Investor Update 1Q 2016

Repsol Investor Relations

2016-2020 Value & Resilience
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Company Overview
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 (*)
- >700 kboepd production
- ~1 million bpd refining capacity
- Core businesses: Upstream and Downstream
- 30% stake in Non-operated shareholding: GNF
- Delivery on commitments
- Integrated business model
- Diversified and global portfolio
- World-class explorer
- Tier 1 Downstream
- Capable and talented workforce

(*) 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
Key strategic lines 2016-2020

**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

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[^1]: Repsol released a FCF Breakeven at $50/bbl on strategic plan 2016-2020 presentation. FCF breakeven at $40/bbl with the revised scenario.
[^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

Achieving optimal size and portfolio mix

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

// Upstream production evolution //

1,000
800
600
400
200
0
2014 2016 2020 organic production Portfolio management 2020

x2

kboepd
Key strategic lines 2016-2020

Additional Investment reduction for 2016 and 2017 around €1.8B

- 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.

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

Repsol shows flexibility in this challenging environment
### Key strategic lines 2016-2020

Strict accountability on Efficiency Program

<table>
<thead>
<tr>
<th>Category</th>
<th>Pre-tax cash savings 2016</th>
<th>Pre-tax cash savings 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Synergies</td>
<td>€0.2 B</td>
<td>€0.3 B</td>
</tr>
<tr>
<td>Upstream Opex &amp; Capex efficiency</td>
<td>€0.6 B</td>
<td>€1.1 B</td>
</tr>
<tr>
<td>Downstream profit improvement and efficiency</td>
<td>€0.2 B</td>
<td>€0.5 B</td>
</tr>
<tr>
<td>Corporation right-sizing</td>
<td>€0.1 B</td>
<td>€0.2 B</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>€1.1 B</strong></td>
<td><strong>€2.1 B</strong></td>
</tr>
</tbody>
</table>

- 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

$220 M/y

$350 M/y

$400 M/y

€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
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

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

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

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\(^1\) 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

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

Cash movements 2016-2020

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

<table>
<thead>
<tr>
<th></th>
<th>Target 2016</th>
<th>2016 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Synergies</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Efficiencies</td>
<td>0.9</td>
<td>1.0</td>
</tr>
<tr>
<td>Total [B€]</td>
<td>1.1</td>
<td>1.2</td>
</tr>
</tbody>
</table>

- Efficiency & Synergies Program: Marked as completed.
- Divestments & Management Portfolio: Marked as completed.
- Finance Commitments: Marked as completed.
- Value & Resilience: Marked as completed.
- Capex Flexibility: Marked as completed.

### Divestments & Management Portfolio

<table>
<thead>
<tr>
<th></th>
<th>Target 16-17</th>
<th>1Q2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Divestments [B€]</td>
<td>3.1</td>
<td>2.8(1)</td>
</tr>
<tr>
<td>Production [kboed]</td>
<td>706(2)</td>
<td>714</td>
</tr>
</tbody>
</table>

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

### Capex Flexibility

<table>
<thead>
<tr>
<th></th>
<th>Target 16-17</th>
<th>1Q2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repsol Capex [B€]</td>
<td>~3.9</td>
<td>0.8</td>
</tr>
</tbody>
</table>

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

### Value & Resilience

<table>
<thead>
<tr>
<th></th>
<th>Target</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>CF Neutrality BE [$/boe]</td>
<td>~40</td>
<td>~40</td>
</tr>
<tr>
<td>E&amp;P FCF BE [$/boe]</td>
<td>~65</td>
<td>~65</td>
</tr>
</tbody>
</table>

(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

<table>
<thead>
<tr>
<th></th>
<th>Target</th>
<th>1Q2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Grade</td>
<td>Maintain</td>
<td>Maintain</td>
</tr>
</tbody>
</table>

- Efficiency & Synergies Program: Synergies 0.2, Efficiencies 0.9, Total 1.1 [B€].
- Divestments & Management Portfolio: Divestments 3.1 [B€], Production 706 [kboed].
- Capex Flexibility: Repsol Capex ~3.9 [B€] in 1Q2016.
- Value & Resilience: CF Neutrality BE ~40 [$/boe] and E&P FCF BE ~65 [$/boe].
- Finance Commitments: Investment Grade Maintained.
**Progress of Strategic Plan**

**Portfolio management**

- **Wind Power**
- **CLH**
- **Piped LPG**
- **Peru & Ecuador LPG**
- **Alaska dilation**
- **E.F. Gudrun**
- **Yme**
- **TLM Bonds**

**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

**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

**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

**Sale LPG businesses in Peru and Ecuador**
- Agreement with Abastible company totalling 335 million dollars transaction
- A multiple of approximately 8 times EBITDA

**Agreement with our partner Armstrong to dilute our position in North Slope**
- Positive impact on our cash flow of around 700 million Euros

**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

**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

**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

3 core regions in the portfolio

**Latin America: FCF**
- Production 2016: ~302 kboepd
- Operatorship: ~20%
- Gas production (2016): 70%
- Regional scale
- Exploration track record
- Cultural fit

**North America: Growth**
- Production 2016: ~188 kboepd
- Operatorship: ~79%
- Gas production (2016): 71%
- Unconventional portfolio
- Operatorship
- Valuable midstream positions

**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

― 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

NORTH AMERICA
- Duvernay/G. Edson
- Marcellus
- Eagle Ford
- Gulf of Mexico

NORTH SEA
- Redevelopment Mon-Arb and Flyndre Cawdor

ALGERIA
- Reganne & Sud-Est-Illizi

COLOMBIA
- Akacias

BRAZIL
- Plateau Sapinhoá
- First Oil Lapa Appraisals

MALAYSIA
- Redevelopment Kinabalu and Bunga Pakma

VIETNAM
- Red Emperor

INDONESIA
- Exploration Activity

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

Portfolio management: Flexibility to optimize capital allocation

// Upstream Investments[1] //

\[ \begin{align*}
\text{2014} & : 
\begin{array}{c|c|c}
\text{Exploration} & \text{Development} & \text{Total} \\
4.8 & 1.9 & 6.7
\end{array} \\
\text{2015} & : 
\begin{array}{c|c|c}
\text{Exploration} & \text{Development} & \text{Total} \\
2.8 & 3.7 & 6.5
\end{array} \\
\text{2016} & : 
\begin{array}{c|c|c}
\text{Exploration} & \text{Development} & \text{Total} \\
2.7 & 0.4 & 3.1
\end{array}
\end{align*} \]

\( \text{CAPEX excluding G&G and G&A from exploration and including efficiencies} \)

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

\( \text{CAPEX including G&G and G&A from exploration and including efficiencies} \)

---

[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
“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]
UPSTREAM

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

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

€1.1 B/y savings by 2018

~€0.6 B/y Capex

+ ~€0.5 B/y Opex
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.

**Marcellus Fracking pricing:**

<table>
<thead>
<tr>
<th>Marcellus frac cost per stage</th>
<th>USD Thousands/year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Cost</td>
<td>New Cost</td>
</tr>
<tr>
<td>-27%</td>
<td></td>
</tr>
</tbody>
</table>

**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
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 CO₂ 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 Index¹ 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

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1 Marpol: International convention for the prevention of pollution from ships.
### Downstream Efficiency and Margin Improvement Program

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

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

**Total target of ~€0.5 B/y**

**Downstream efficiency program on track: ~€0.2 B/y savings by 2016**
Maximizing value and cash generation leveraged on fully invested assets

// Sustainable value from quality assets //
Repsol in leading position among european peers

// Investment discipline //

Downstream resilience reinforced by commercial business integration with industrial businesses

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
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
• 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.
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.