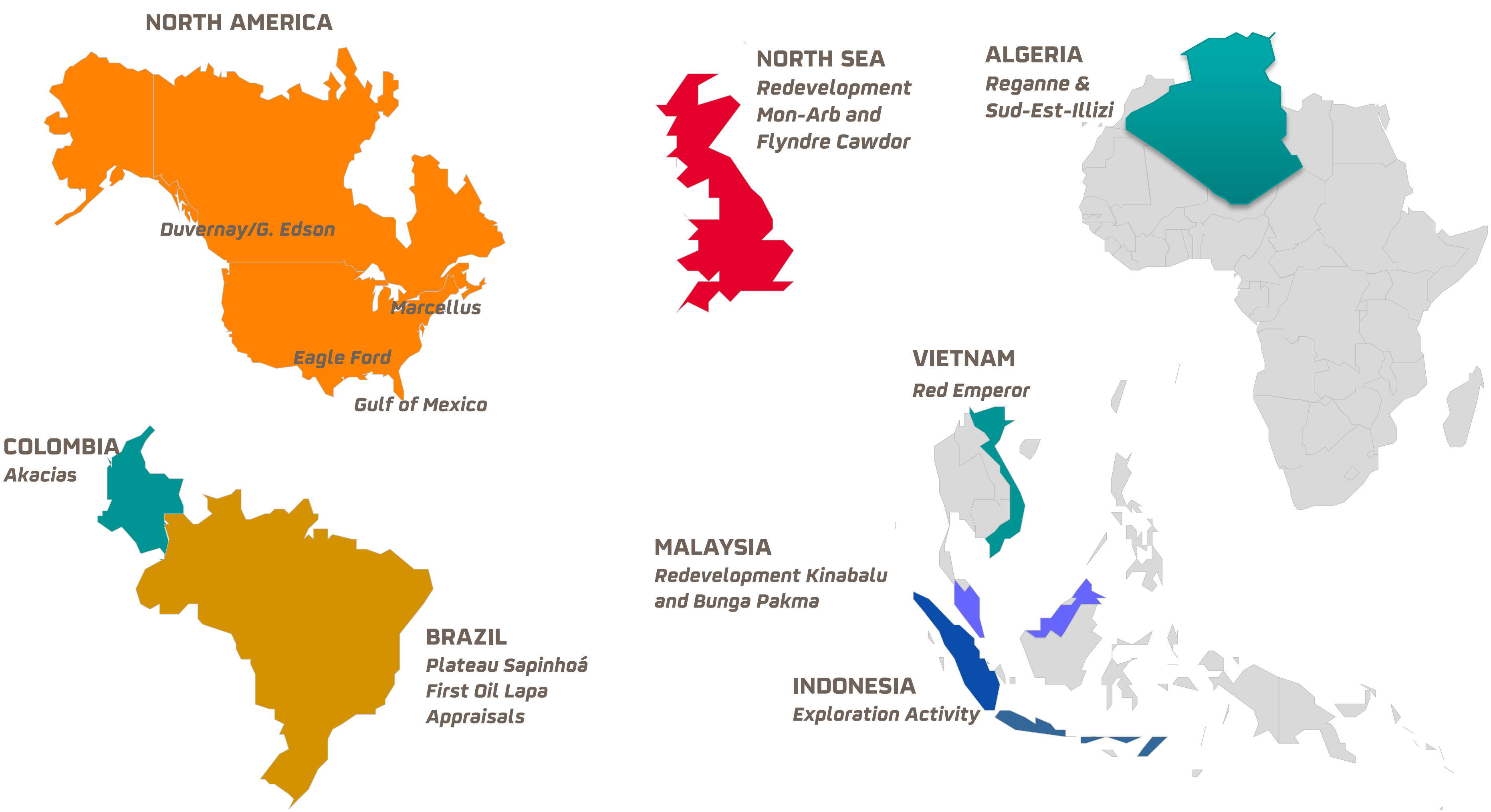
- Brazil: Santos Basin & Espirito Santo
- Colombia: RC11, RC12 & Tayrona
- Unconventional North America
- GOM
- Peru
- Guyana
- Angola
- Romania
- Portugal
- Norway
- Indonesia
- Malaysia
- Vietnam
- PNG
- Bulgaria

"As is" organic portfolio potential of more than 900 kboepd

(*) The PM3 PSC extension agreement was signed on the 6th April, 2016. Repsol equity interest in PM3 is going to be 35%

UPSTREAM

Projects activity in 2016

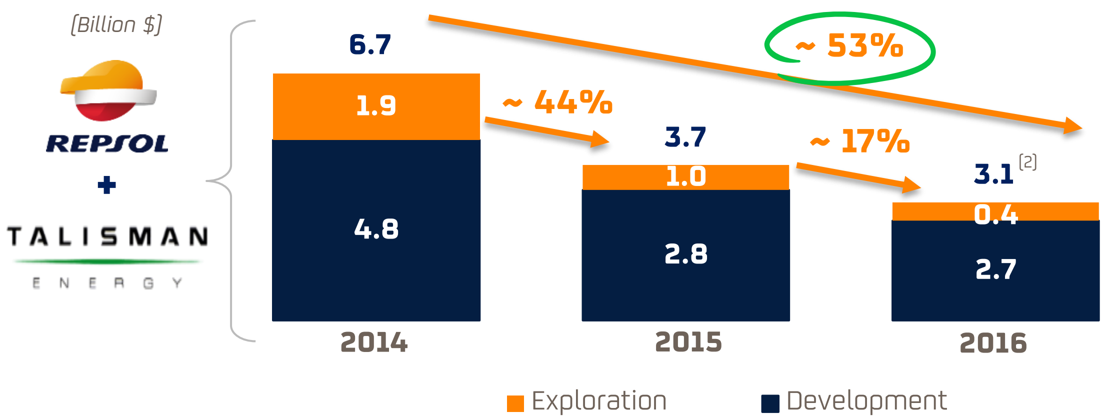


* Additional exploration activity in Angola, Romania, Bulgaria and PNG.

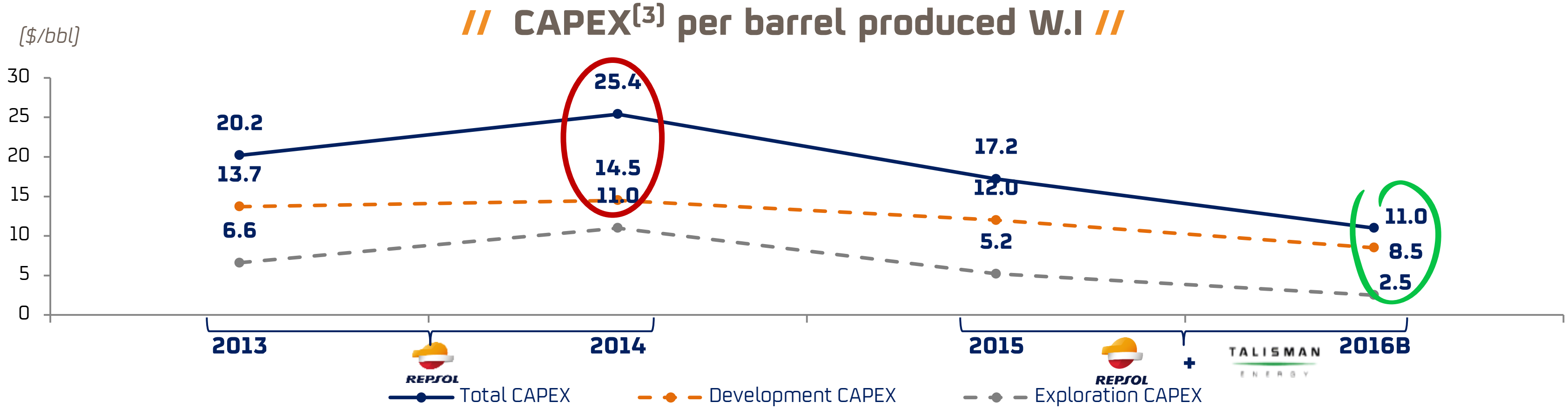
UPSTREAM

Portfolio management: Flexibility to optimize capital allocation

// Upstream Investments[1] //



// CAPEX[3] per barrel produced W.I //



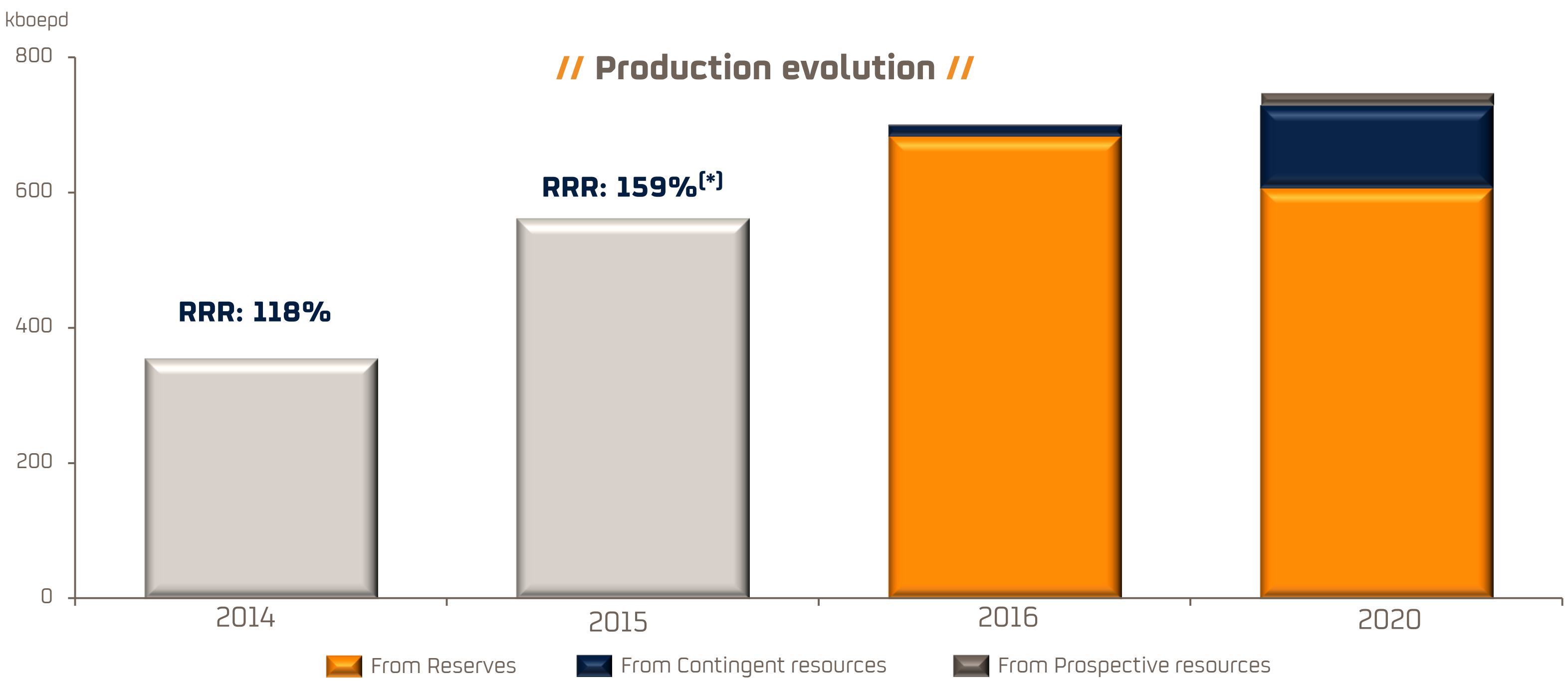
[1] CAPEX excluding G&G and G&A from exploration and including efficiencies

[2] 2016 CAPEX € 2.9 Bn (exchange rate 1.07 $/€)

[3] CAPEX including G&G and G&A from exploration and including efficiencies

Portfolio management: Capex

"Capex optimization has no impact on production because we are benefiting from the end of the previous investment cycle from Repsol's legacy assets (Average RRR 2011-2013: 214 %) "



Production delivered from current reserves and resources

(*) Organic Reserve ratio excluding the acquisition of Talisman and other inorganic transactions (RRR 500% inorganic)

REPSOL

E&P Cost Efficiency Program

// Levers //

Business units (Opex & Operational Capex)

- Technical standardization
- Operational uptime increase
- Procurement & logistics optimization
- Organizational right-sizing

Large capital projects

- Post -FID projects: Efficiency gains, scope challenge
- Pre-FID projects: Lean and cost-efficient engineering and supply chain design, collaborative approach with contractors, integrated project execution, …

Exploration & drilling

- Simplification of geological targets, coring, testing
- Well design standardization
- Planning and execution efficiencies
- Procurement & logistics optimization
- Organizational right-sizing

Support functions

- Ongoing analisis of added value for every task
- Organization right-sizing
- Optimize support functions

€1.1 B/y savings by 2018

~€0.6 B/y Capex

+

~€0.5 B/y Opex

More than 50% of the efficiency target in 2018 to be achieved in 2016 ~€0.6 B/y savings by 2016.

Examples of improvements in Talisman legacy assets

UK

Improved Recovery Factor:

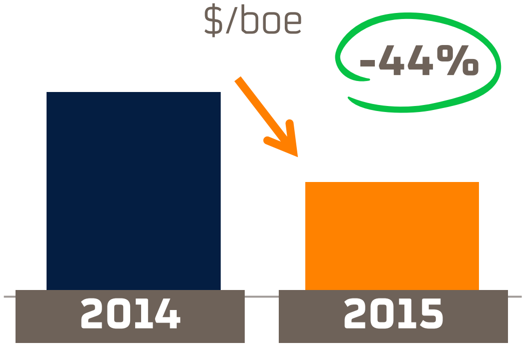
- Develop a prioritized inventory of qualifying capital projects to be used in the asset strategy definition.

Improved Operational Efficiency:

- Contribute to the stretch objective of TSEUK producing >50kboe/d, with significant improvement in the per barrel profitability.
- Optimize Capex and Opex.

Unit Operating Cost

$/boe

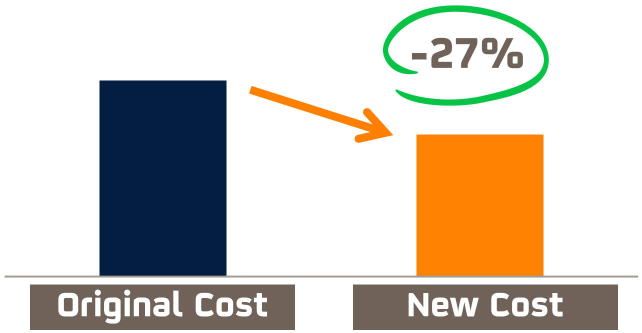


MARCELLUS

Marcellus Fracking pricing:

Marcellus frac cost per stage

USD Thousands/year



Marcellus commercialization:

- Practice of **selling excess capacity** has been **replaced with purchase of gas from 3rd parties**, leveraging Repsol Trading capabilities in North America.
- Lower effective transport cost through positive net revenues from buy/sell margins, underpinning business profitability.

Downstream

5

DOWNSTREAM

Downstream to provide sustainable value

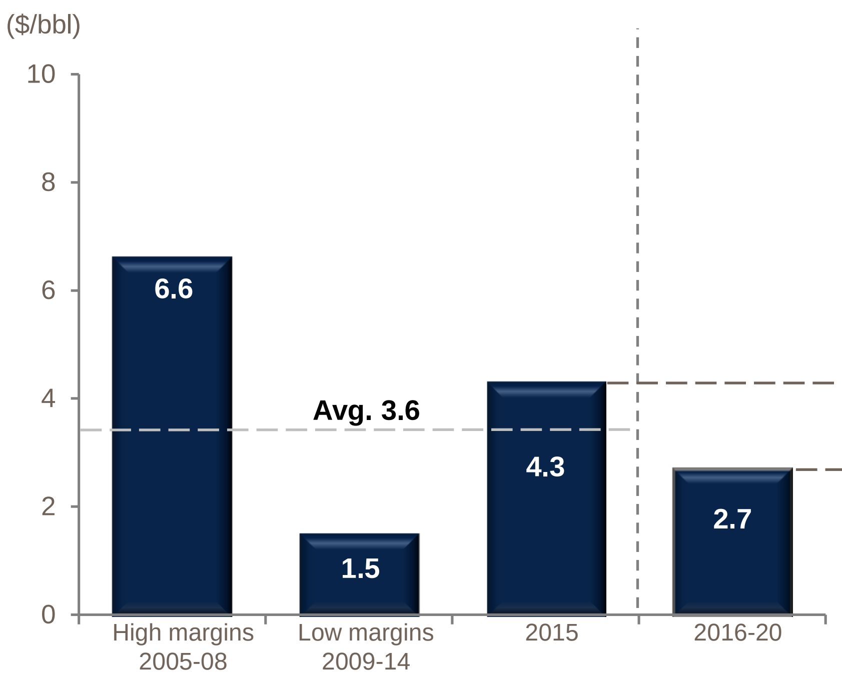
Maximize performance	• Taking advantage of the integration between refining and marketing businesses with focus on reliability
Capital discipline	• Discipline in capital allocation • Divestments of non-core assets for value creation
Margin improvement & Efficiency Program	• Optimizing integrated margin across businesses • Strong focus on reducing energy cost and CO_2 emissions

Objective to generate FCF ~ €1.7 B/y (average 2016-2020)

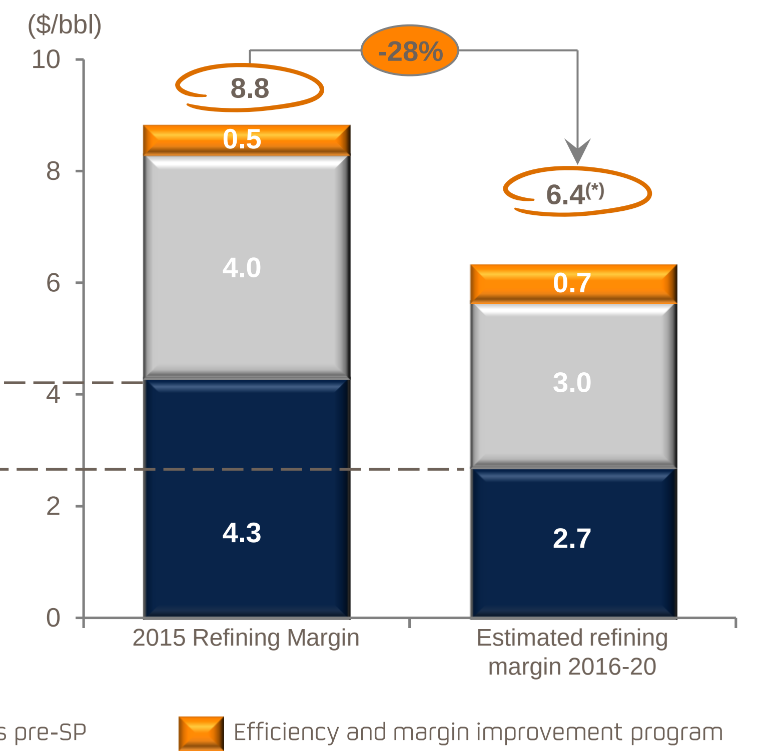
Repsol's refining margin indicator evolution

Margins back to a mid cycle scenario

Base Repsol Crack Index[1] 2005-2020



Repsol Refining margin index evolution



[1] Without taking into account margin from projects and efficiency improvement program

Note: Since the start up of the Bilbao and Cartagena projects, the premium went up from 1.6$/bbl in 2012 to 2.8$/bbl in 2014 and 4.3$/bbl in the first three quarters of 2015

(*) 2016 Budget assumption : 6.9 $/bbl

DOWNSTREAM

Fundamentals support sustained Repsol refining margins

Lower Opex	✓ Lower oil and gas prices
Growing refined products demand	✓ Average demand growth of 1.2% for 2016-2020 on top of strong 2015 demand ✓ Spain fuels demand growth at 4% in 2015
European refineries at high utilization of effective capacity	✓ Lower EU effective capacity due to low maintenance activity in recent years ✓ Low Brent-WTI and NBP-HH gaps and low $/€ exchange rate
Restarts unlikely in EU	✓ Restarts unlikely due to required investment in working capital and fixed costs with long-term uncertainties remaining for less competitive refineries in EU
Refining project delays and cancellations	✓ Capacity-addition delays and cancellations due to stressed cash position of integrated companies and NOCs
Demand vs. effective capacity tighter than previous years	✓ Capacity additions offset by growing demand
Light-Heavy differentials	✓ Marpol (1) increases diesel demand, while lowering fuel oil demand and price ✓ Large increase in production of heavy crudes

1 Marpol: International convention for the prevention of pollution from ships.

DOWNSTREAM

Downstream efficiency and margin improvement program

~€0.5 B/y from Downstream efficiency improvement in 2018

// Projects //	// Levers //	// EBIT increase by 2018 //
Refining	• Energy cost reduction • Improved planning to increase crude supply flexibility • Operations optimization including fixed-cost reductions • Increased asphalt production in Peru	~€250 M/y
Integrated margin	• Optimization of integrated margin across the value chain with: optimization of crackers supply, processing challenging crude...	~€100 M/y
Commercial businesses	• Network structure optimization • Logistics and planning improvements	~€100 M/y
Chemicals	• Operational improvement focused on raw material flexibility and facilities reliability • Optimization of pricing strategy	~€50 M/y

Total target of ~€0.5 B/y

Downstream efficiency program on track: ~€0.2 B/y savings by 2016

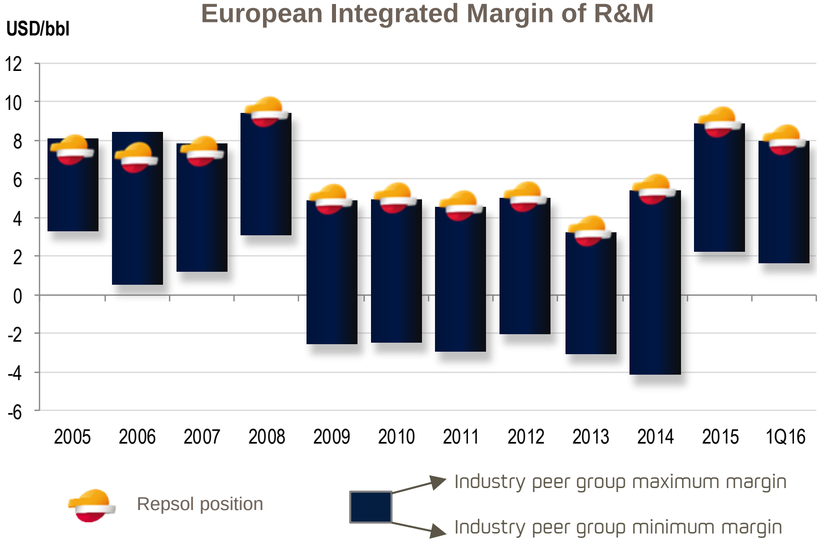
2016-2020 Downstream strategy

Maximizing value and cash generation leveraged on fully invested assets

// Sustainable value from quality assets //

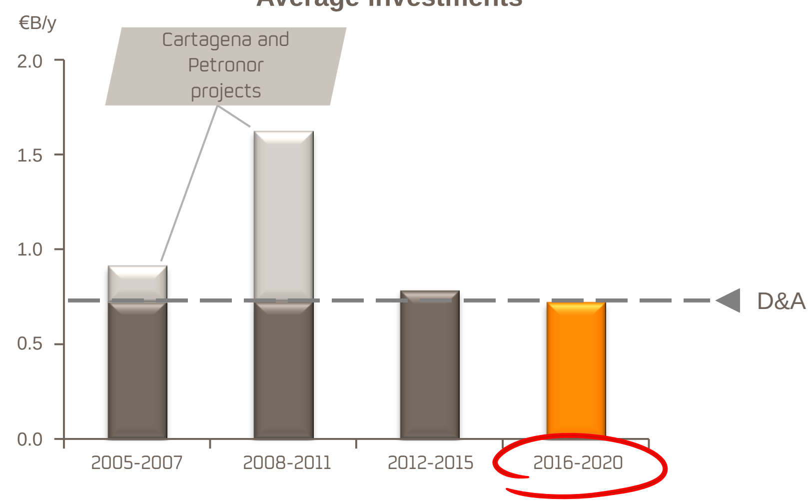
Repsol in leading position among european peers

European Integrated Margin of R&M



// Investment discipline //

Average investments



Downstream resilience reinforced by commercial business integration with industrial businesses

Note: Integrated R&M margin calculated as CCS/LIFO-Adjusted operating profit from the R&M segment divided by the total volume of crude processed (excludes petrochemicals business) of a 9-member peer group.
Based on annual reports and Repsol's estimates. Source: Company filings.
Peers: 2015: Eni, Total, Cepsa, Galp, Saras, OMV, MOL, Neste Oil, Hellenic // 2014 and previous: Eni, Total, Cepsa, Galp, Saras, OMV, MOL, PKN Orlen, Hellenic.

Gas Natural Fenosa

6

Gas Natural Fenosa

Strong profitability with long term strategic vision

30% of valuable stake in a leading gas & power company

Stable dividend with growth potential (*)

Strong profitability performance
(well above wacc and not linked to oil price)

Group's renewables platform

Provides strategic optionality for a stronger role of gas
in energy mix

Liquid investment that provides financial optionality

(*) Dividends received in 2012-2015 period ~ € 1.1 b

Financial outlook

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Financial outlook

Financial Strategic Plan 2016-2020

Sound track record in managing adverse conditions

Resilient Plan with stronger business profile

Conservative financial policy

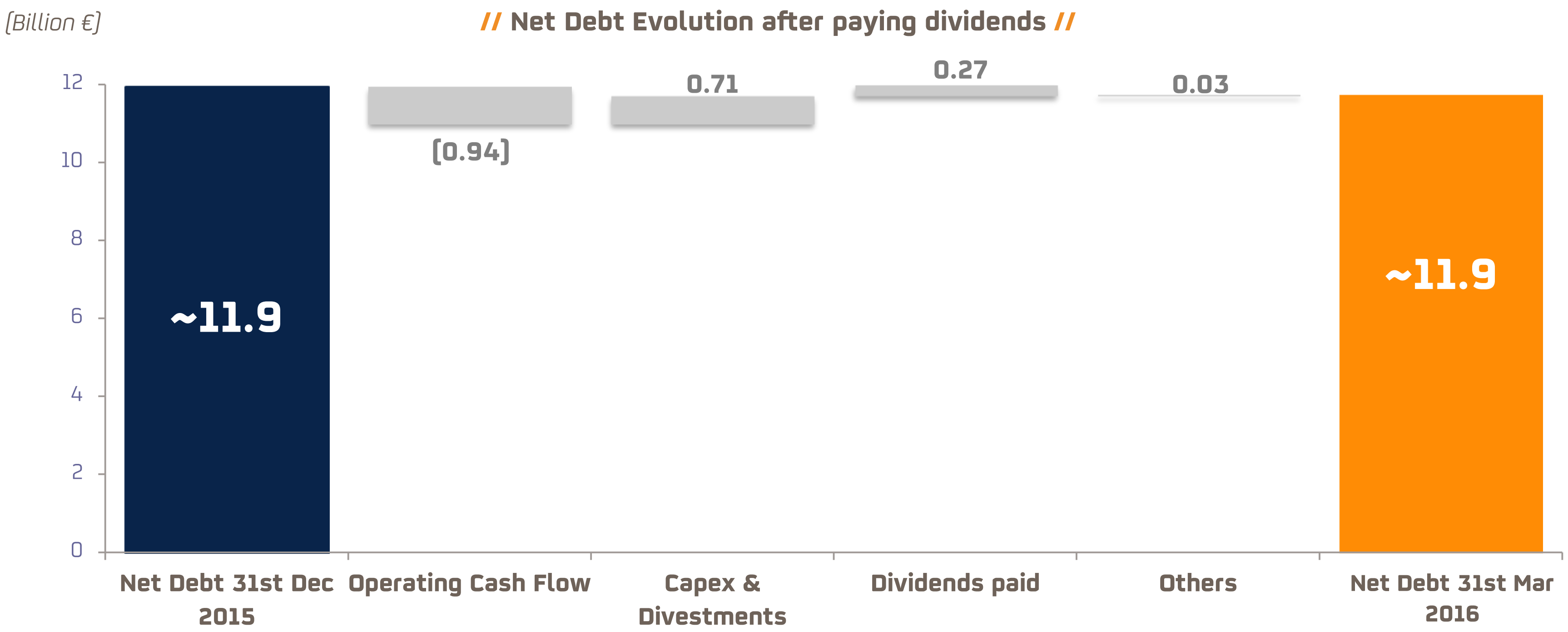
Commitment to reduce debt

The three Rating Agencies, Standard & Poor's, Moody's and Fitch, confirmed and maintained our previous ratings, BBB-, Baa2 and BBB respectively.

Commitment to maintain shareholder compensation in line with current company level

Financial outlook

1Q2016 Net Debt evolution



- **Fitch, Standard and Poor's and Moodys confirmed Repsol Investment Grade.**
- **S&P revised its assessment on Repsol's 2Bn€ hybrids bonds and restored the "intermediate equity" content.**

2016 Outlook

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2016 Outlook

- In July Repsol will pay a complementary dividend of **€0.30** gross per share.
- 2016 **Downstream** business expected free cash flow **~€3 billion**.
- Keep our production level at around **700,000 barrels per day** in 2016.
- **Capex and Opex optimization** to protect Free Cash Flow from our businesses.
- Progress in our **divestment program** always with the principle of **protecting the value** of every asset of the company.
- **Efficiency targets.** Anticipating delivery of our key strategic targets and materially reducing our breakevens.
  - Material progress: In the first quarter 2016 projects have commenced that will secure 62% of the 2016 annual target and by quarter end 22% of the full year target had already been realized and booked.
- Exploration program will focus mainly on **appraisals** and **lower risk** prospects.
- In our industrial businesses, **enhance and increase the reliability** of our plants.