

# Investor Update 2017

2016 – 2020 Value & Resilience



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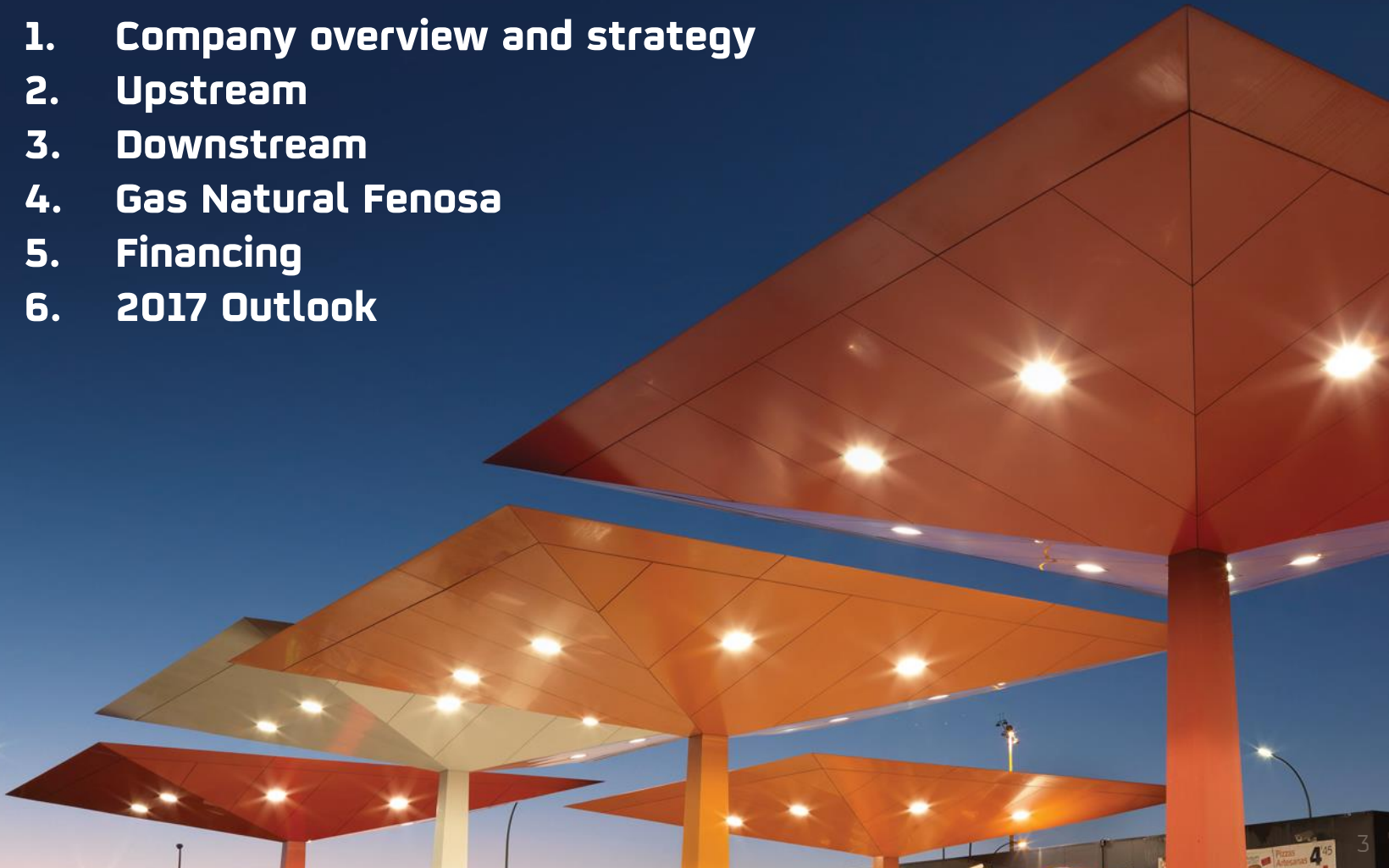
*In October 2015, the European Securities Markets Authority (ESMA) published the Guidelines on Alternative Performance Measures (APM), of mandatory application for the regulated information to be published from 3 July 2016. Information and disclosures related to APM used on the present document are included in Appendix I "Alternative Performance Measures" of the Management Report for the full year 2016.*

2016-2020

# ***Value & Resilience***



- 1. Company overview and strategy**
- 2. Upstream**
- 3. Downstream**
- 4. Gas Natural Fenosa**
- 5. Financing**
- 6. 2017 Outlook**





**Company overview  
and strategy**

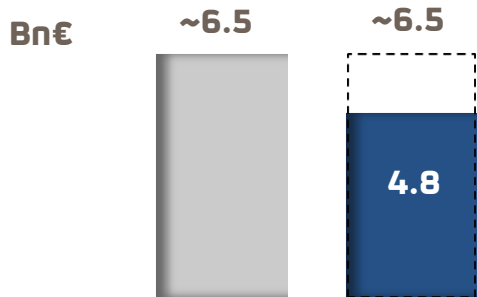
**1**

# Key messages 9M 2017

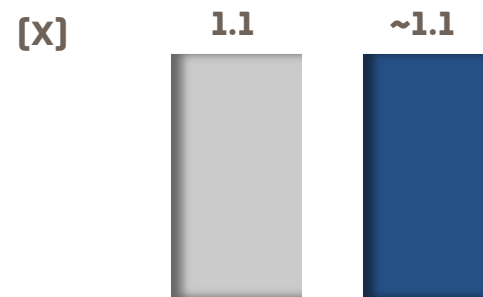
Company overview and strategy



## Continued delivery on strategic objectives

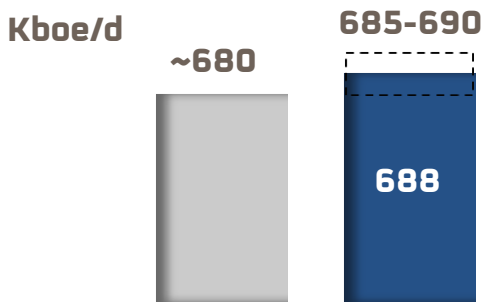


Strong EBITDA CCS generation



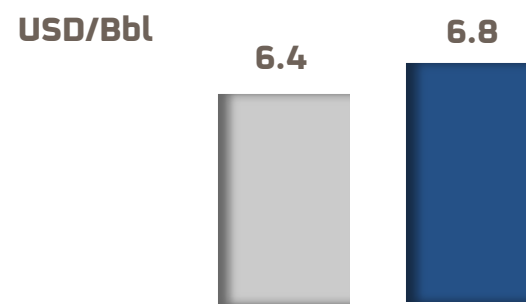
Net Debt/EBITDA in line with projections

### Upstream



Production volumes in line with guidance

### Downstream<sup>[1]</sup>



Refining margin indicator in line with expectations

■ 2017 Budget ■ 9M17 actual □ 2017 guidance

[1] Refining Margin Indicator

# Key messages Q3 2017

Company overview and strategy



## Upstream

### Production:

- ✓ Q3 17 = 693Kboe/d → 3% increase YoY
- ✓ Libya → ~25 Kboe/d in the quarter
- ✓ Startup of Juniper (T&T), ramp up of Flyndre and MonArb in the UK and Lapa and Sapinhoa in Brazil

### Exploration program:

- ✓ 3 exploratory wells completed **[1 positive]**
- ✓ As of 30th Sept. 8 exploratory and 1 appraisal in progress
- ✓ 2017 program: **17 wells [15 exploratory & 2 appraisal]**

## Downstream

### Refining:

- ✓ Refining margin indicator **7.0 USD/Bbl** in Q3 17
- ✓ **Planned maintenance** for the year **completed in 1H17:**
  - ✓ 3Q17 Utilization of the distillation units = 99%
  - ✓ 3Q17 Utilization of the conversion units = 104%

### Petrochemicals:

- ✓ **Strong performance** → EBIT ~180M€ in line with record levels in early 2016

### Marketing:

- ✓ Higher volumes and margins in Service Stations

### FCF:

- ✓ Generation above 2 Bn€

## Corporate and others

### Synergies and efficiencies:

- ✓ 2017 target **€2.1 Bn**
- ✓ **Accelerated** delivery of 2018 target

### Capex:

- ✓ ~3 Bn€ without impacting production volumes

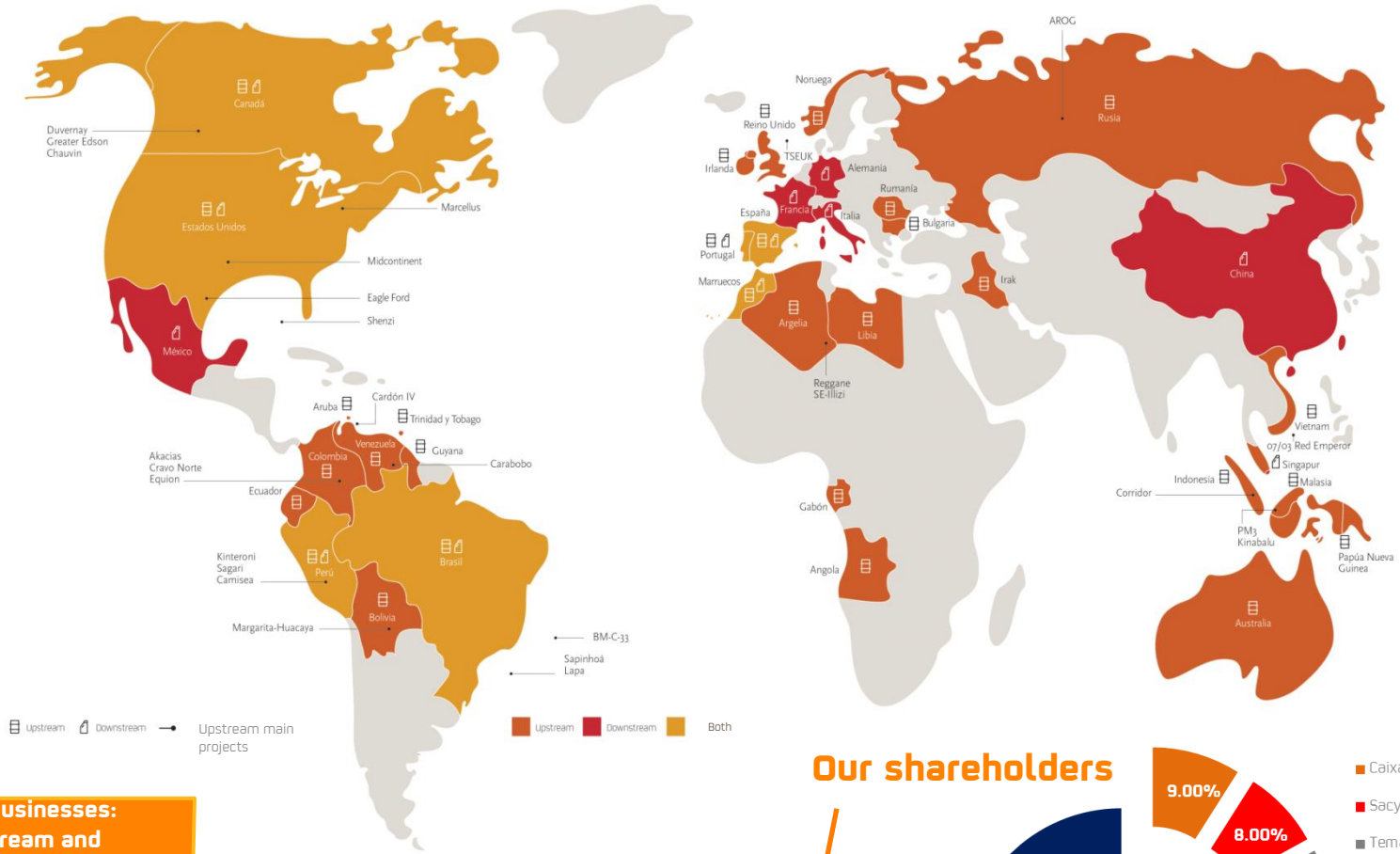
### Corporation:

- ✓ Q3 17 Net debt **€6,972 Mn€**
- ✓ Net Debt / EBITDA [x] = **1.1<sup>(1)</sup>**
- ✓ Objective → Credit rating **BBB stable**

[1] Estimated FY 2017

# Through the value chain and across the globe

## Company overview and strategy



**Core businesses:  
Upstream and  
Downstream**

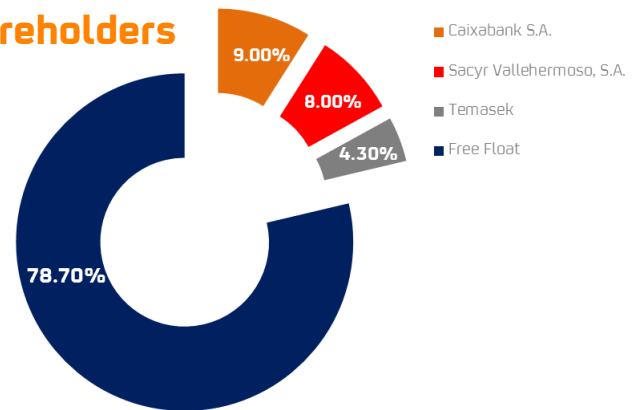
**~700 kboepd  
production**

**~1 Million bpd refining  
capacity**

**~2.4 billion boe  
proved reserves [\*]**

**20% stake in GNF**

### Our shareholders



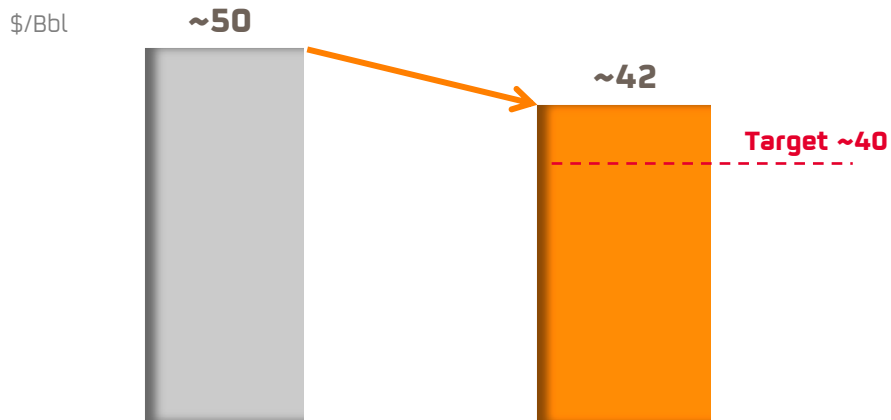
[\*] As at 31/12/2016

# 2016 - A year of strategic progress

Company overview and strategy

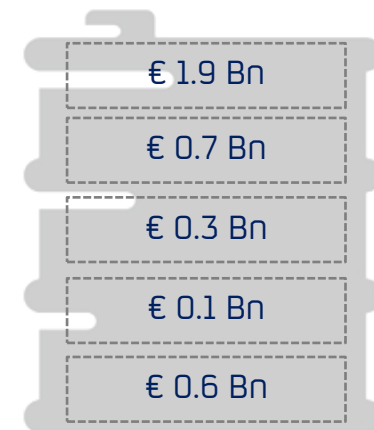


## Group FCF breakeven

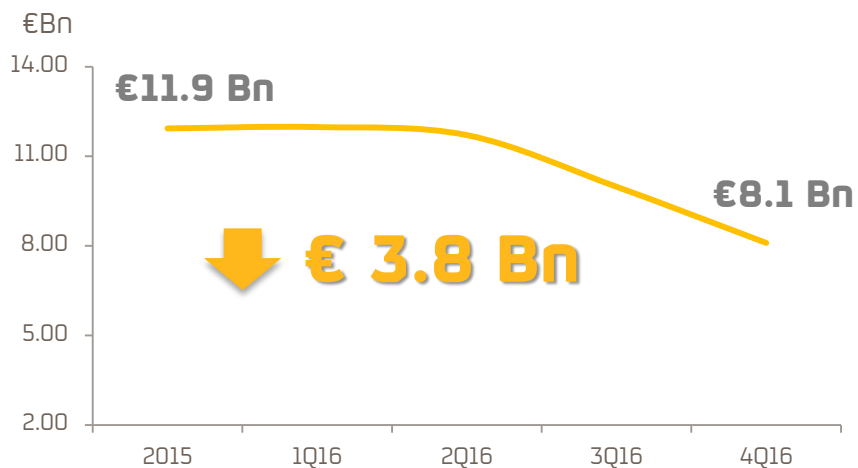


## Divestments

- 10% stake in GNF
- Piped LPG
- Tangguh
- TSP
- Others (eg: LPG Ecuador and Peru)



## Net Debt

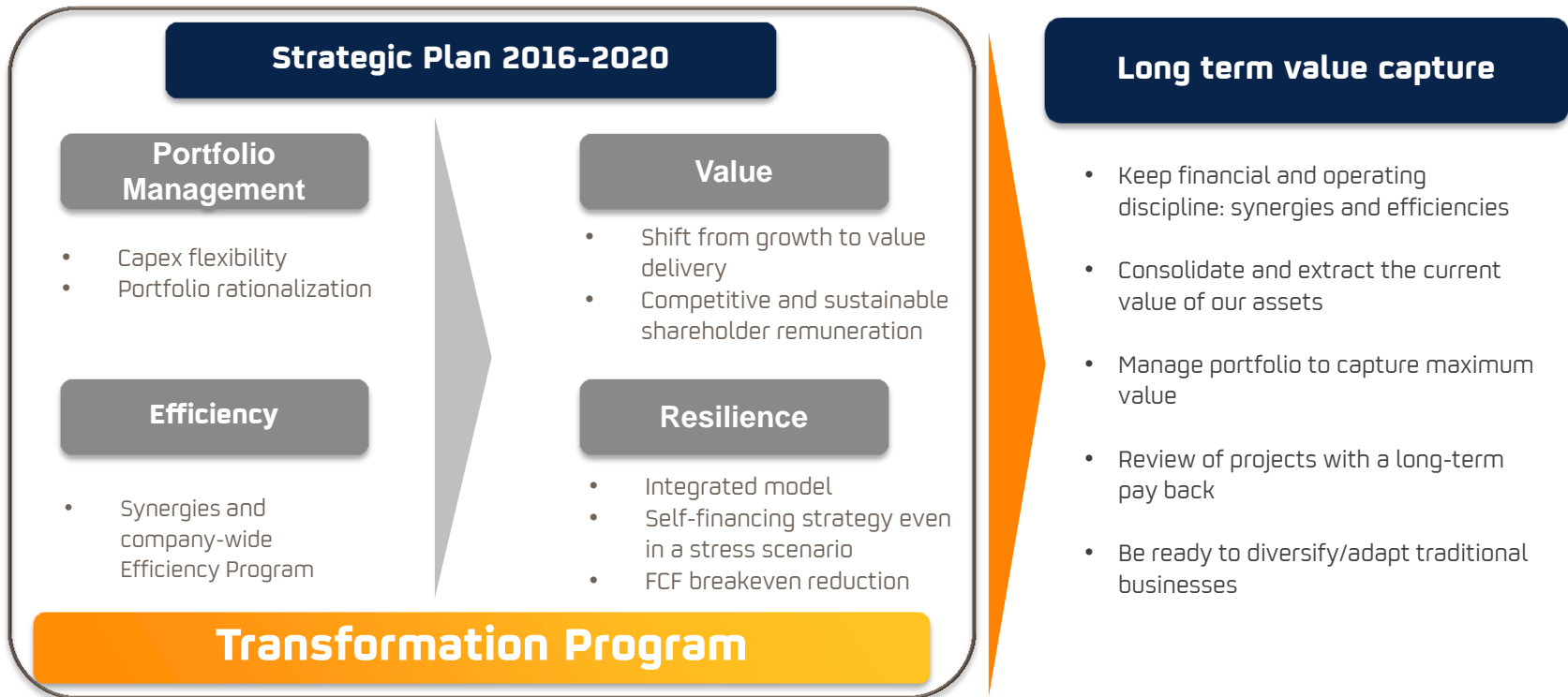


## Key Metrics

	2015		2016
<b>EBITDA CCS</b> (Bn€)	<b>5.1</b>	➔	<b>5.0</b>
<b>Brent price</b> (\$/Bbl)	<b>52.4</b>	➔	<b>43.7</b>
<b>HH</b> (\$/MBtu)	<b>2.7</b>	➔	<b>2.5</b>
<b>Refining margin Indicator</b> (\$/Bbl)	<b>8.5</b>	➔	<b>6.3</b>
<b>Exchange rate</b> (\$/€)	<b>1.11</b>	➔	<b>1.11</b>



### Challenge: a volatile, uncertain and complex environment



# Delivery on commitments

Company overview and strategy



IMPLEMENTATION

## COMMITMENT

## 2016&2017 DELIVERY

<b>Synergies</b>	0.3B€ impact in 2018	In 2016 0.3B€ already achieved New target of 0.4B€	✓✓
<b>Efficiencies (Opex &amp; Capex)</b>	0.8B€ in 2016; 1.8B€ in 2018	2016: 1,3B€; 2017 1.8B€	✓✓
<b>Capex flexibility</b>	~3.9 B€ average per annum	2016: 3.2B€; 2017 3.0B€	✓✓
<b>Portfolio Management</b>	3.1B€ by 2017 6.2B€ by 2020	Already divested 5.1 B€ <sup>[*]</sup>	✓✓
<b>Reduce FCF Breakeven</b>	\$40 /Bbl Brent	~\$42/Bbl Brent targeting \$40/Bbl <sup>[**]</sup>	✓
<b>Financial strength</b>	Maintain investment grade	BBB stable rating achieved	✓✓

✓✓ Ahead of plan ✓ On target

[\*] It includes cash proceeds and benefits [\*\*] Organic breakeven (divestments not included)

# Efficiencies and Synergies Update

Company overview and strategy



## Pre-tax cash savings

	COMMITMENT	DELIVERY	ESTIMATED
	// 2016 BUDGET //	// 2016 //	// 2017 //
Synergies	€0.2 B	€0.3 B	€0.3 B
Upstream Opex & Capex efficiency	€0.6 B	€0.8 B	€1.2 B
Downstream profit improvement and efficiency	€0.2 B	€0.3 B	€0.4 B
Corporation right-sizing	€0.1 B	€0.2 B	€0.2 B
	<b>€1.1 B</b>	<b>€1.6 B</b>	<b>€2.1 B</b>

**2018 target accelerated into 2017**

# Resilience in the lower part of the cycle

Company overview and strategy



	2015	2016
Brent price [\$/Bbl]	52.4	43.7
HH [\$/MBtu]	2.7	2.5

	2015	2016
Upstream Break Even[\$/Bbl]	~94 <sup>(*)</sup>	~61

	2015	2016
Refining margin Indicator [\$/Bbl]	8.5	6.3

## EBITDA CCS (Billion €)



- **Upstream:** Lower cash breakeven.
- **Downstream:** Strong integrated margin.
- **Group FCF breakeven** after dividend and interest reduced to \$42/Bbl.

(\*) Includes Talisman Energy Inc. figures since 8<sup>th</sup> of May 2015. Excludes any 2015 Upstream disposal.

# Portfolio management

Company overview and strategy



## Completed

10 % Stake GNF



Piped LPG



Alaska dilution



Eagle Ford-Gudrun



10 % Stake CLH



UK wind power



LPG Peru & Ecuador



Exploratory licences Canada

Brynild Norway

## ...Latest transactions

Tanggung



Ogan Komering

TSP



**TOTAL DIVESTED 5.1 B€**

# Self-financed SP 2016-2020 - 40% net cash delivered



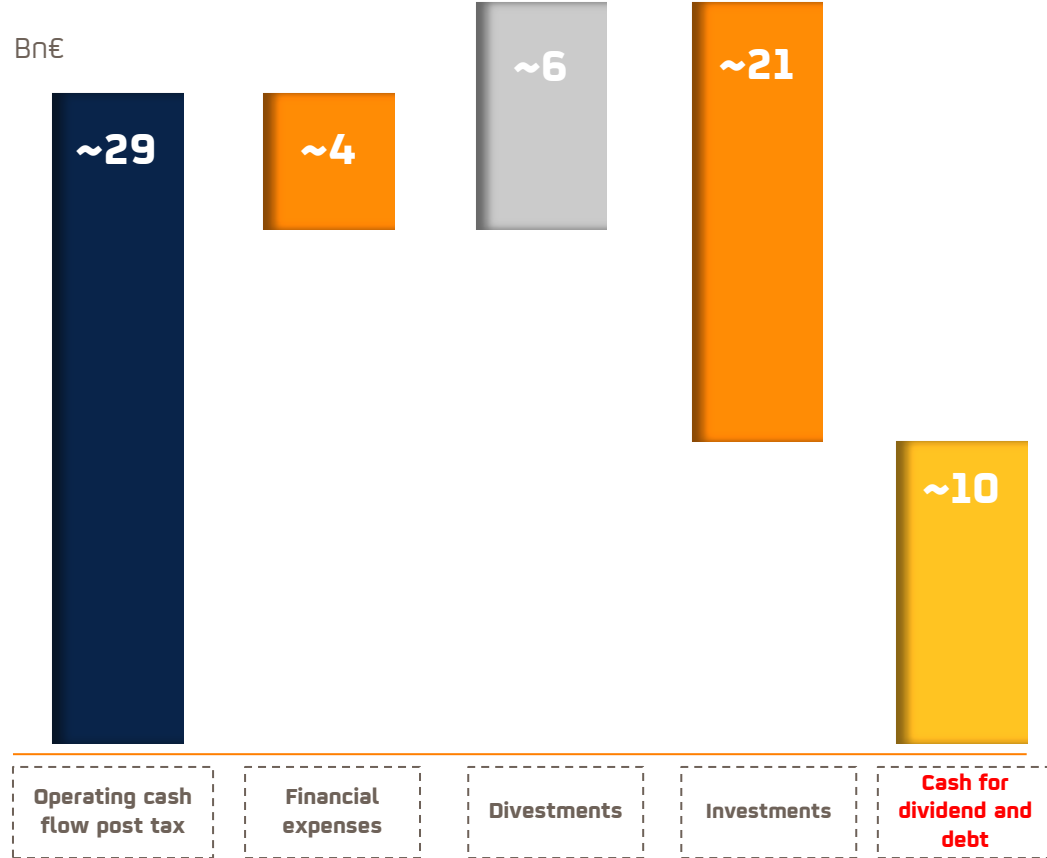
Company overview and strategy

## Cash movements 2016-2020<sup>(\*)</sup>

2016 Contribution



Bn€



## Sensitivities 5 years accumulated

Bn€	FCF	Adj. Net Income
Brent +/- \$5/bbl	1.5	1.3
	-1.5	-1.3
Bn€	FCF	Adj. Net Income
HH +/- \$0.5/MBtu	0.8	0.6
	-0.8	-0.6
Bn€	FCF	Adj. Net Income
Refining margining +/- \$1/bbl	0.8	1.1
	-0.9	-1.1

(\*) Stress price scenario considered: **Brent** (\$/Bbl) 2016: 40; 2017: 40; 2018: 50; 2019: 50; 2020: 50; **HH** (\$/MBtu) 2016: 2.6; 2017:2.6; 2018-2019-2020:3.5  
 Note 1: This figure does not consider non-cash debt movements such as exchange rate effect and other effects

**UPSTREAM**

**2**

# 3 core regions in the portfolio

Upstream



## ● North America: **Growth**

Production 2016: ~182 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: ~98 kboepd

Operatorship: ~37%

Gas production [2016]: 77%

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

NOTE: Europe, Africa & Brazil:  
Production 2016 ~ 108 kboepd

	2016	2017E
<b>Production</b> [kboepd]	<b>690</b>	<b>685-690</b> <sup>[*]</sup>
<b>IP Reserves</b> [Mboe]	<b>2,382</b>	
<b>RRR</b> [%]	<b>124</b> <sup>[**]</sup>	<b>~100</b> <sup>[***]</sup>

[\*] Post disposals of ~17 Kboepd from TSP and Tangguh in 2016

[\*\*] Organic [\*\*\*] Long term average

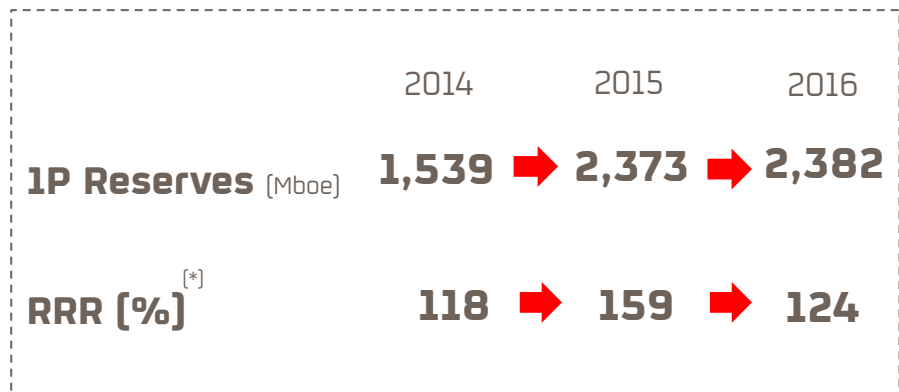


# 2016 Upstream Results

Upstream

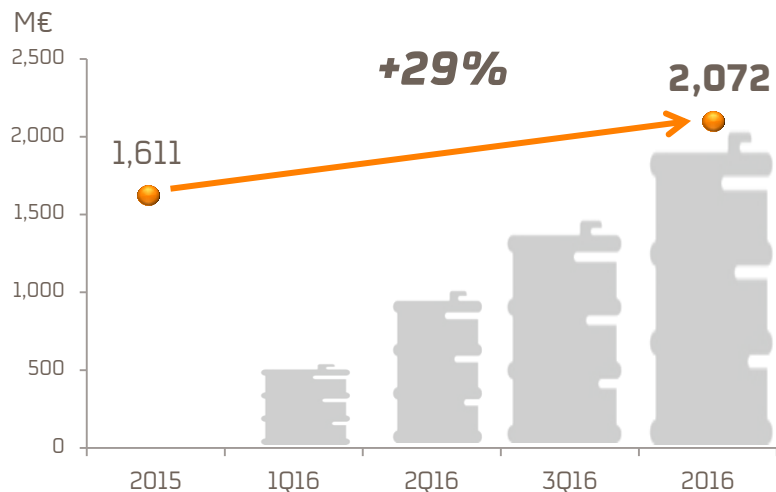


## RESERVES



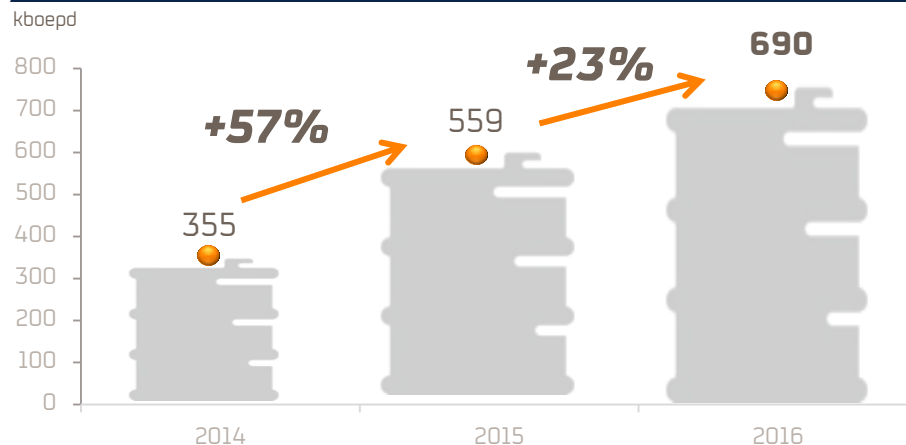
[\*] Organic RRR

## EBITDA<sup>[\*\*\*]</sup>



[\*\*\*] Cumulative

## PRODUCTION<sup>[\*\*]</sup>



[\*\*] It includes Talisman since the 8th of May of 2015

## PROJECTS

- Ramp-up Cardón IV (Venezuela) ✓
- Ramp-up of Sapinhoá (Brazil) ✓
- First oil of Lapa (Brazil) ✓
- Production restarted in Libya ✓

# Assets & Projects

Upstream



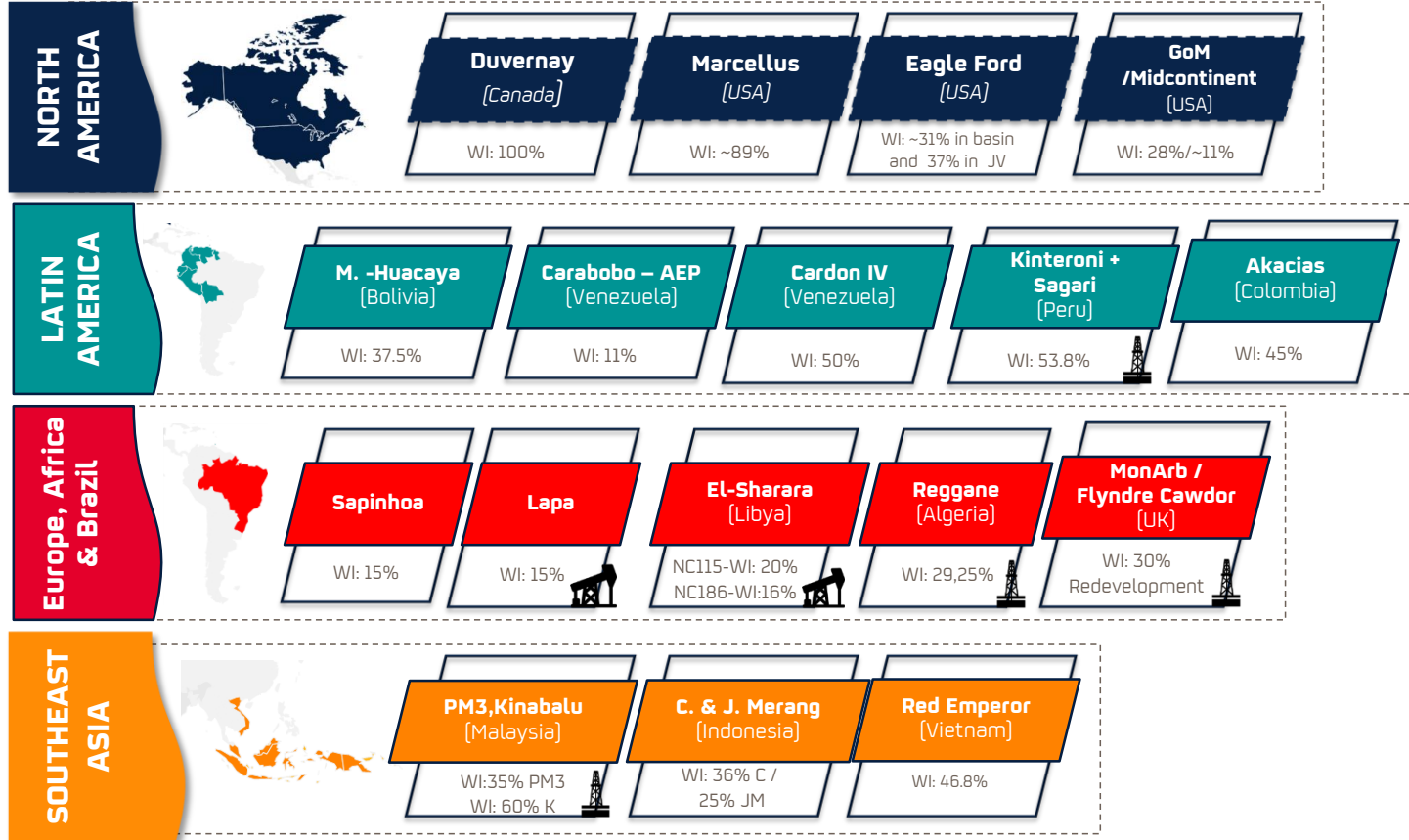
## // Exploration //

### Contingent resources

- Unconventional North America
- Brazil: Campos-33, Sagitario
- Russia: Karabashky
- Colombia: CP09 & Niscota
- Alaska: Colville High
- GOM: Leon and Buckskin
- Indonesia: Sakakemang
- Vietnam: Red Emperor extension
- Kurdistan
- PNG: GAP

### 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



First production 2017



Ramping up in 2017

# Capex optimization

Upstream



Organic RRR [%]

118%

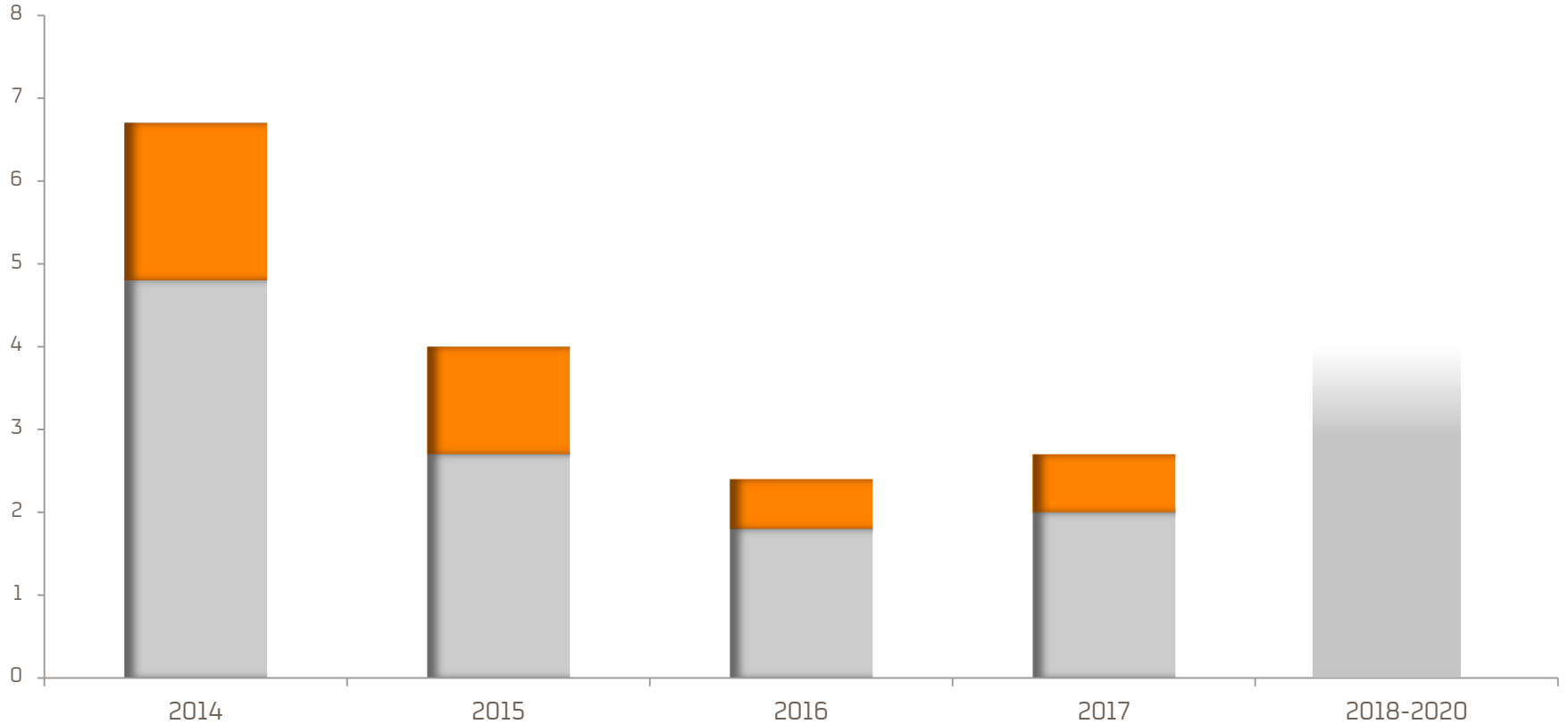
159%

124%

Average 2017-2020

~100%

Bn\$



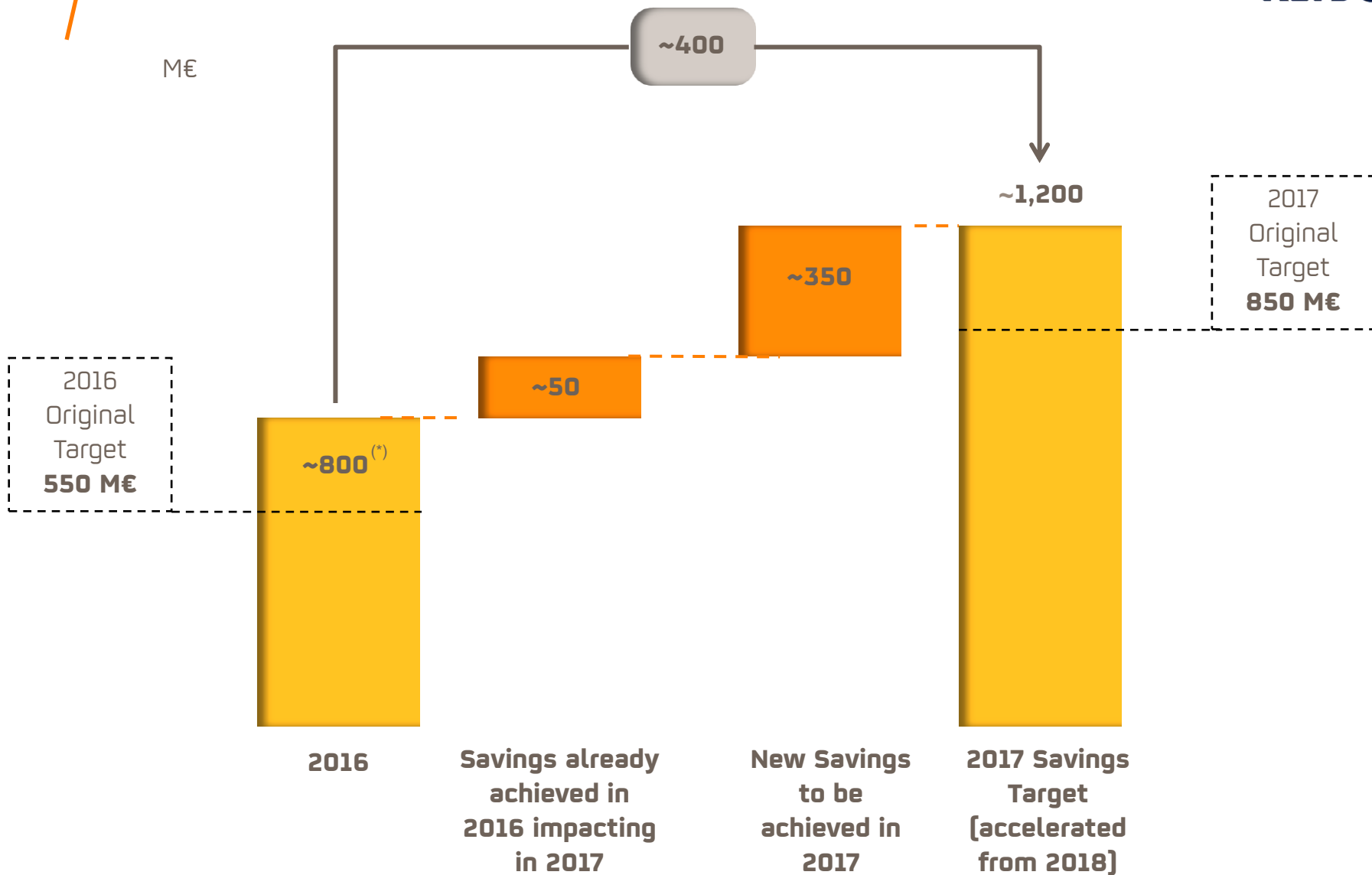
Exploration Capex    Development Capex    Average Capex 2018-2020

# Efficiency program: delivering our target



Upstream

M€



Note: Excluding synergies  
\* It does not include ~ 200 M€ of one off

3

# Downstream



# Sustainable cash flow generator

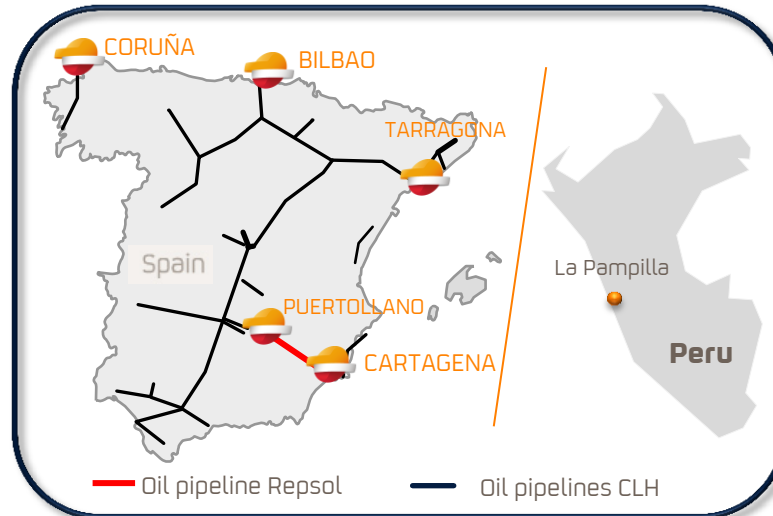
Downstream



## Refining

- ~1 million barrels of refining capacity per day.

- Top quartile position among European peers along the cycle.
- 63 % FCC equivalent.
- 5 refineries optimized as a single operation system.



## Petrochemicals

- All three sites are managed as a single petrochemical hub
- Chemical sites and crackers strategically located to supply Southern Europe and Mediterranean markets.
- Logistic flexibility to enhance competitive feedstock imports at Tarragona and Sines.



## Marketing

- 4,715 service stations throughout Spain, Portugal, Peru, and Italy.

- 3,501 service stations in Spain → 70% have a strong link to the company and 29% directly managed.

## LPG

- One of the leading retail distributors of LPG in the world, ranking first in Spain and is of the leading companies in Portugal.
- We distribute LPG in bottles, in bulk and AutoGas.

## Trading and G&P

- G&P: transportation, marketing, trading and regasification of liquefied natural gas.
- Trading & Transport: trading and supply of crude oil and products



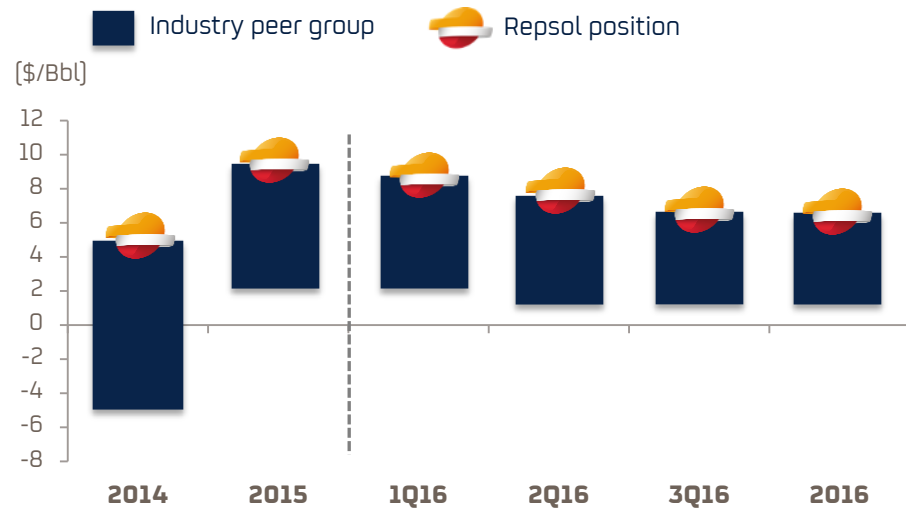
Objective to generate FCF ~ €1.7B per annum (average 2016-2020)

# 2016 Downstream Results

## Downstream



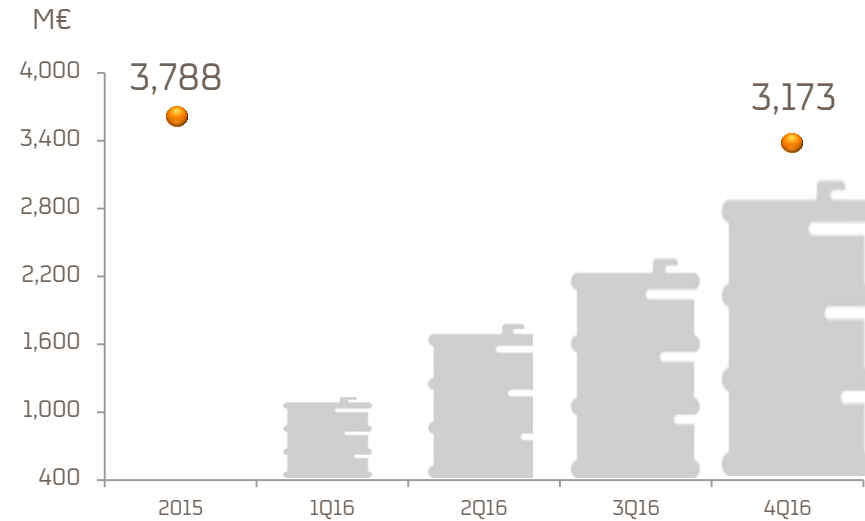
### European Integrated Margin of R&M



Source: Company filings.

Peers : Repsol, Cepsa, Eni, Galp, OMV, MOL, Total, PKN Orlen, Hellenic Petroleum, Saras and Neste Oil

### EBITDA CCS<sup>[\*]</sup>



\* Cumulative

### FCF



### Integrated Model

- Top quartile position among European peers.
- Fully-invested assets

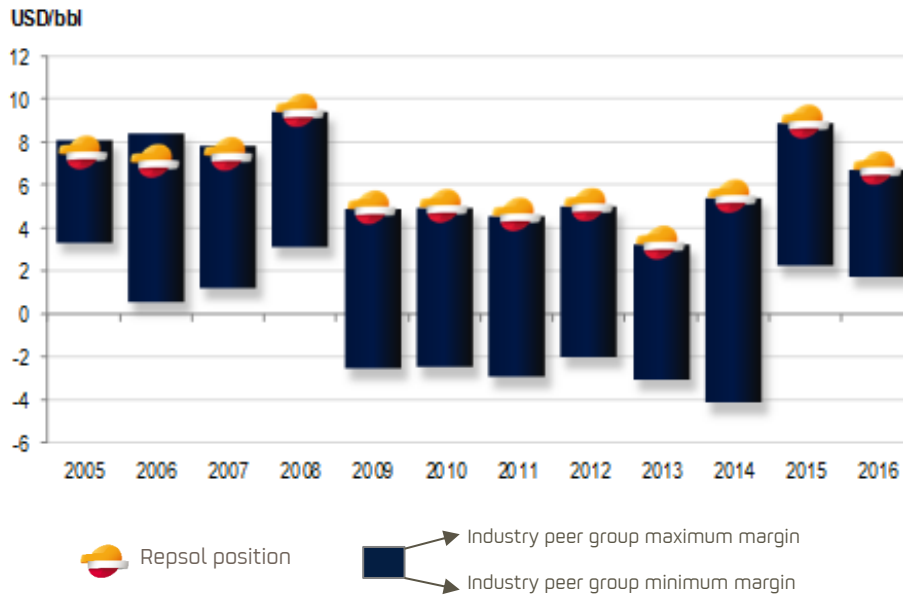
# 2016-2020 Downstream strategy

Downstream

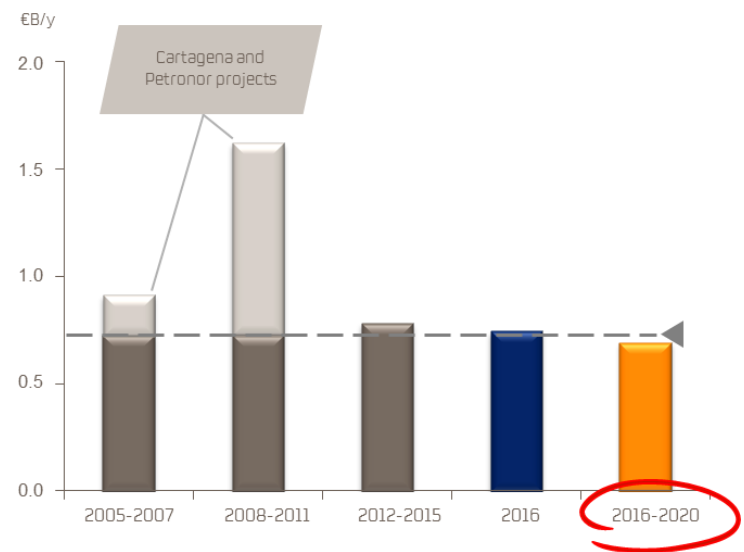


Maximizing value and cash generation leveraged on fully invested assets

European Integrated Margin of R&M



Average investments



**Downstream resilience reinforced by the integration of commercial and 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 10-member peer group.

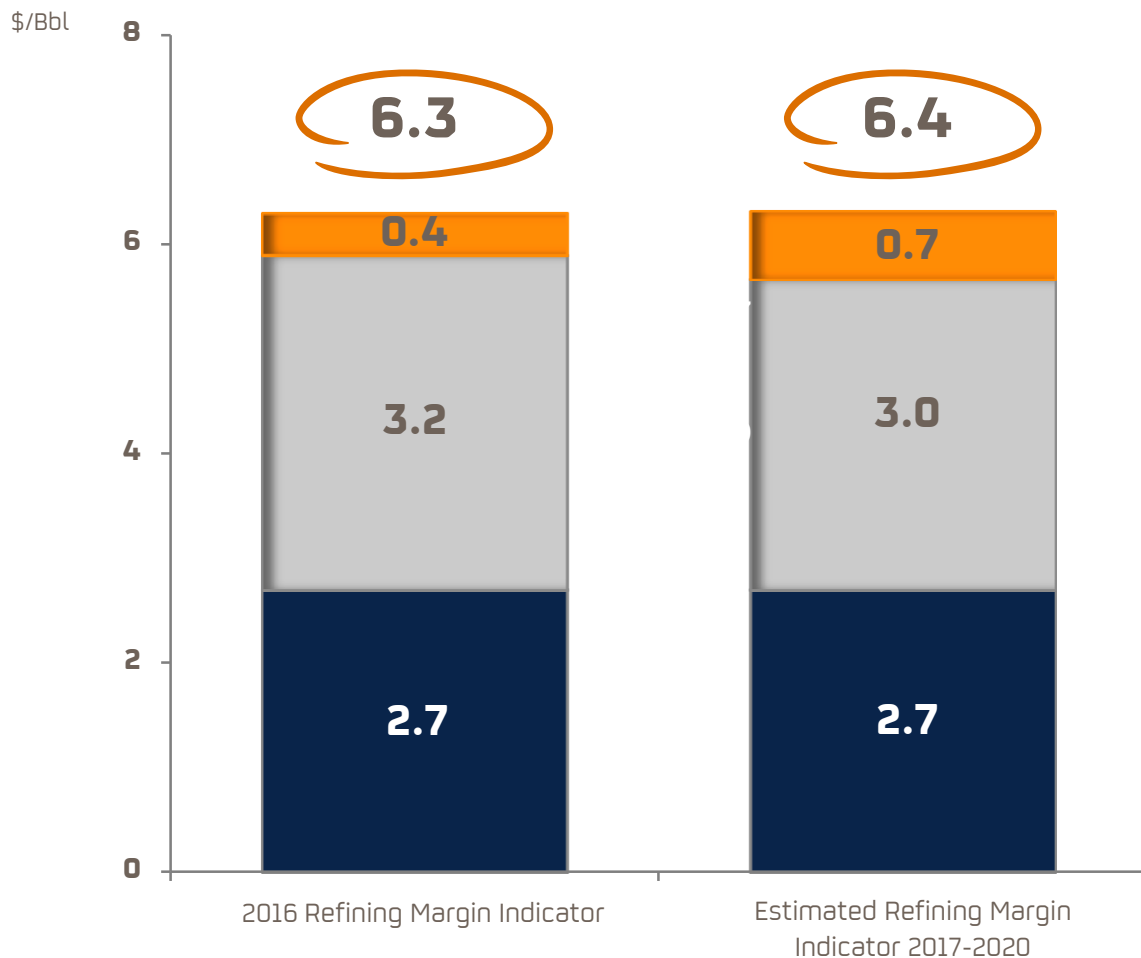
Based on annual reports and Repsol's estimates. Source: Company filings.

Peer group :Repsol, Cepsa, Eni, Galp, OMV, MOL, Total, PKN Orlen, Hellenic Petroleum, Saras and Neste Oil.



# Repsol's refining margin indicator

Downstream



■ Base Repsol Crack Index    ■ Additional margin from projects pre-SP    ■ Efficiency and margin improvement program



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# Gas Natural Fenosa

# Gas Natural Fenosa

Rationale



## 10% stake sold

- ✓ **€1.9Bn proceeds**
- ✓ **Executed with no discount to market price at 19€/share**  
→ 8.6% above GNF's unaffected market price of €17.5/share<sup>1</sup>
- ✓ **7.8x EV/EBITDA 2016E**  
→ above comparable trading multiples

## 20% remaining stake

- ✓ **Liquid investment provides financial optionality**
- ✓ **Strong profitability performance** through dividend stream
- ✓ **Strategic stake in a leading gas & power company**
- ✓ **Window into role of gas and renewables in energy mix**

[1] 6 months volume weighted average share price



# FINANCING

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# Financial Strategic Plan 2016-2020

## Financing



**Sound track record  
in managing adverse  
conditions**

**Resilient Plan with stronger  
business profile**

**Conservative  
financial policy**



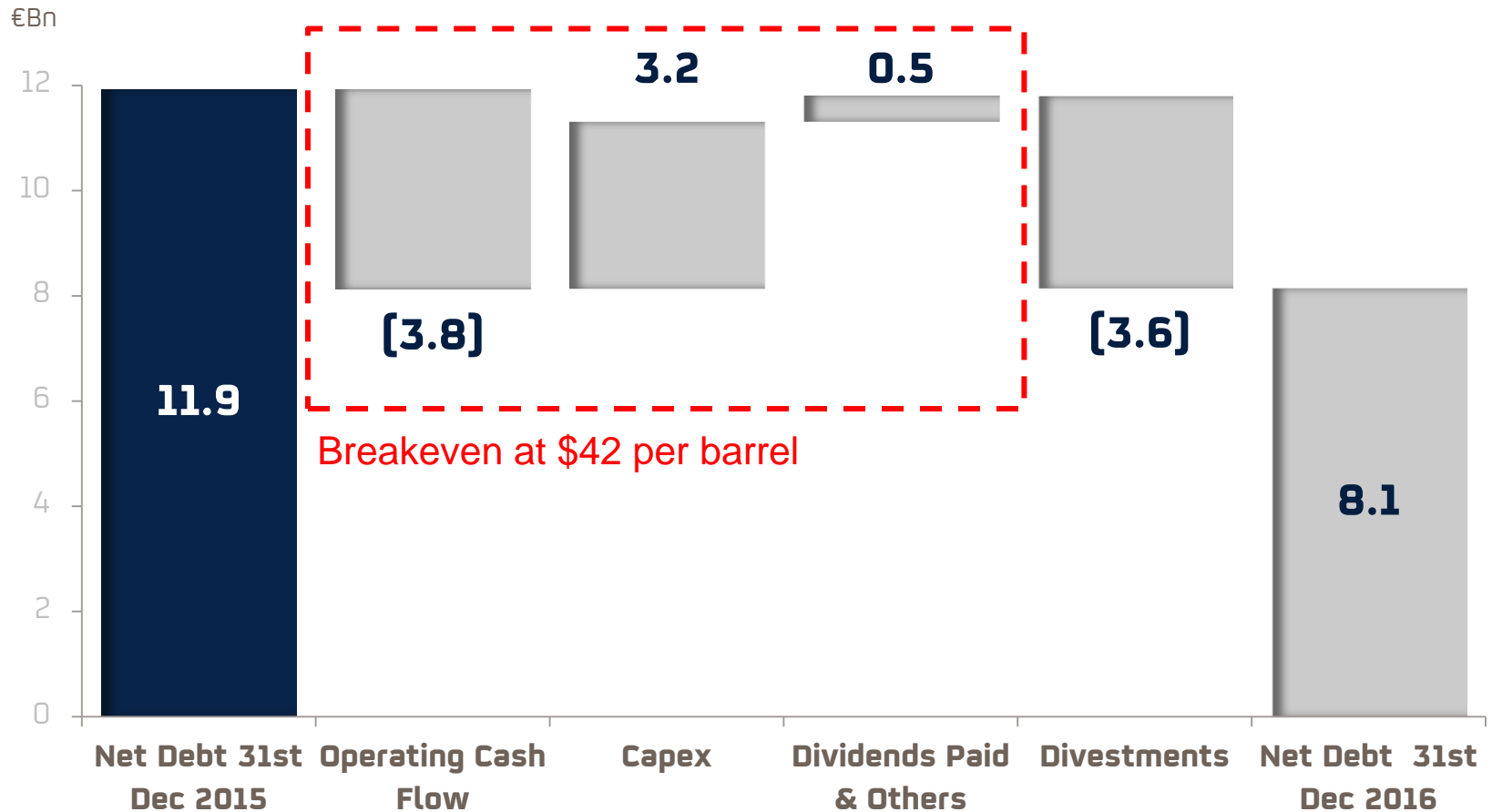
**Commitment to reduce debt and maintain investment grade**

**The three Rating Agencies, Standard & Poor's, Moody's and Fitch have upgraded and confirmed the rating BBB stable , Baa2 stable and BBB stable respectively.**

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

# Net Debt Evolution

Financing



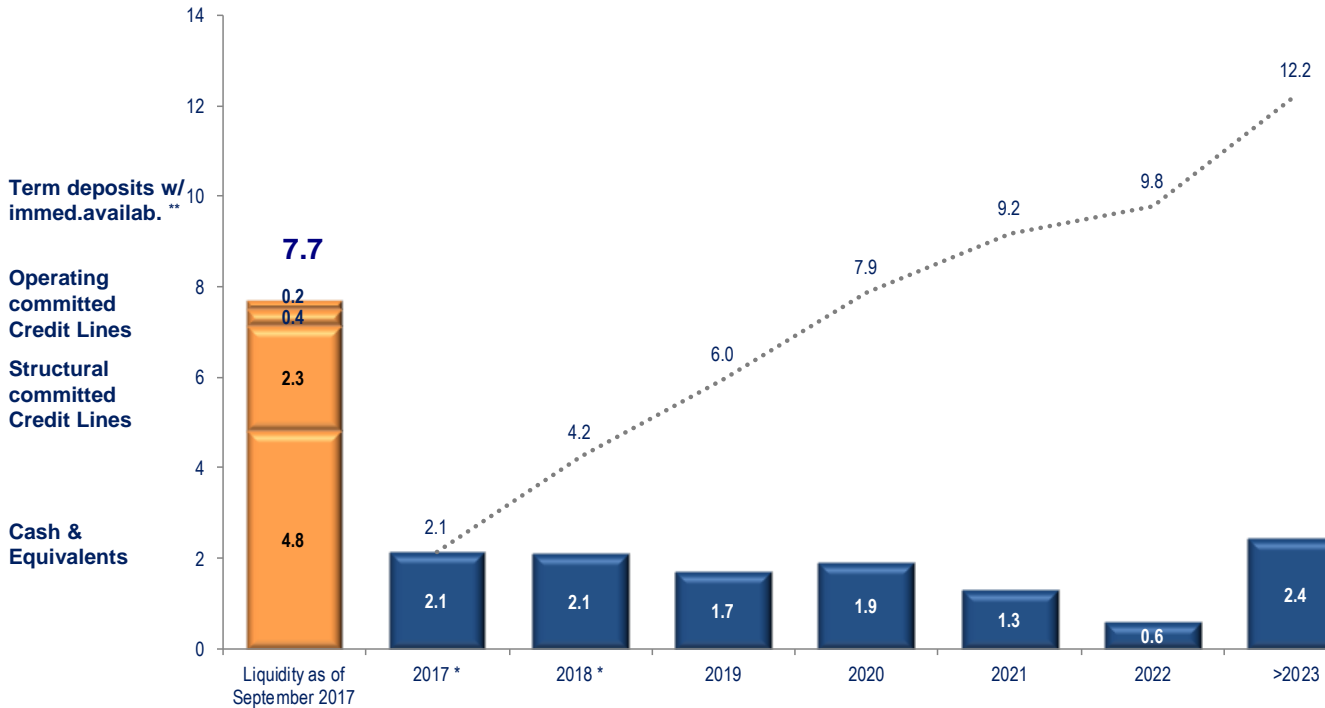
Targeting FCF Breakeven at \$40/Bbl

# Strong liquidity position

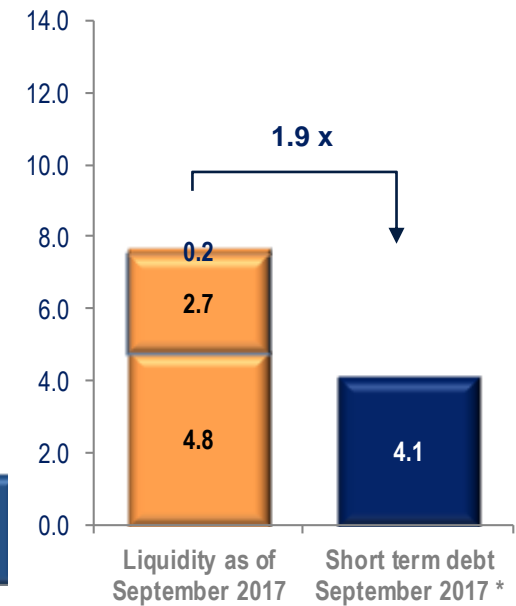
## Financing



[Billion €]



[Billion €]



**Liquidity covers long term debt maturities beyond mid 2020.**

**Liquidity exceeds 1.9x short term maturities**

[\*] Short term debt excludes interest and derivatives € 0.16 billion.

[\*\*] Deposits classified as financial investment in the accounting although they have an immediate availability.

# Sources of liquidity as of 30<sup>th</sup> Sep 2017

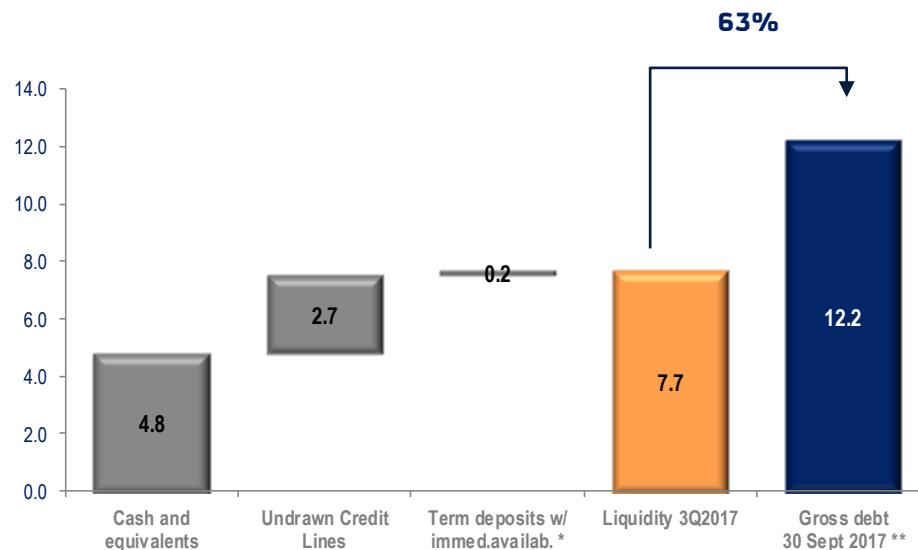
## Financing



(Million €)

Cash and Equivalents	4,830
Total Unused Committed Credit Lines	2,698
Term deposits w/ immediate availability (1)	200
<b>Total Liquidity Available</b>	<b>7,728</b>

(Million €)	Structural	Operating	TOTAL
<b>Committed Credit Lines</b>	<b>2,327</b>	<b>396</b>	<b>2,723</b>
<b>Used</b>		<b>(25)</b>	<b>(25)</b>
<b>Available</b>	<b>2,327</b>	<b>370</b>	<b>2,698</b>
	86%	14%	100%



**Available Structural credit lines represent 86% from total committed credit lines**

**Strong liquidity position represents 63% gross debt**

[\*] Deposits classified as financial investment in the accounting although they have an immediate availability.

[\*\*] Gross debt excludes interests and derivatives € 0.16 million



# Delivery of Commitments

## Financing



### Divestments

- Piped Gas Business, Offshore Wind, TSP, Tangguh
- E&P portfolio management: Alaska, Norway

### GNF monetization

- Sale of 10% participation in GNF

### Dividend

- Repsol dividend reduction
- Scrip dividend

### Synergies and Efficiencies

- Efficiencies and synergies accelerated

### Debt reduction and maintenance of IG

- Net Debt/EBITDA of 1.1x
- Rated BBB stable by the three rating agencies

**Maintenance of investment grade is fundamental to our long term strategy**



# 2017 OUTLOOK

6

# Outlook for 2017

2017 Outlook



## Our assumptions

	2017B <sup>[*]</sup>	9M17
Brent price [\$/Bbl]	55.0	51.8
HH [\$/MBtu]	3.2	3.2

	2017B	9M17
Refining Margin [\$/Bbl]	6.4	6.8
Exchange rate [\$/€]	1.05	1.11

## Guidance

	2017B	9M17	2017E <sup>(***)</sup>
Production (KBoepd)	~680	688	685-690
Capex (Bn€)	3.2-3.6	1.8	~3.0
Synergies and Efficiencies (Bn€)	2.1	~1.8	2.1

	2017B	9M17
FCF BE [\$/Bbl]	~40 <sup>(**)</sup>	~40
ND/EBITDA [x]	1.1	1.1

# Investor Update 2017

2016 – 2020 Value & Resilience

