# Investor Update 2017

## 2016 – 2020 Value & Resilience

REPSOL

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*This document mentions resources which do not constitute proved reserves and will be recognized as such when they comply with the formal conditions required by the system "SPE/WPC/AAPG/SPEE Petroleum Resources Management System" (SPE-PRMS) (SPE – Society of Pretroleum Engineers).*

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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

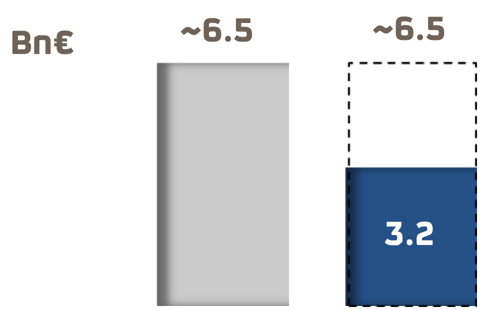
1

# Key messages 1H 2017

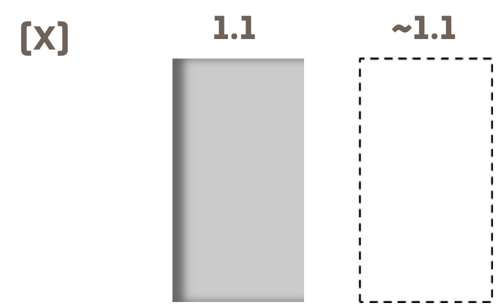
## Company overview and strategy

REPSOL

## Continued delivery on strategic objectives

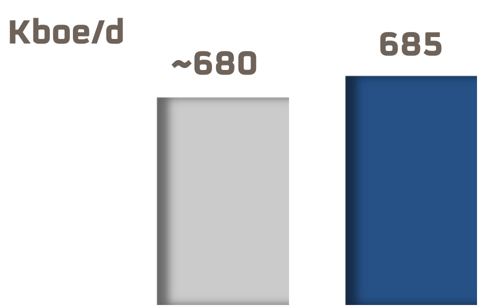



**Strong EBITDA CCS generation**



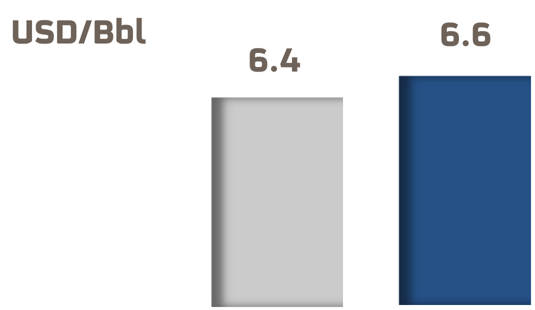

**Net Debt/EBITDA in line with projections**

## Upstream




**Production volumes in line with guidance**

## Downstream[1]




**Refining margin indicator in line with expectations**

2017 Budget | 1H17 actual | 2017 guidance

[1] Refinining Margin Indicator

# Key messages Q2 2017

Company overview and strategy

REPSOL

## Upstream

### Production:

- ✓ Q2 17 = 677Kboe/d → 2% decrease YoY (Sale of assets and fluctuating gas demand in Indonesia and Bolivia )
- ✓ Libya → ~20 Kboe/d in the quarter
- ✓ First production from MonArb (UK North Sea), ramp up of Lapa and Sapinhoa in Brazil.

### Exploration program:

- ✓ 5 exploratory & 1 appraissal completed **(3 positive)**
- ✓ 2017 program: **17 wells (15 exploratory & 2 appraisal)**

## Downstream

### Refining:

- ✓ Refining margin indicator **6.2 USD/Bbl** in Q2 17
- ✓ **Planned maintainance** for the year **completed:**
  - ✓ 2Q17 Utilization of the distillation units = 92%
  - ✓ 2Q17 Utilization of the conversion units = 103%

### Petrochemicals:

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

### Marketing:

- ✓ Higher volumes due to increased demand in Spain and Portugal

## Corporate and others

### Synergies and efficiencies:

- ✓ 1H 17 → 50% of the initial full year target has been posted in the financial statements.
- ✓ 2017 target **€2.1 Bn**

### Corporation:

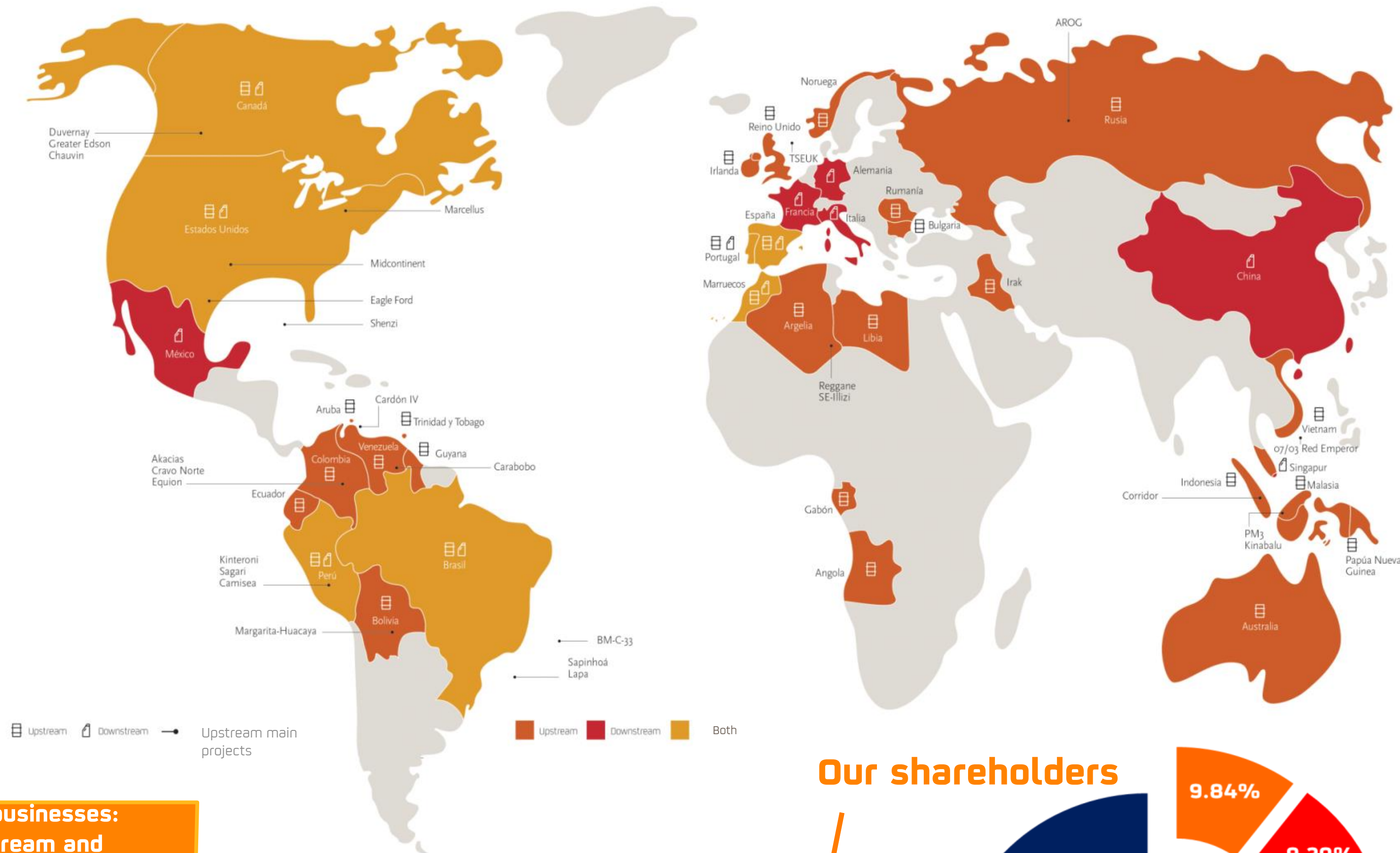
- ✓ Q2 17 Net debt **€7.5 Bn**
- ✓ Net Debt / EBITDA (x) = **1.1** [1]
- ✓ Objective → Credit rating **BBB stable**

(1) Estimated FY 2017

# Through the value chain and across the globe

## Company overview and strategy

REPSOL




**Core businesses: Upstream and Downstream**

**~700 kboepd production**

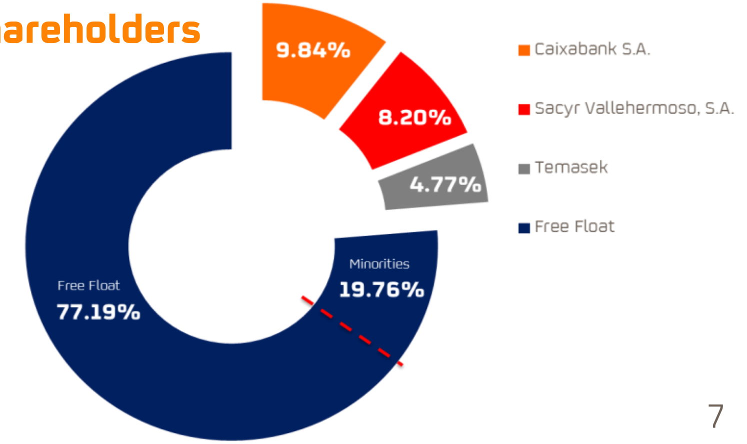
**~1 Million bpd refining capacity**

**~2.4 billion boe proved reserves (*)**

**20% stake in GNF**

(*) As at 31/12/2016

## Our shareholders

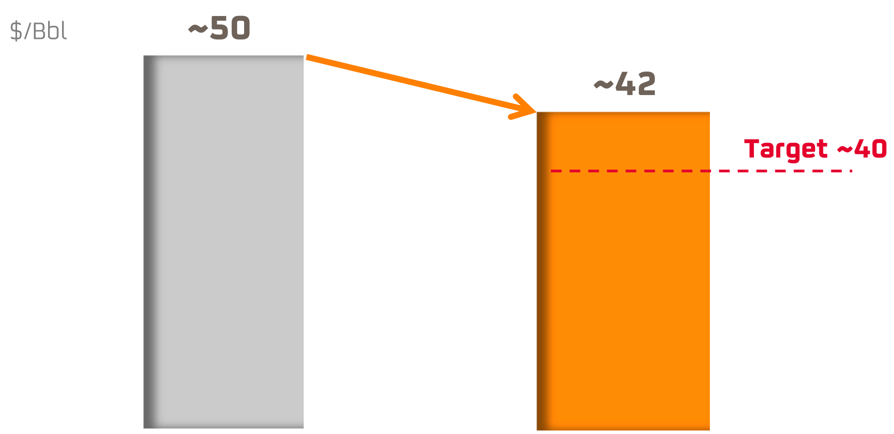


# 2016 - A year of strategic progress

Company overview and strategy

REPSOL

## Group FCF breakeven

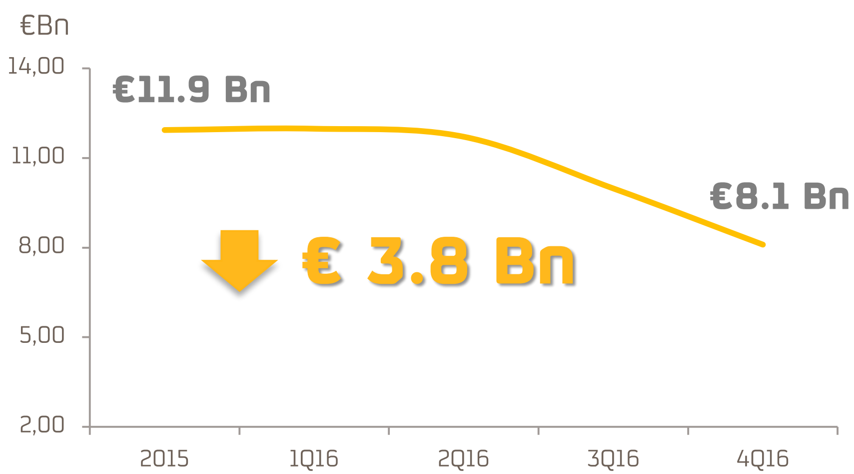



## Divestments

| | |
|---|---|
| 10% stake in GNF | € 1.9 Bn |
| Piped LPG | € 0.7 Bn |
| Tangguh | € 0.3 Bn |
| TSP | € 0.1 Bn |
| Others (eg: LPG Ecuador and Peru) | € 0.6 Bn |

**TOTAL CASH RECEIVED € 3.6 Bn**

## Net Debt




## Key Metrics

| | 2015 | | 2016 |
|---|---|---|---|
| **EBITDA CCS** (Bn€) | 5.1 | ➡ | 5.0 |
| **Brent price** ($/Bbl) | 52.4 | ➡ | 43.7 |
| **HH** ($/MBtu) | 2.7 | ➡ | 2.5 |
| **Refining margin Indicator**($/Bbl) | 8.5 | ➡ | 6.3 |
| **Exchange rate** ($/€) | 1.11 | ➡ | 1.11 |

# 2016 to 2020: Value and Resilience

Company overview and strategy

REPSOL

## Challenge: a volatile, uncertain and complex environment

### Strategic Plan 2016-2020

**Portfolio Management**

- Capex flexibility
- Portfolio rationalization

**Efficiency**

- Synergies and company-wide Efficiency Program

**Value**

- Shift from growth to value delivery
- Competitive and sustainable shareholder remuneration

**Resilience**

- Integrated model
- Self-financing strategy even in a stress scenario
- FCF breakeven reduction

**Transformation Program**

### Long term value capture

- Keep financial and operating discipline: synergies and efficiencies
- Consolidate and extract the current value of our assets
- Manage portfolio to capture maximum value
- Review of projects with a long-term pay back
- Be ready to diversify/adapt traditional businesses

# Delivery on commitments

## Company overview and strategy

REPSOL

**IMPLEMENTATION**

| | COMMITMENT | 2016 DELIVERY | |
|---|---|---|---|
| **Synergies** | 0.3B€ impact in 2018 | In 2016 0.3B€ already achieved<br>New target of 0.4B€ | ✓✓ |
| **Efficiencies (Opex & Capex)** | 0.8B€ in 2016; 1.8B€ in 2018 | 2016: 1,3B€; 2017 1.8B€ | ✓✓ |
| **Capex flexibility** | ~3.9 B€ average per annum | 2016: 3.2B€; 2017 3.6B€ | ✓✓ |
| **Portfolio Management** | 3.1B€ by 2017<br>6.2B€ by 2020 | Already divested 5.1 B€ (*) | ✓✓ |
| **Reduce FCF Breakeven** | $40 /Bbl Brent | ~$42/Bbl Brent targeting $40/Bbl (**) | ✓ |
| **Financial strength** | Maintain investment grade | Maintained, targeting BBB stable | ✓✓ |

✓✓ **Ahead of plan** ✓ **On target**

(*) It includes cash proceeds and benefits (**) Organinc breakeven (divestments not included)

# Efficiencies and Synergies Update

Company overview and strategy

## Pre-tax cash savings

| | COMMITMENT<br>// 2016 BUDGET // | DELIVERY<br>// 2016 // | ESTIMATED<br>// 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 |
| | **€1.1 B** | **€1.6 B** | **€2.1 B** |

**2018 target accelerated into 2017**

# Resilience in the lower part of the cycle

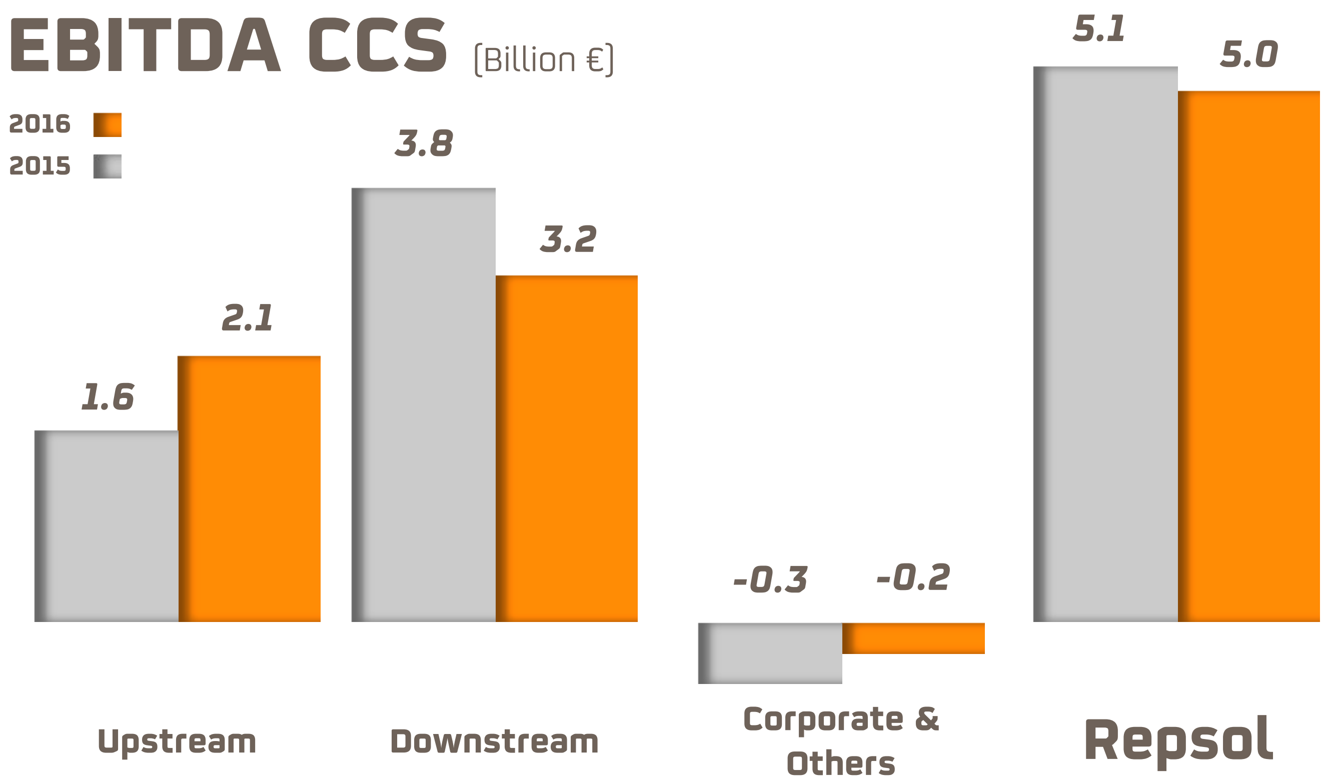
## Company overview and strategy

| | 2015 | 2016 |
|---|---|---|
| Brent price *($/Bbl)* | 52.4 | 43.7 |
| HH ($/MBtu) | 2.7 | 2.5 |

| | 2015 | 2016 |
|---|---|---|
| Upstream Break Even *($/Bbl)* | ~94[*] | ~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 8th of May 2015. Excludes any 2015 Upstream disposal.*

## Completed

**10 % Stake GNF**

**Piped LPG**

**Alaska dilution**

**Eagle Ford-Gudrun**

**10 % Stake CLH**


**UK wind power**

**LPG Peru & Ecuador**

**Exploratory licences Canada**

**Brynhild Norway**

## ….Latest transactions

**Tangguh**

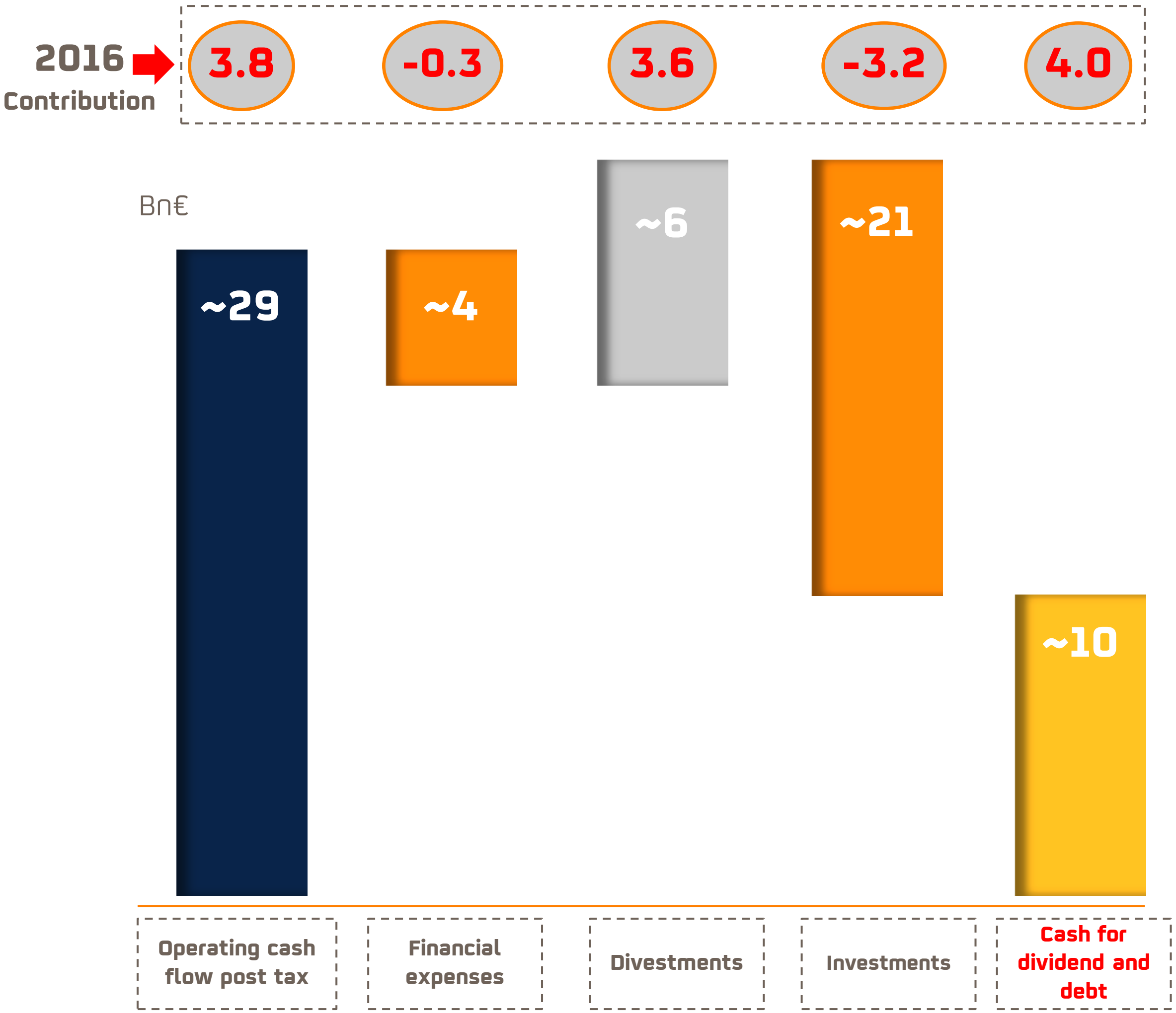
**TSP**

**TOTAL DIVESTED 5.1 B€**

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

## Company overview and strategy

### Cash movements 2016-2020 [*]




### 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 |

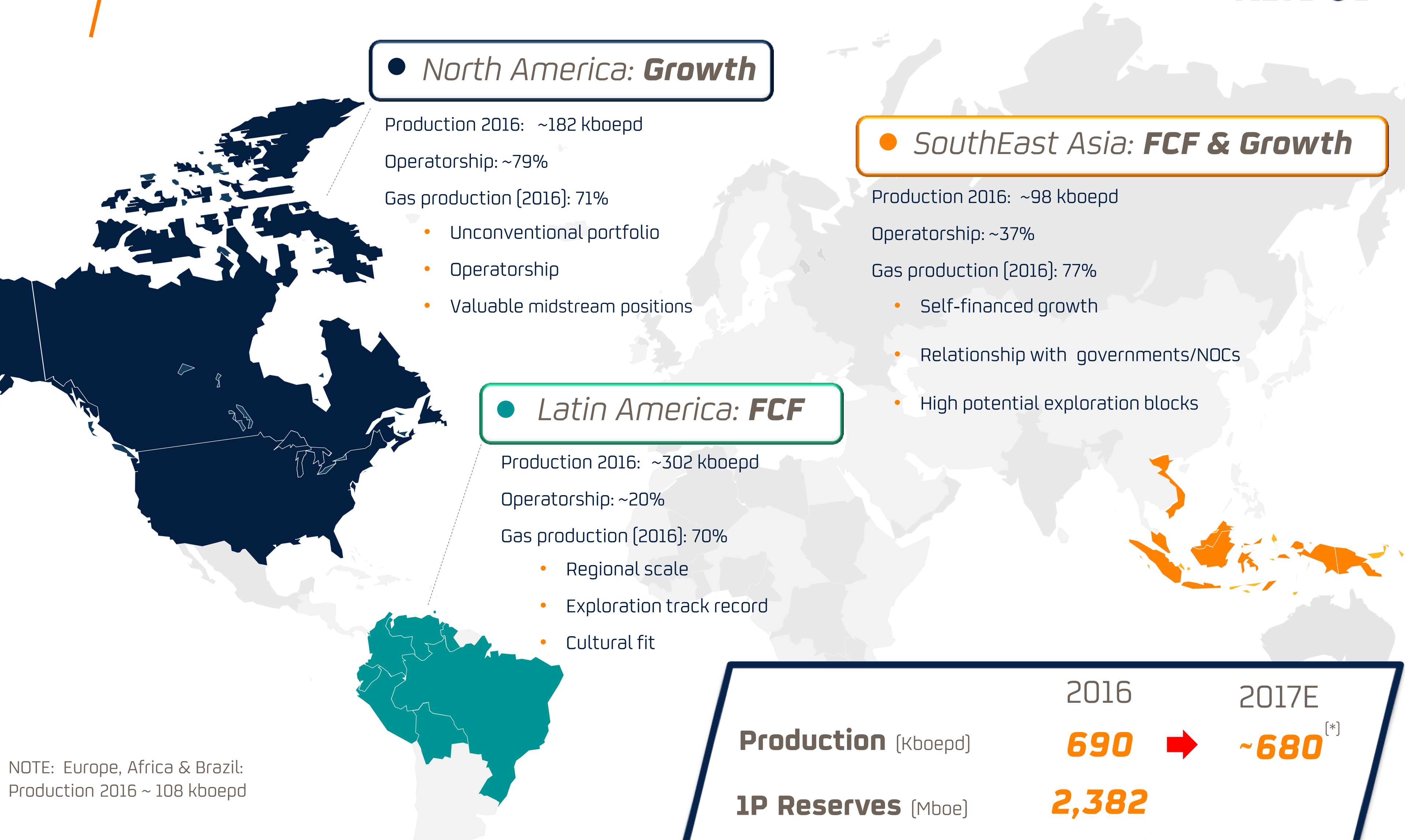
| Bn€ | FCF | Adj. Net Income |
|---|---|---|
| Refining marging +/- $1/bbl | 0.8 | 1.1 |
| | -0.9 | -1.1 |

[*] 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

# 2 UPSTREAM

# 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

### 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

### Latin America: **FCF**

Production 2016: ~302 kboepd

Operatorship: ~20%

Gas production (2016): 70%

- Regional scale
- Exploration track record
- Cultural fit

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

| | 2016 | | 2017E |
|---|---|---|---|
| **Production** (Kboepd) | 690 | → | ~680 [*] |
| **1P Reserves** (Mboe) | 2,382 | | |
| **RRR (%)** | 124 [**] | → | ~100 [***] |

[*] Post disposals of ~17 Kboepd from TSP and Tangguh in 2016
[**] Organic [***] Long term average

# 2016 Upstream Results

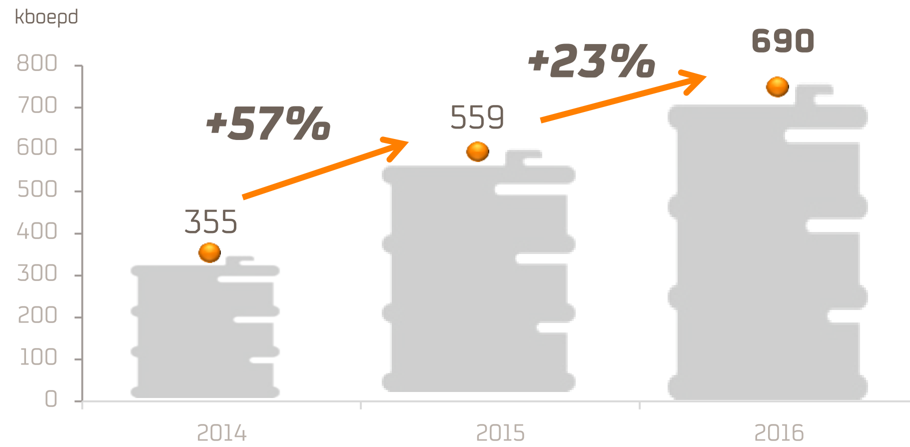
Upstream

## RESERVES

| | 2014 | | 2015 | | 2016 |
|---|---|---|---|---|---|
| **1P Reserves** (Mboe) | **1,539** | ➡ | **2,373** | ➡ | **2,382** |
| **RRR (%)** [*] | **118** | ➡ | **159** | ➡ | **124** |

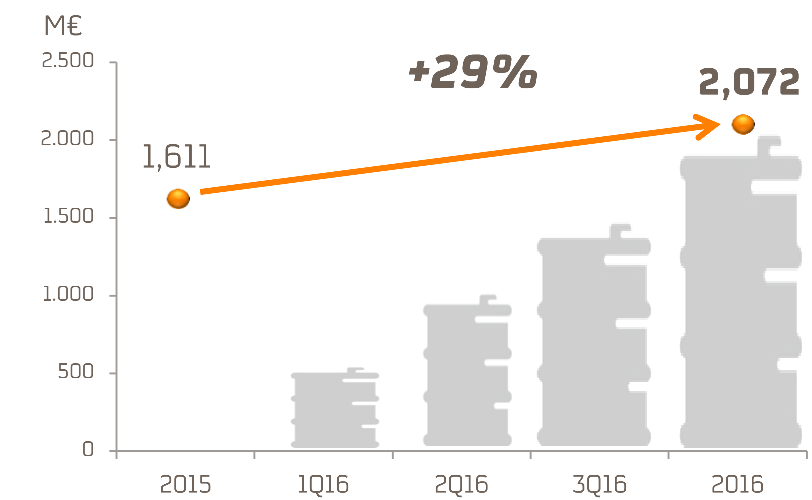
[*] Organic RRR

## PRODUCTION [**]




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

## EBITDA [***]




[***] Cumulative

## PROJECTS

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

# Assets & Projects

## Upstream

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## NORTH AMERICA

| | |
|---|---|
| **Duvernay** (Canada) | WI: 100% |
| **Marcellus** (USA) | WI: ~89% |
| **Eagle Ford** (USA) | WI: ~31% in basin and 37% in JV |
| **GoM /Midcontinent** (USA) | WI: 28%/~11% |

## LATIN AMERICA

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

## Europe, Africa & Brazil

| | |
|---|---|
| **Sapinhoa** | WI: 15% |
| **Lapa** | WI: 15% |
| **El-Sharara** (Libya) | NC115-WI: 20% NC186-WI:16% |
| **Reggane** (Algeria) | WI: 29,25% |
| **MonArb / Flyndre Cawdor** (UK) | WI: 30% Redevelopment |

## SOUTHEAST ASIA

| | |
|---|---|
| **PM3,Kinabalu** (Malaysia) | WI:35% PM3 WI: 60% K |
| **C. & J. Merang** (Indonesia) | WI: 36% C / 25% JM |
| **Red Emperor** (Vietnam) | WI: 46.8% |

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

*First production 2017*

*Ramping up in 2017*

## // Exploration //

### Contingent resources

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

### Prospective resources

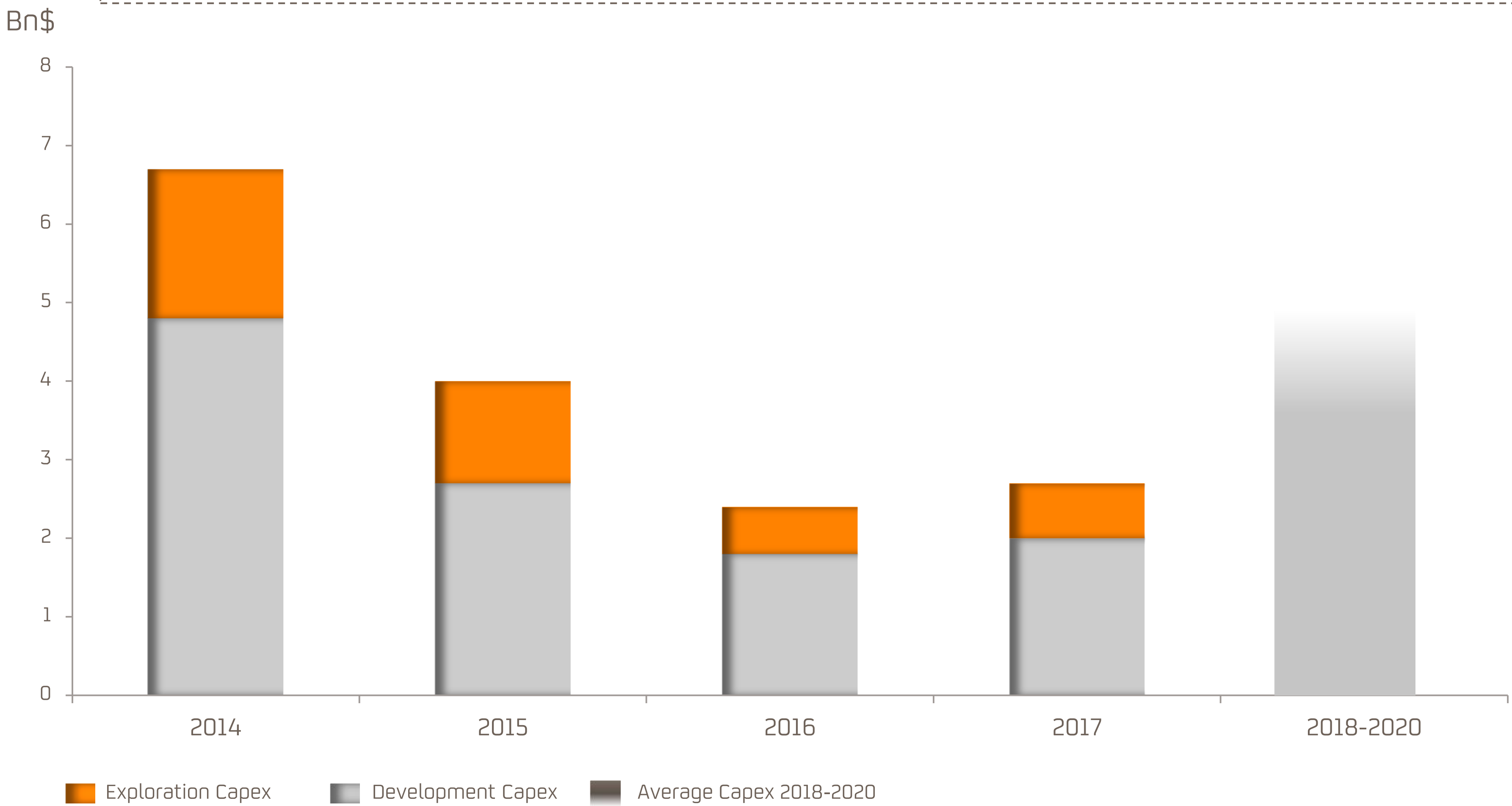
- Brazil: Santos Basin & Espirito Sant
- Colombia: RC11, RC12 & Tayrona
- Unconventional North America
- GOM
- Peru
- Guyana
- Angola
- Romania
- Portugal
- Norway
- Indonesia
- Malaysia
- Vietnam
- PNG
- Bulgaria

# Capex optimization

## Upstream

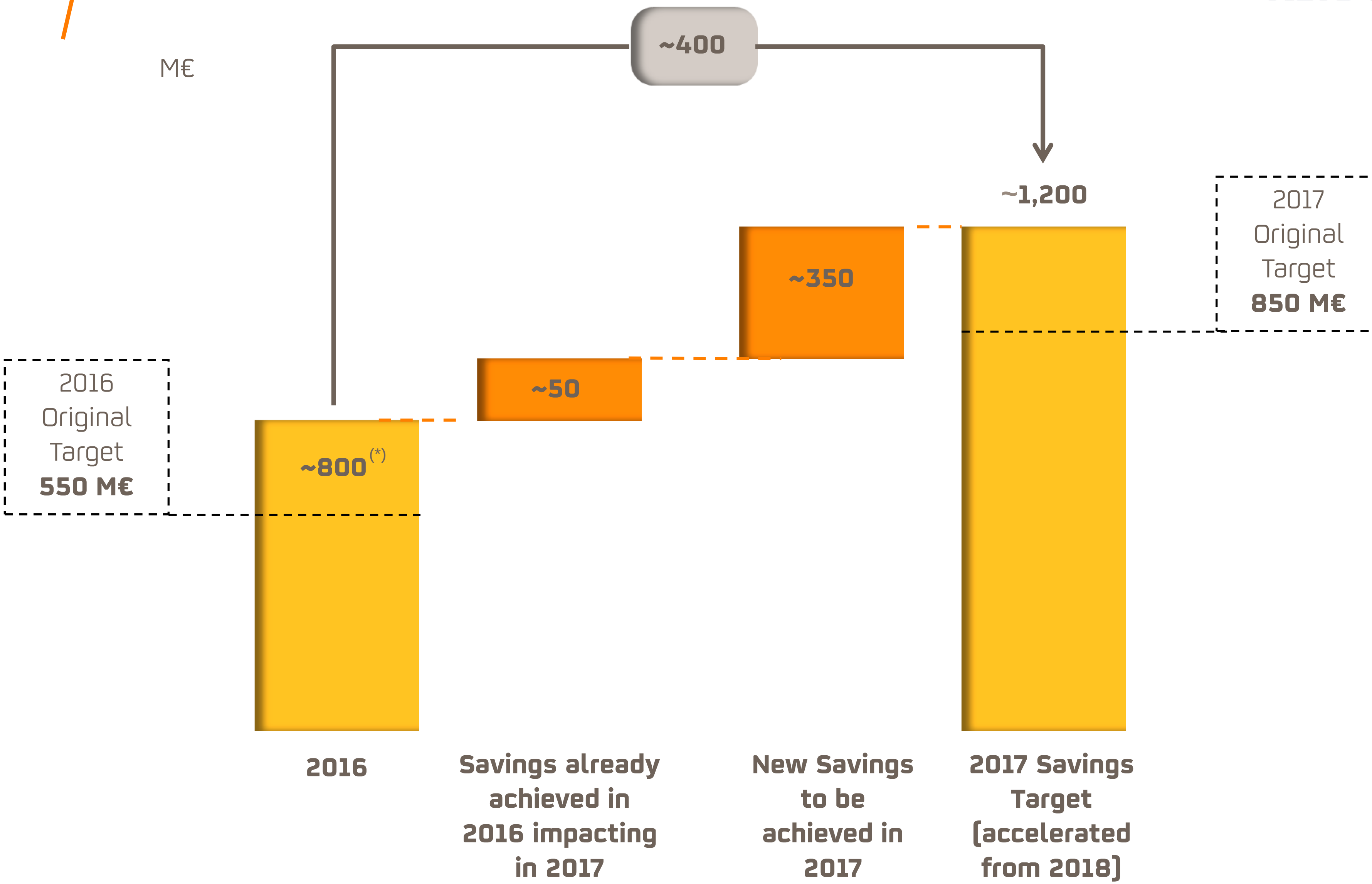
Organic RRR (%)

| 2014 | 2015 | 2016 | Average 2017-2020 |
| --- | --- | --- | --- |
| 118% | 159% | 124% | ~100% |



# Efficiency program: delivering our target

## Upstream




Note: Excluding synergies

* It does not include ~ 200 M€ of one off

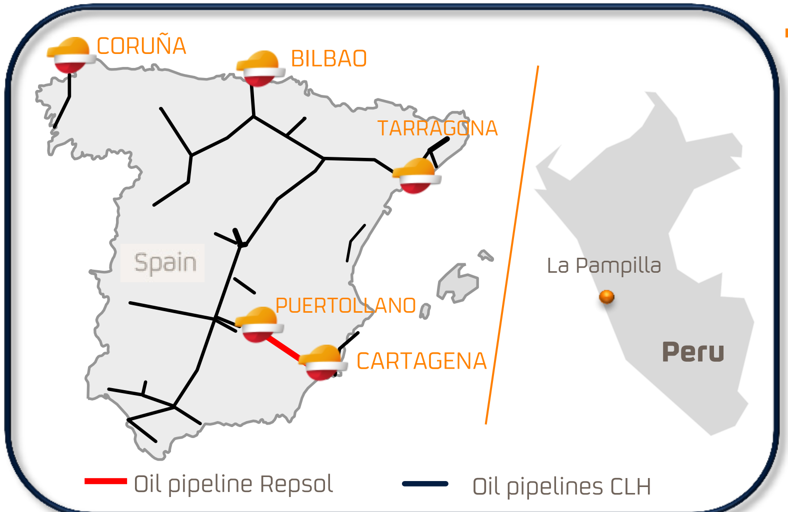
# 3 Downstream

# Sustainable cash flow generator

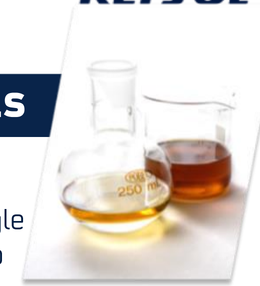
## Downstream

### 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

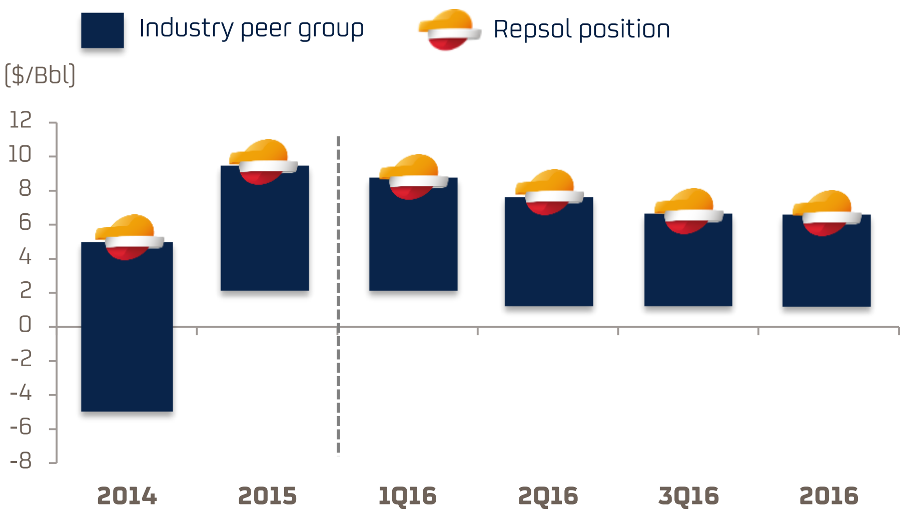
- G&P: transportation, marketing, trading and regasification of liquefied natural gas.
- Trading & Transport: trading and supply of crude oil and products

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

# 2016 Downstream Results

## Downstream

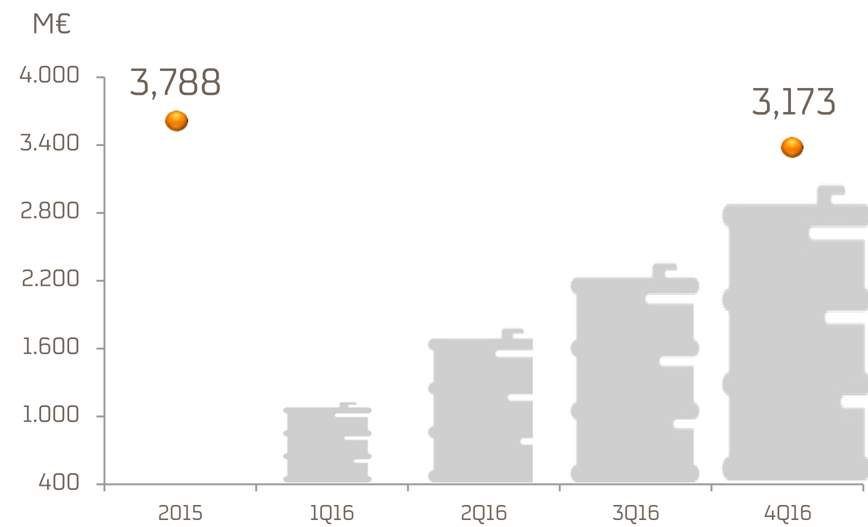
## European Integrated Margin of R&M




Source: Company filings.

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

## EBITDA CCS[*]




* Cumulative

## FCF


## Integrated Model

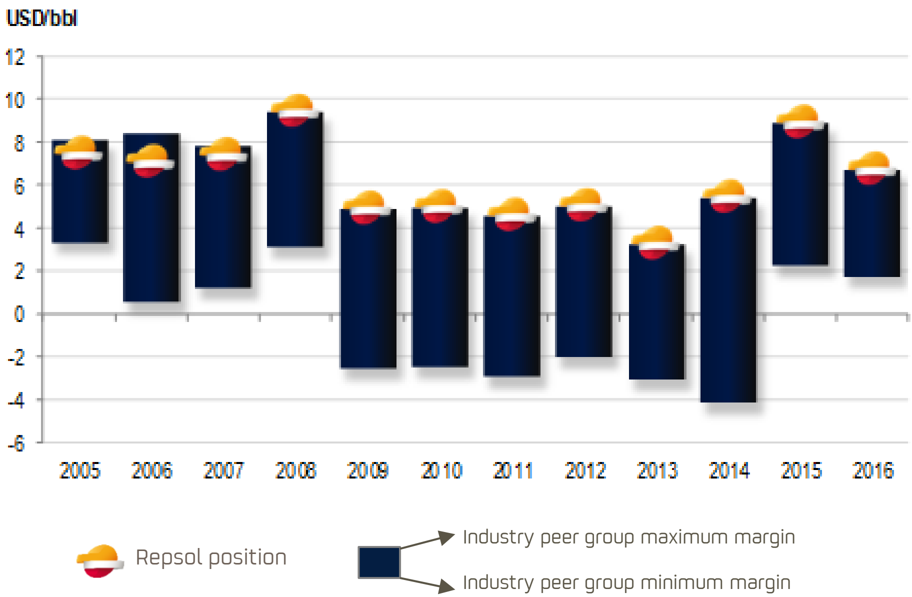
- Top quartile position among European peers.
- Fully-invested assets

# 2016-2020 Downstream strategy

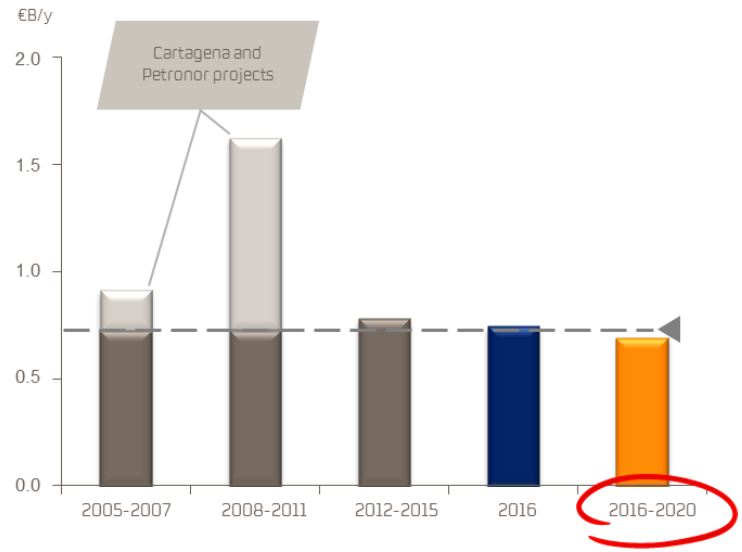
Downstream

Maximizing value and cash generation leveraged on fully invested assets

## European Integrated Margin of R&M




## Average investments

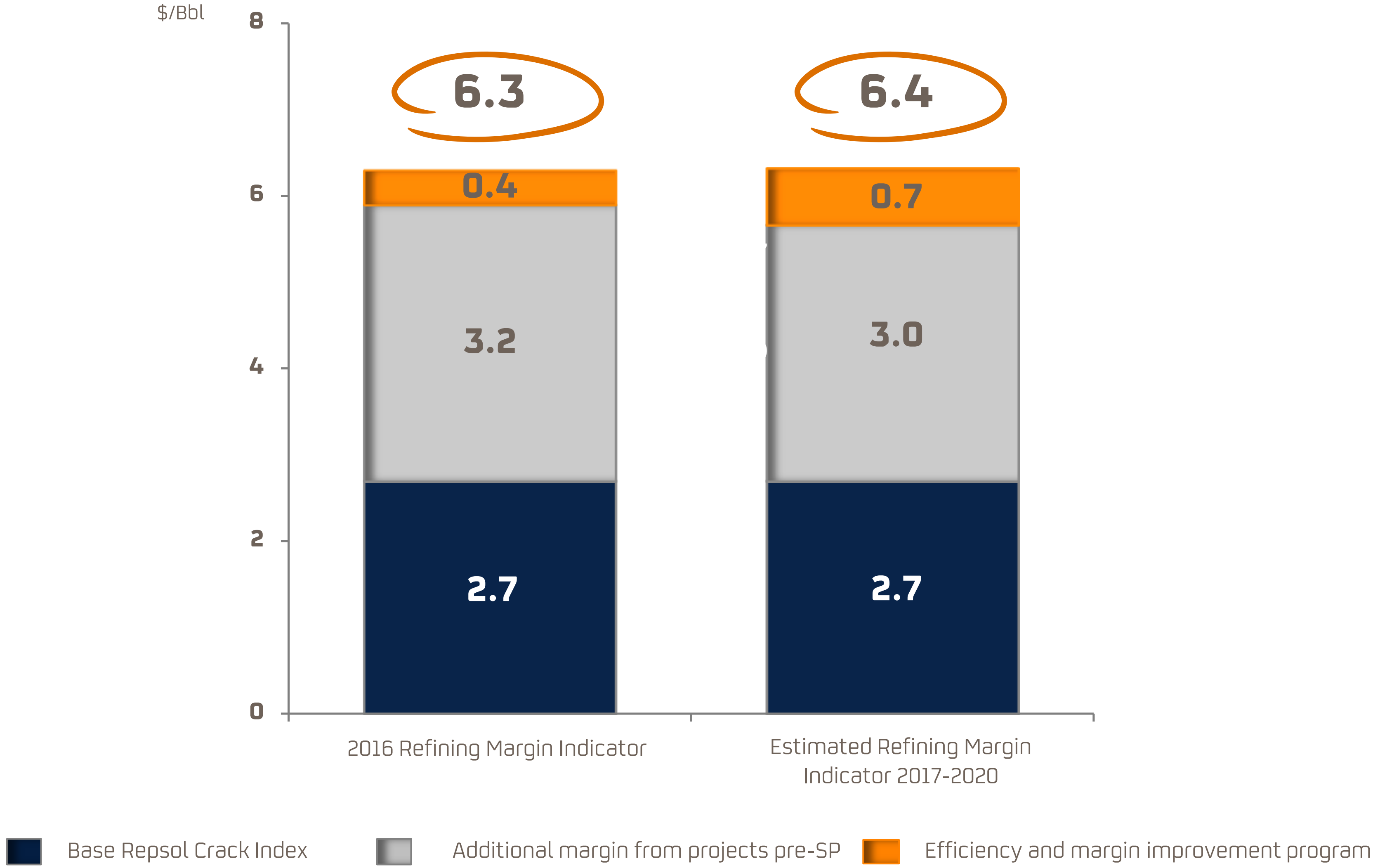



**Downstream resilience reinforced by the integration of commercial and industrial businesses**

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



# 4 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* [1]
- ✓ **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

5

# Financial Strategic Plan 2016-2020

## Financing

Sound track record in managing adverse conditions

Resilient Plan with stronger business profile

Conservative financial policy

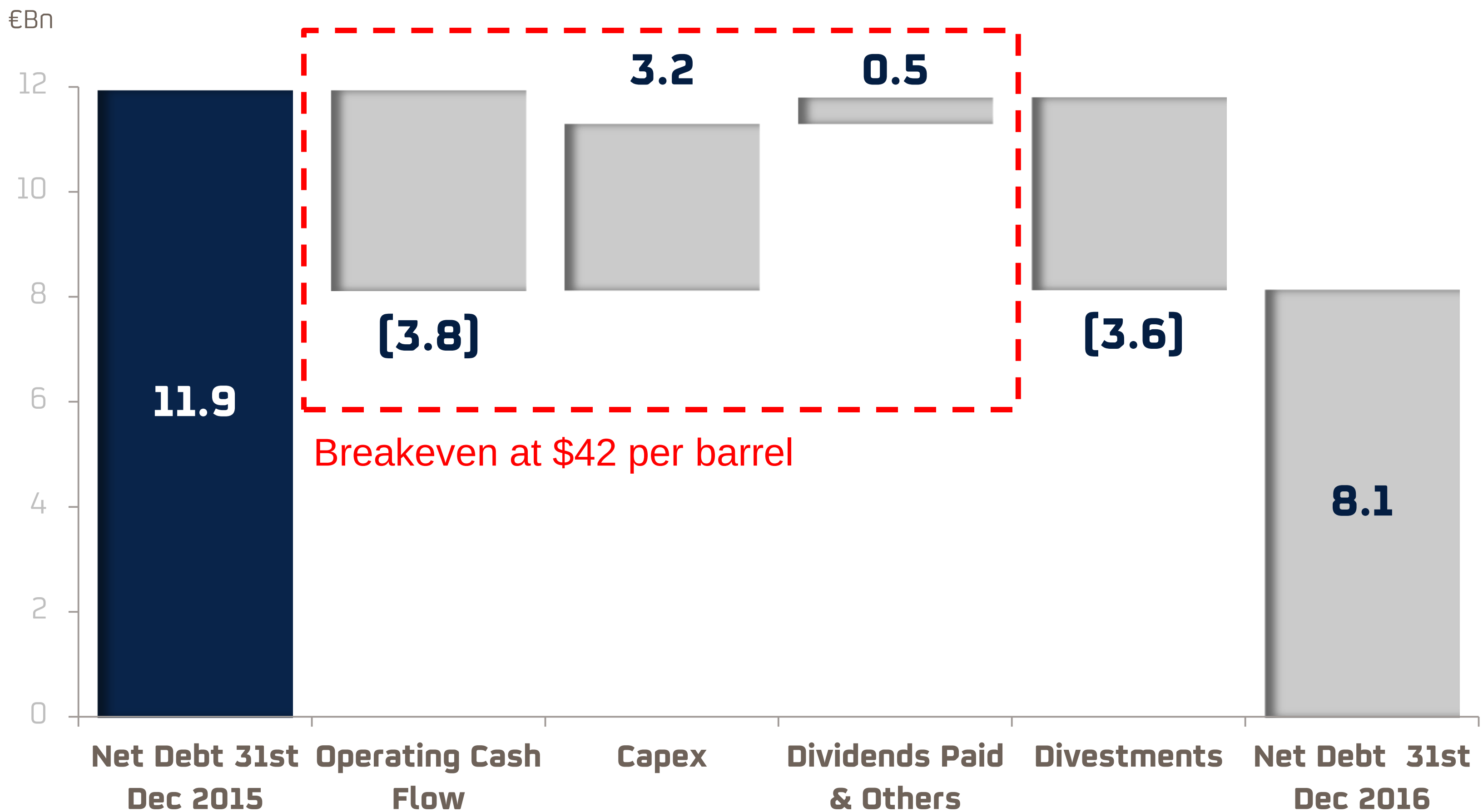
**Commitment to reduce debt and maintain investment grade**

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

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

# Net Debt Evolution

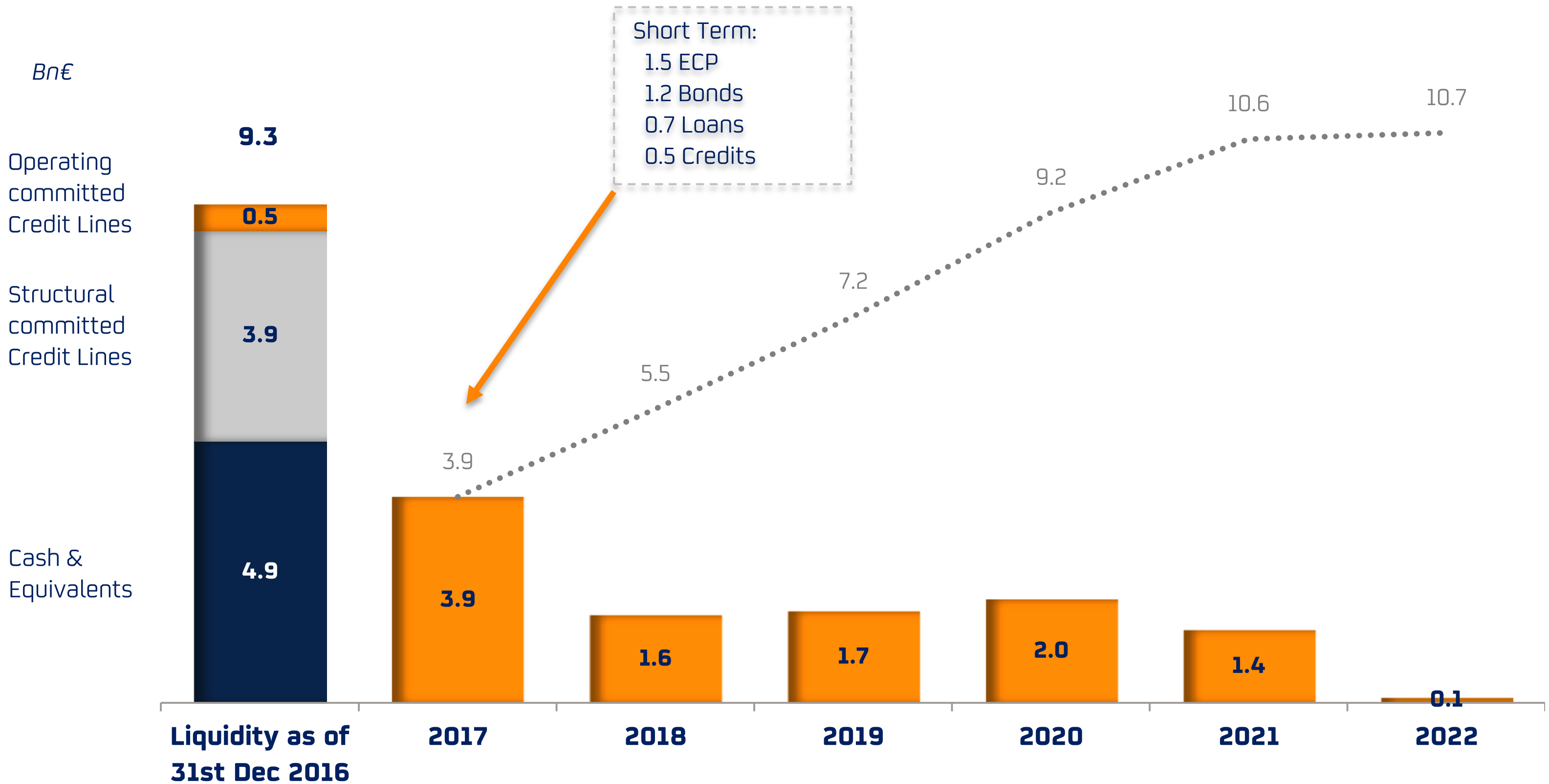
Financing




**Targeting FCF Breakeven at $40/Bbl**

# Strong liquidity position

## Financing




**Liquidity covers long term debt maturities beyond 2020**
**Cash exceeds 1.3x short term maturities**

# Delivery of Commitments

## Financing

| | |
|---|---|
| Divestments | • Piped Gas Business, Offshore Wind, TSP, Tangguh<br>• E&P portfolio management: Alaska, Norway |
| GNF monetization | • Sale of 10% participation in GNF |
| Dividend | • Repsol dividend reduction<br>• Scrip dividend |
| Synergies and Efficiencies | • Efficiencies and synergies accelerated |
| Debt reduction | • Debt reduced by €3.8Bn as at December 2016 |

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

# 2017 OUTLOOK

6

# Outlook for 2017

2017 Outlook

## Our assumptions

| | 2016 | 2017B [*] |
|---|---|---|
| **Brent price** ($/Bbl) | 43.7 | 55.0 |
| **HH** ($/MBtu) | 2.5 | 3.2 |

| | 2016 | 2017B |
|---|---|---|
| **Refining Margin** ($/Bbl) | 6.3 | 6.4 |
| **Exchange rate** ($/€) | 1.11 | 1.05 |

## Guidance

| | 2016 | 2017B |
|---|---|---|
| **Production** (KBoepd) | 690 | ~680 |
| **Capex** (Bn€) | 3.2 | 3.2-3.6 |
| **Synergies and Efficiencies** (Bn€) | 1.6 | 2.1 |

| | 2016 | 2017B |
|---|---|---|
| **FCF Breakeven** ($/Bbl) | 42 | ~40 (**) |
| **Net Debt/EBITDA** (x) | 1.6 | 1.1 |

(*) Budget (**) Long term objective

# Investor Update 2017

## 2016 – 2020 Value & Resilience