

WEBCAST – CONFERENCE CALL

Second Quarter 2016 Results

July 28th, 2016



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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 Q2 2016 Webcast Presentation are included in Appendix I "Alternative Performance Measures" of the Interim Management Report

© for the six-month period ended 30 June 2016

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- An aerial night photograph of a large industrial facility, likely an oil refinery or chemical plant, with numerous illuminated towers, pipes, and storage tanks. The facility is situated in a valley with dark, rocky hills in the foreground and mountains in the background under a twilight sky.
- 1. Progress of the Strategic Plan**
 - 2. Market Environment and operational highlights**
 - 3. Quarterly and financial results**
 - 4. Conclusions**



Progress of Strategic Plan

1

Progress of Strategic Plan

Update



✓ Challenging **macro scenario**

✓ **Results in line with strategy**

✓ **UPSTREAM**

- Lower commodity prices compared to 2Q15
- Increase in production volumes
- Lower exploration expenses

✓ **DOWNSTREAM**

- Maintenance at Cartagena and Tarragona refineries →  **Capacity Utilization**
- Strong Chemical business
- Higher contribution from Commercial businesses

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

Investment Flexibility



	Target 16-17	1H16
Repsol Investment (B€)	~3.9	1.6

Divestments & Management Portfolio



	Target 16-17	1H16
Divestments (B€)	3.1	2.8^[1]
Production (kboed)	706 ^[2]	705

Value & Resilience



	Target	1H16
CF Neutrality BE (\$/boe) ^[3]	~40	~40
E&P FCF BE (\$/boe)	~65	~65

[1] Includes projected proceed on agreed transactions and other operations.
[2] 2016 Annual Budget.

[3] FCF after interests and dividends (0.5€/share out of 0.8 €/share expected for this year)

Finance Commitments



	Target	Actual
Investment Grade	Maintain	Maintain

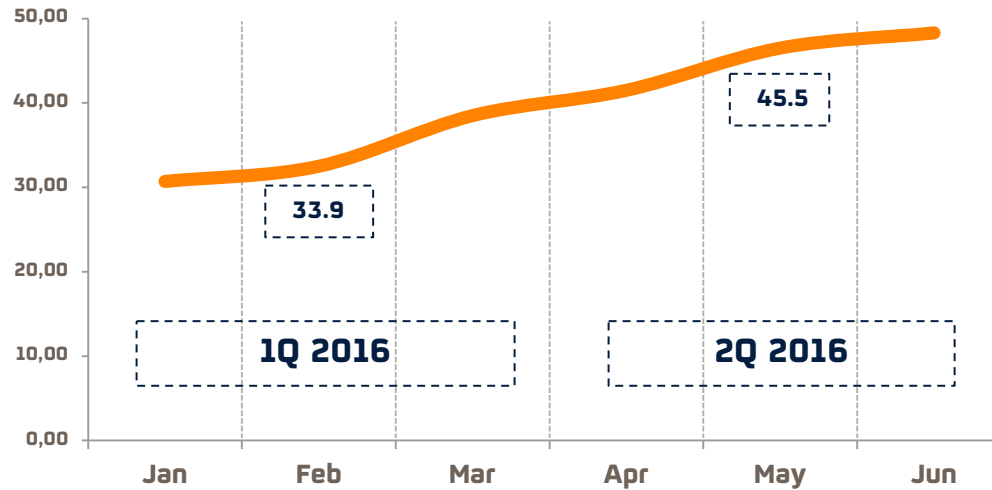


Market environment and
operational activity

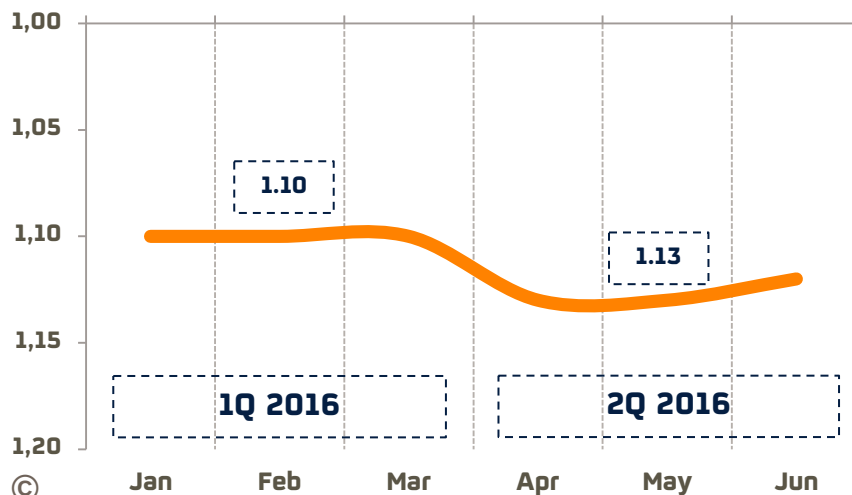
2

Market environment

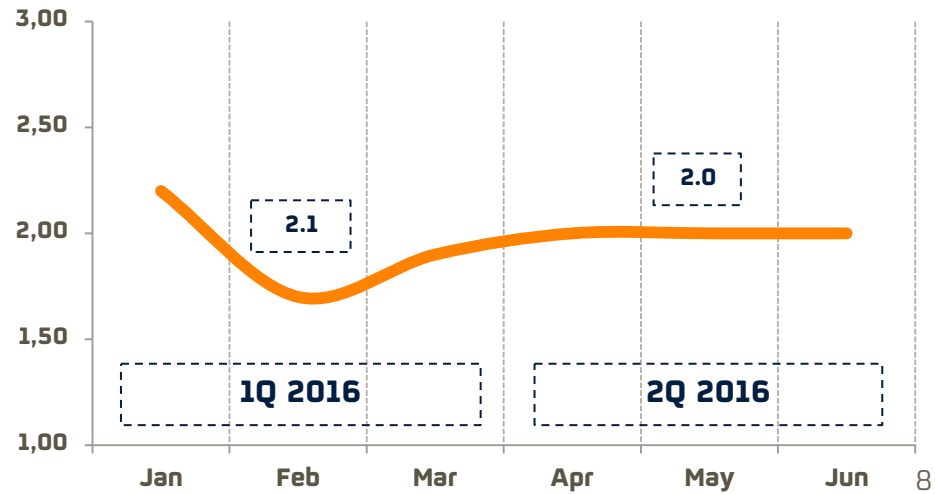
Brent - \$/boe



Exchange Rate - \$/€

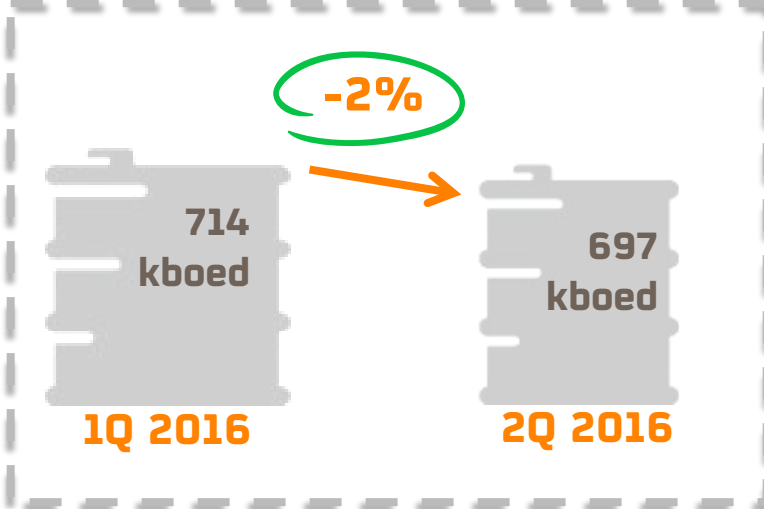
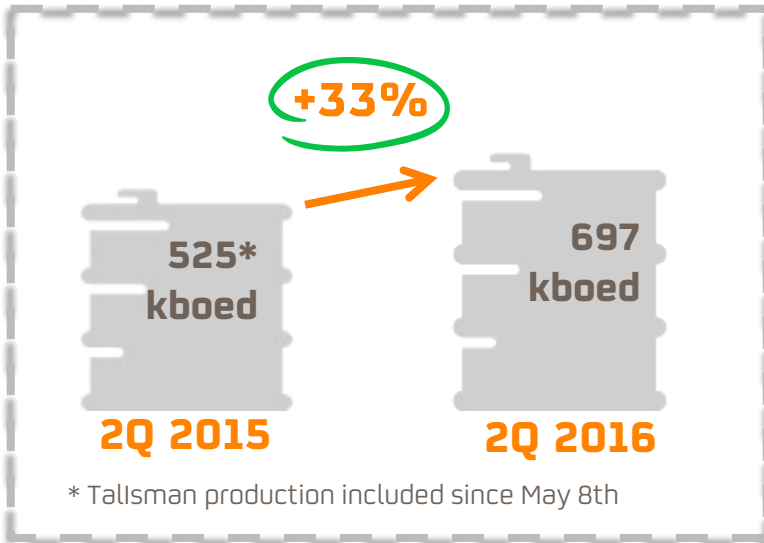


Henry Hub - \$/Mbtu



Operational Activity

Production



(+) Ramps-ups of:

- Cardon IV (Venezuela)
- Sapinhua (Brazil)

(+) Higher contribution from Gudrun (Norway)

(+) Higher production in Peru

Partially offset by:

(-) Shut-down of the Varg field (Norway)

(-) Maintenance work in T&T

(-) Increased royalties do to higher prices in South East Asia PSCs

Operational activity

Development projects



Sapinhoá & Lapa **Brazil**

- **Sapinhoá:** Ramp-up of the second FPSO is expected in second half of 2016
- **Lapa:** First oil is expected in 3Q16 [ahead of schedule].

Operational activity

Development projects



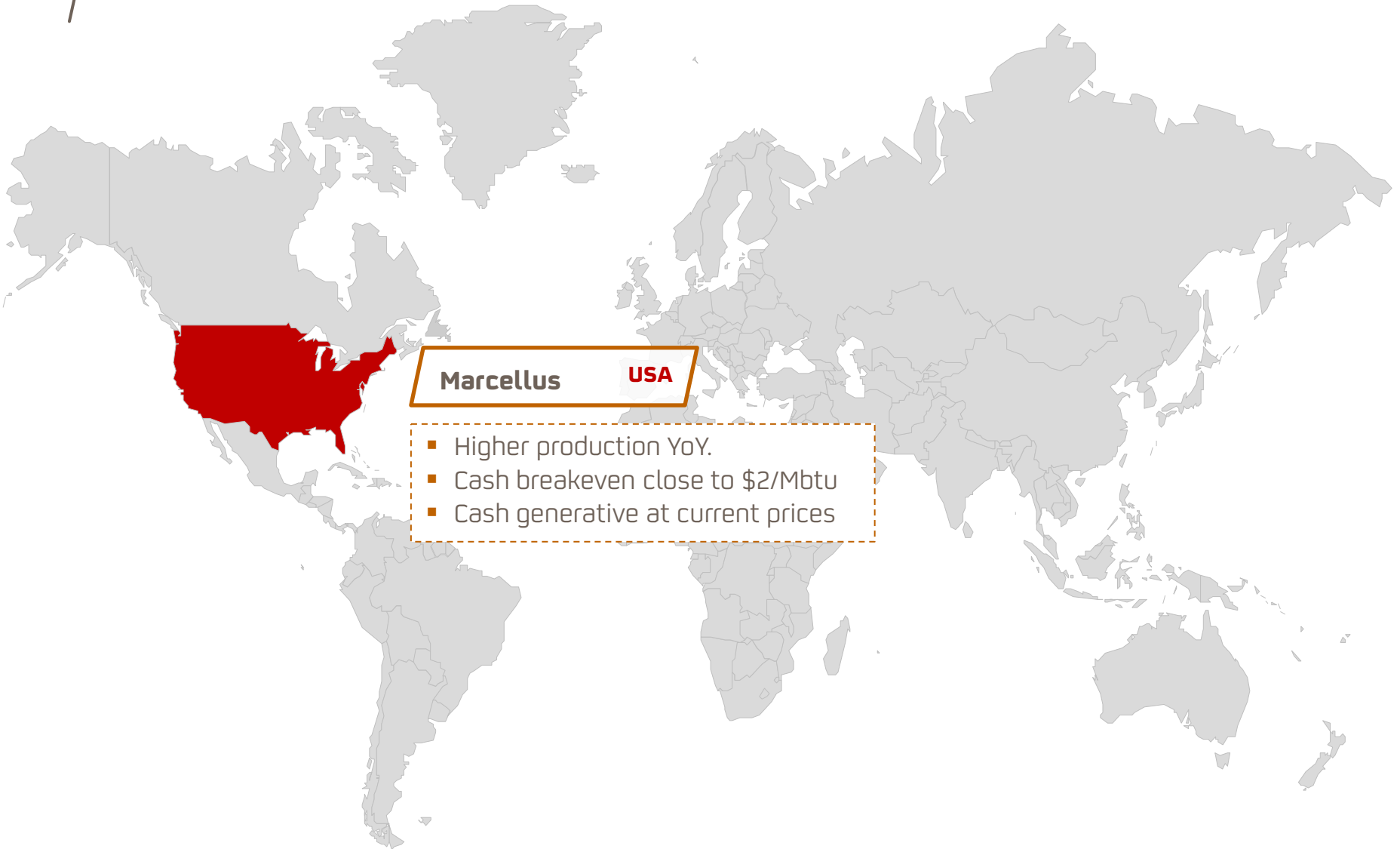
MonArb & Flyndre/Cawdor

UK

- First oil expected in the first half of 2017

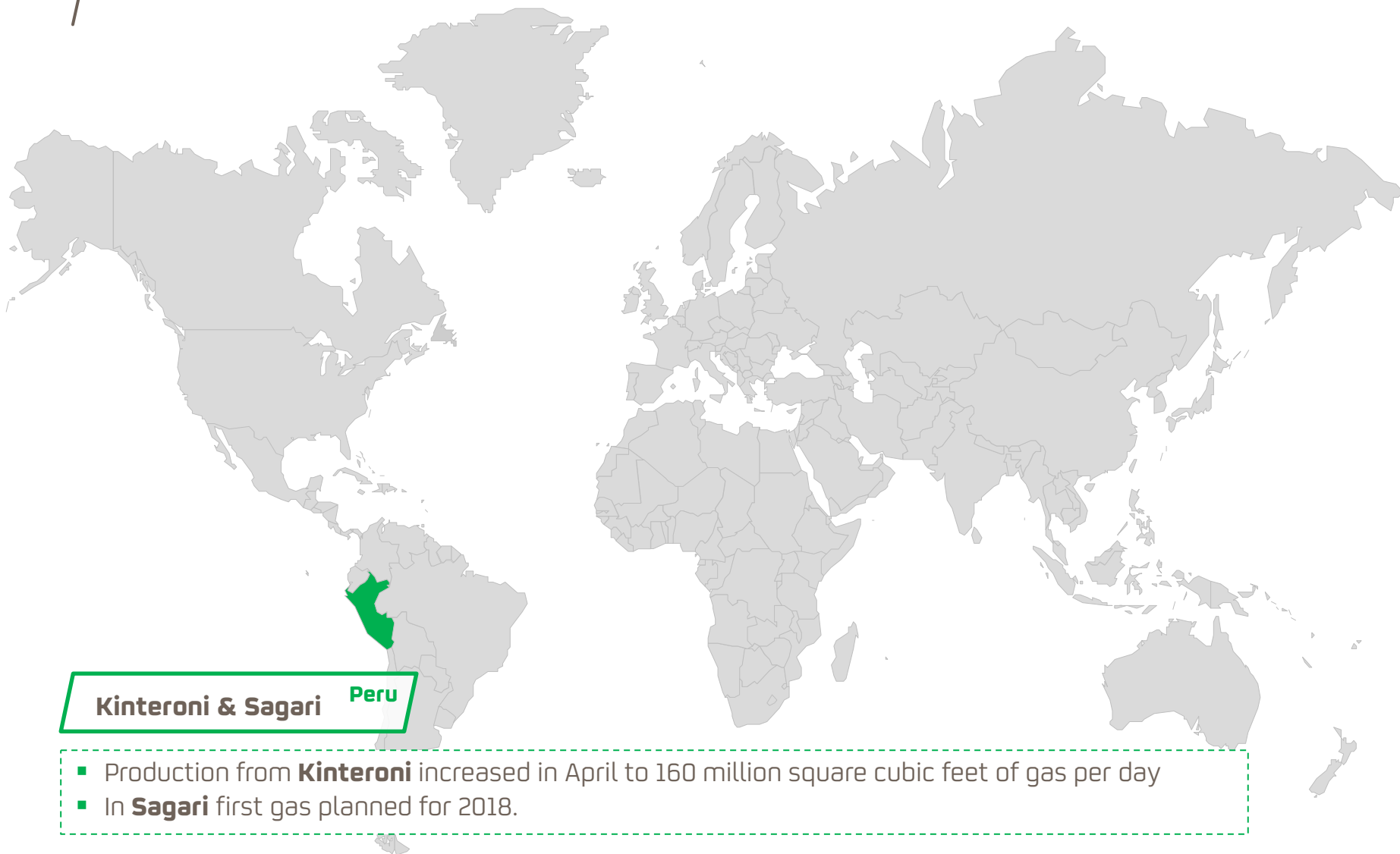
Operational activity

Development projects



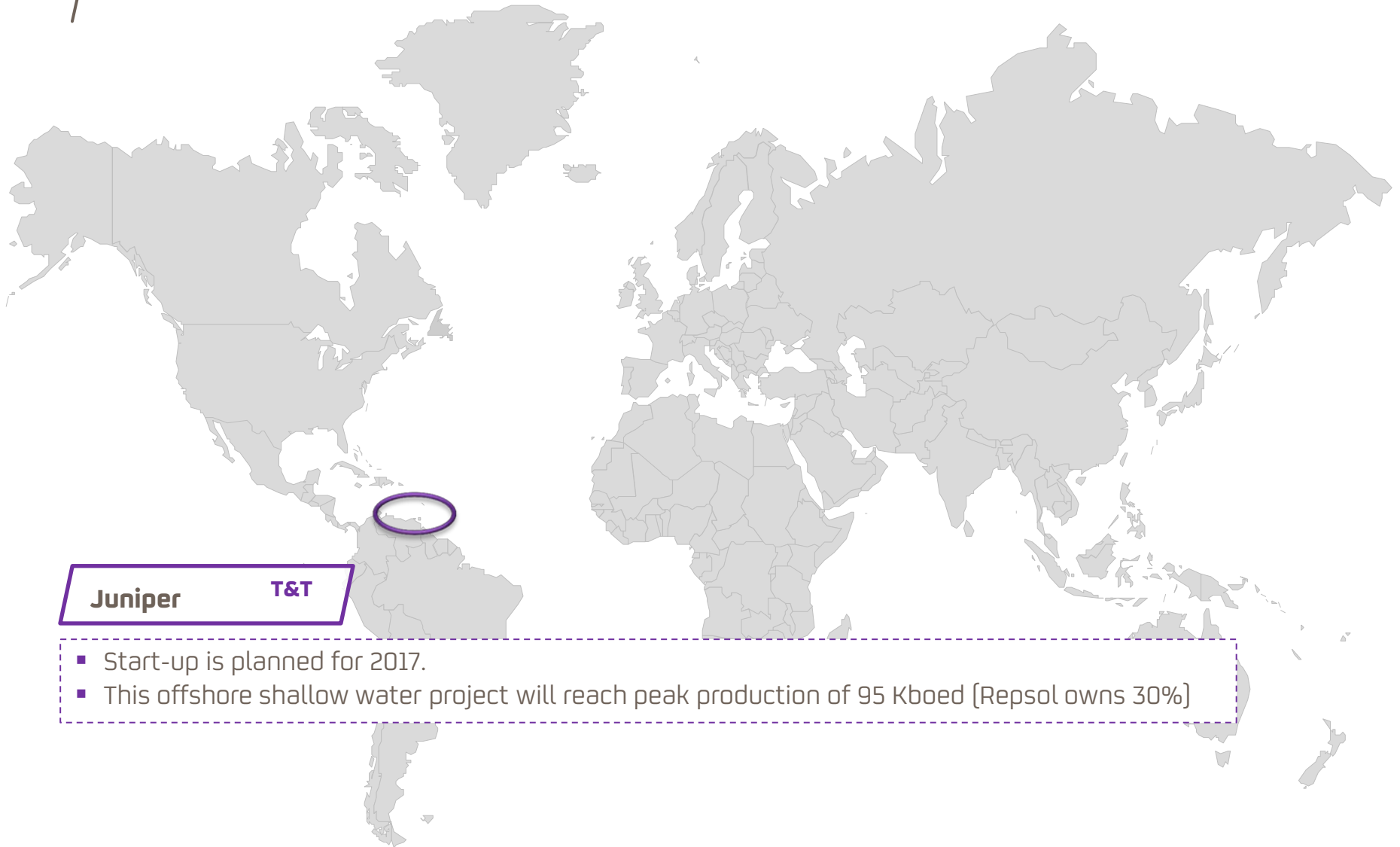
Operational activity

Development projects



Operational activity

Development projects



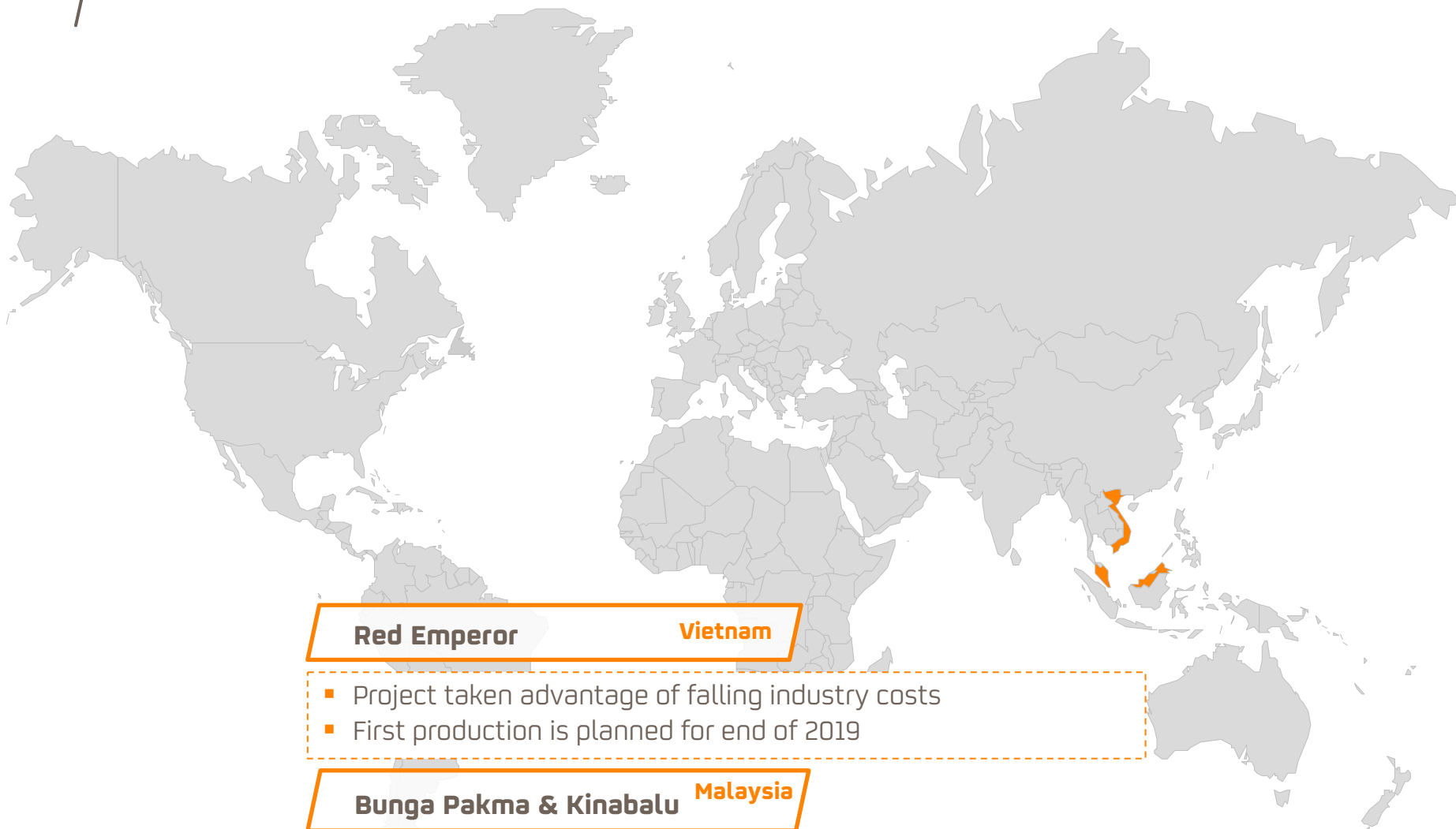
Juniper

T&T

- Start-up is planned for 2017.
- This offshore shallow water project will reach peak production of 95 Kboed [Repsol owns 30%]

Operational activity

Development projects



Red Emperor

Vietnam

- Project taken advantage of falling industry costs
- First production is planned for end of 2019

Bunga Pakma & Kinabalu

Malaysia

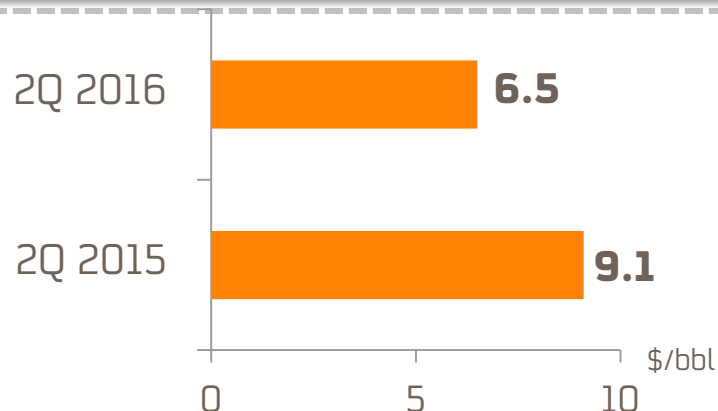
- First production projected for 2018 and 2019 respectively

Operational activity*

Downstream



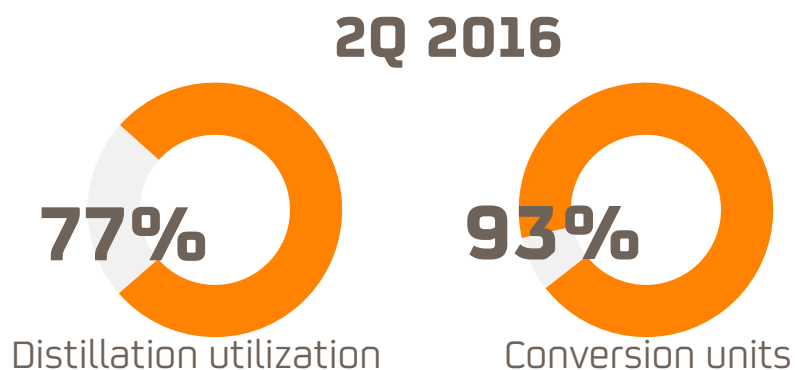
Refining Margin Indicator



Petrochemicals businesses

- Strong performance thanks to:
 - Steady sales
 - Strong margins
 - Efficient processes

Utilization rates



Commercial businesses

- **LPG** benefited from price adjustments of previous periods
- **Sales** in Service Stations increased due to seasonality

* Operational activity in refining during the quarter was affected by scheduled maintenance stoppages at Cartagena and Tarragona



Quarterly results

4

Second Quarter 2016 Results



2Q	2Q 2016	2Q 2015	% Variation
CCS Adjusted Net Income	345	312	+ 11%

Million €

	2Q 2016	2Q 2015	
Net Income	205	292	- 30%

Million €

1H	1H 2016	1H 2015	% Variation
CCS Adjusted Net Income	917	1,240	- 26%

Million €

	1H 2016	1H 2015	
Net Income	639	1,053	- 39%

Million €

Upstream Results

Adjusted Net Income



2Q 2016

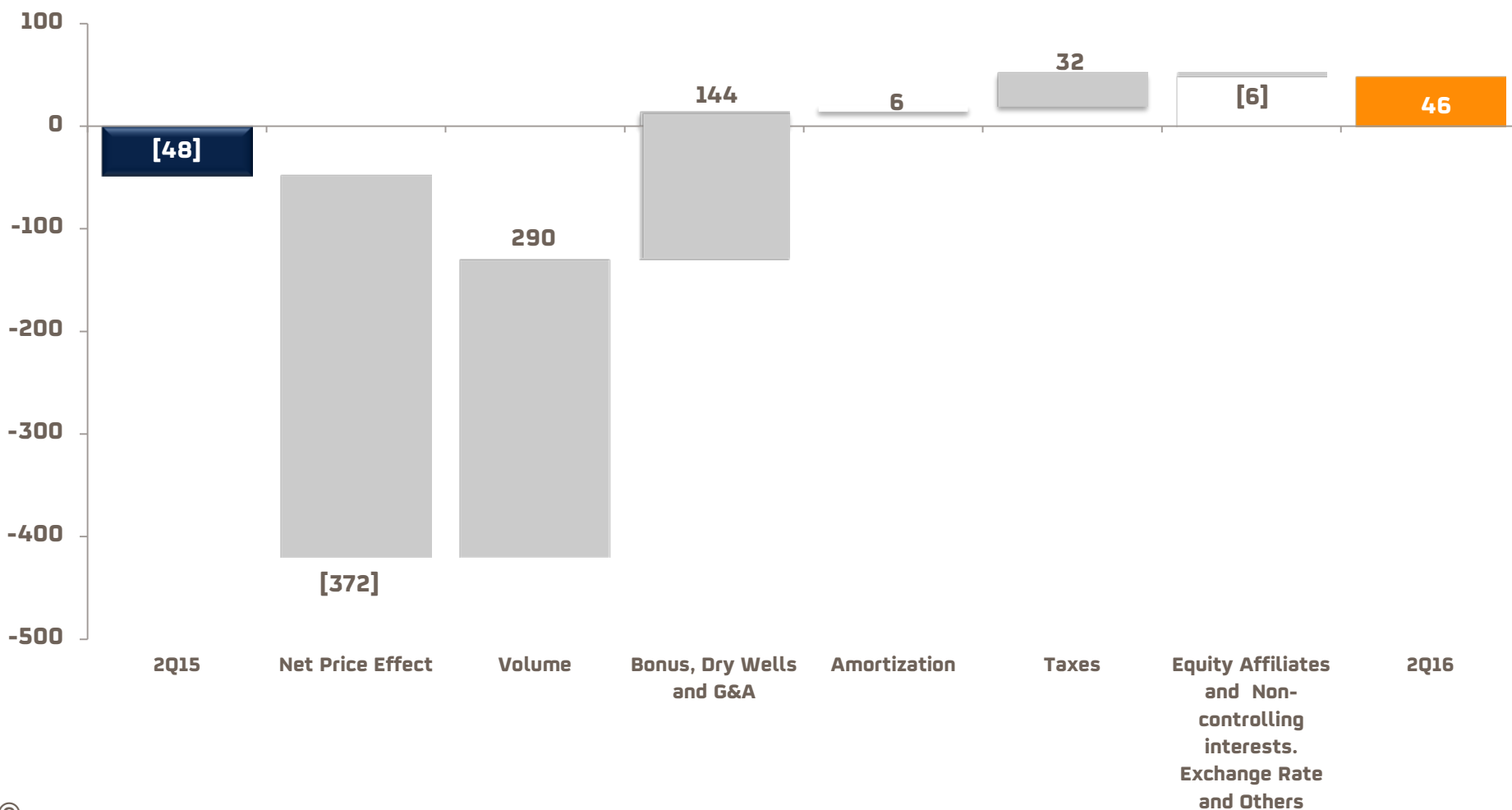
2Q 2015

Adjusted Net Income

46

-48

Million €



Downstream Results

Adjusted Net Income



2Q 2016

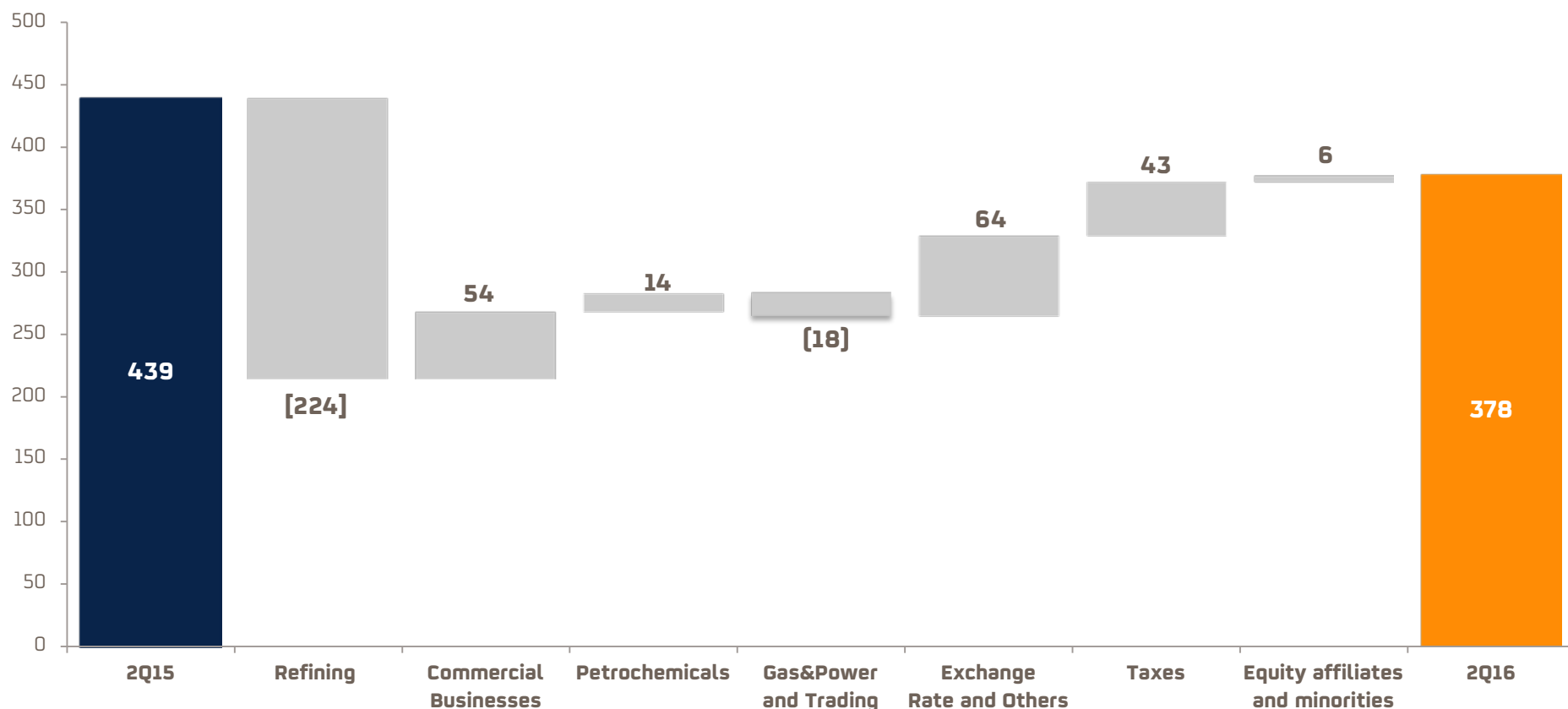
2Q 2015

CCS Adjusted Net Income

378

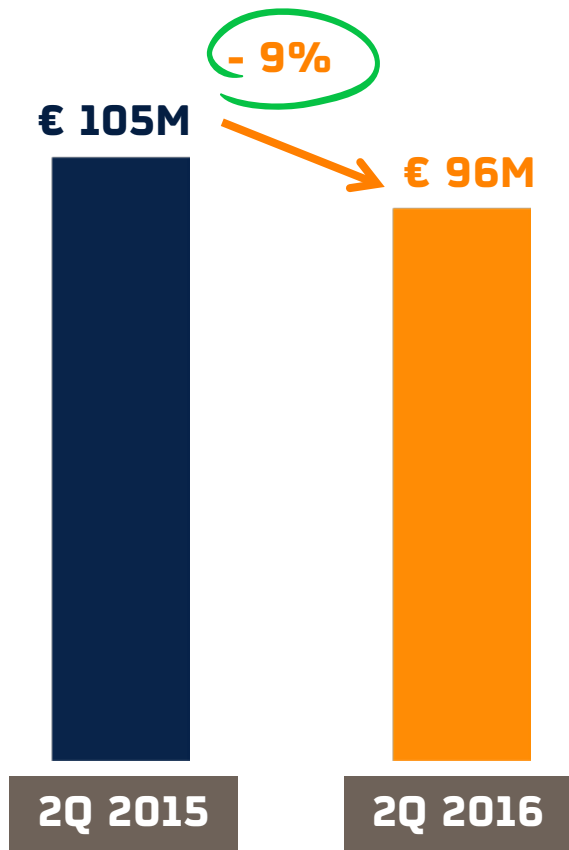
439

Million €



Gas Natural Fenosa Results

Adjusted Net Income



- Lower results from gas commercialization business

Financial Aspects



Million €

2Q 2016

2Q 2015

Net Financial Result

-185

-199

➤ Lower **interest payments** thanks to the repurchase of Talisman bonds

Million €

1Q 2016

2Q 2016

Net Financial Debt

11,978

11,709

Liquidity

~€6.7Bn



**Covers 1.8 times our short
term debt**



Conclusions

4

✓ Driving for **Cash Flow breakeven** neutrality at **\$40**

✓ **UPSTREAM**

- **Above breakeven** at the Adj. Net Income level at current prices
- Production **in line** with the Strategic Plan
- Opex and capex optimization → **Upstream FCF breakeven \$60 objective**

✓ **DOWNSTREAM**

- Major **maintenance** completed in our refineries will allow us to **capture all the potential** from our refining **conversion capacity** for the rest of the year

✓ **DIVESTMENTS**

- **Programme on track**, continuing to evaluate portfolio options

Q&A Session

Second Quarter 2016 Results

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