

ANNUAL GENERAL SHAREHOLDERS' MEETING 2015

Press release
Madrid, 30 April, 2015
6 pages

The Chairman also told shareholders that Chief Executive Officer Josu Jon Imaz will take over all executive functions

ANTONIO BRUFAU ANNOUNCES TO SHAREHOLDERS THAT THE INTEGRATION OF TALISMAN WILL BECOME EFFECTIVE FROM MAY 8TH

- Repsol Chairman Antonio Brufau, and the company's CEO, Josu Jon Imaz, presented the review of 2014 and the highlights of the year so far at the Annual General Meeting of shareholders.
- Brufau announced that once the requirements agreed to by the parties for the completion of the transaction have been met, the integration will become effective on May 8th. A new organizational structure will be unveiled on the same day, with all executive functions controlled by Josu Jon Imaz.
- Repsol will become one of the world's largest private energy companies, adding a portfolio of high-quality and high-potential assets in OECD countries.
- Antonio Brufau said: "This is a transformative deal that makes us one of the largest players in the international energy sector and allows us to grow as a company and reinforce Repsol's character as an integrated energy company with a solid, competitive project."
- Josu Jon Imaz, who was ratified as Board member and CEO of the company, presented the highlights of the Talisman acquisition, and its strategic fit within the Repsol Group.
- "We will be a stronger, more diversified company and have a lower level of geopolitical exposure. It is an exciting project that I am proud to present and lead," Imaz told shareholders.
- The AGM approved the Financial Statements for 2014, when the company posted an adjusted net income of 1.707 billion euros thanks to the strengths of its integrated company model, which offers protection under adverse scenarios.

- **The effective management of the company's businesses, together with the successful recovery of value from YPF, has allowed the company to undertake the 6.5 billion-euro purchase of Talisman at the same time as it paid shareholders an extraordinary dividend of one euro per share.**
- **Repsol's dividend yield for 2014 was the highest in the Ibex and double the sector average.**
- **In his speech to shareholders, Antonio Brufau highlighted the growth and recovery that the Spanish economy is currently experiencing, adding that job creation remains a key challenge.**
- **Josu Jon Imaz noted the contribution of the Downstream unit to the group's earnings in 2014 thanks to, among other reasons, Repsol's best-in-class European refining margin, which has reached historical highs in the first quarter of 2015.**
- **Shareholders approved the reelection as Board members for a new four-year term of Antonio Brufau, as well as of independent Directors Luis Carlos Croissier, Ángel Durández and Mario Fernández, and of the institutional Director nominated by Sacyr José Manuel. They also ratified the appointment of Josu Jon Imaz and John Robinson West as members of the Board of Directors.**

Repsol Chairman Antonio Brufau and the company's CEO, Josu Jon Imaz, presented the review of 2014 and the highlights of the year so far at the Annual General Shareholder's Meeting.

Brufau announced that once all the requirements agreed to by the parties for the completion of the transaction have been met the integration of Talisman Energy will become effective on May 8th. A new organizational structure will be unveiled on that same day, with all the executive functions controlled by Josu Jon Imaz.

Following the acquisition of the Canadian company, Repsol will become one of the world's largest listed companies, adding a portfolio of high-quality and high-potential assets in OECD countries.

Brufau described the deal as "a transformative transaction that makes us one of the most important players in the international energy sector and allows us to grow as a company and reinforce Repsol's character as an integrated energy company with a solid, competitive project."

As a prior, crucial, step for this acquisition Brufau highlighted the successful recovery of value from YPF and specifically its monetization, which allowed the company to obtain a total \$6.3 billion.

Extraordinary Dividend

This allowed the company to pay an extraordinary dividend of one euro per share to shareholders and to undertake a corporate transaction of the size of the purchase of Talisman.

Along with these milestones, Repsol's Chairman made special mention of Josu Jon Imaz's appointment as CEO, exactly one year ago.

"We have the best chief executive officer to guarantee value creation from the purchase of Talisman," he said, after announcing that all the requirements agreed to by the parties for the completion of the transaction had been met. "Josu Jon is a model professional who is also young enough to successfully lead the future of this company. He has my full support and that of the board."

Transformation and Balance

Josu Jon Imaz, in his first speech to shareholders, detailed the main points of the Talisman purchase, which will allow Repsol to achieve its growth objectives early as well as transforming its asset portfolio to create a more balanced company with lower geopolitical risk.

Talisman contributes high-quality production assets located in politically stable countries, the majority of which are in the OECD. This will allow Repsol to increase its production and generate new growth opportunities by deepening its knowledge of unconventional production techniques, of heavy crude, and of offshore assets, as the acquisition doubles Repsol's presence as an operator. It is a qualitative and quantitative leap that places the company among the largest private operators in the world.

Once the transaction is complete, North America will become more important to Repsol, given that it will account for almost 50% of the company's capital employed in exploration. The capital employed in Latin America will be 22%.

The Repsol Group resulting from this operation will increase its production by 85% to 656,000 barrels of oil equivalent per day. It will also increase the volume of its reserves by 47% to reach 2.270 billion barrels of oil equivalent. The group will operate in over 40 countries with more than 27,000 employees.



“The agreement with Talisman is the result of an exhaustive analysis of over 100 companies and assets worldwide. From any perspective, Talisman has always been the best option,” Imaz explained to shareholders. “It is an excellent group which will add its experience and knowledge of producing assets to Repsol's experience in deepwater exploration. This will give the new company's development strong momentum.”

The transaction consolidates the exploration and production business (Upstream) as the main area for development in the coming years. The capital employed in this area will increase to 56% of the Group's total compared to the current 35%.

Additionally, the joint management of assets will mean synergies of over 200 million euros a year, mainly due to the optimization of functions, business and exploration portfolio management, a greater marketing capacity in North America, and the application of technology and best operating practices.

“In essence, this is a truly transformative transaction for Repsol. Transformative from the point of view of growth, for the company's internationalization, and also from the point of view of incorporating new talent and new abilities to our Upstream business, and transformative from the point of view of the diversification of our portfolio. From now on, we are going to be a company that is more focused on exploration and production, the company's main growth vector,” Imaz said.

Better earnings in a weak environment

The chief executive officer, who assumes all executive powers in the company after the AGM, presented the results of the last financial year to shareholders. Last year, Repsol posted an adjusted net profit of 1.707 billion euros which reflects the solidity of its business model and its strength in the face of adverse situations, such as the rapid fall in crude oil prices or the interruption of operations in Libya.

These circumstances resulted in a decrease in Upstream profit compared to the previous year although average production increased by 2.5% to 354,500 barrels of oil equivalent per day. Key projects were launched during the financial year, such as Kinteroni, in Peru or the second phase of the Sapinhoá field in Brazil; with this progress, seven of the ten key projects established in the 2012-2016 Strategic Plan have already begun production.

Additionally, for the fifth year in a row, Repsol incorporated more hydrocarbons to its reserves than it produced, with a replacement rate of 118% for the financial year. The average replacement rate for the last three years is around 200%, one of the highest in the sector.

In 2014, the company made 12 discoveries from 34 wells drilled, which means an exploration success rate of 35%, above the industry average. In 2015 Repsol has made a new gas discovery in Algeria, which confirms the area's potential.

The Downstream unit, where profit improved 111% to 1.012 billion euros, more than made up for lower earnings from the Upstream business. This is a result of both the implementation of the "Competitiveness Plan," which has made it possible to increase margins in the refining and chemicals businesses, the greater volume sold and the increase of gas margins in North America. Along these lines, Imaz announced historic levels in Repsol's refining margin in Europe during the first quarter of 2015.

These results from the Downstream area confirm the quality of the Group's assets especially after the improvement projects undertaken in Cartagena and Bilbao. These projects place Repsol in a position of leadership in terms of integrated Refining and Marketing margin compared to its European competitors.

With these results, the Shareholders' Meeting voted to continue paying a scrip dividend of approximately one euro per share (comprising the scrip dividend paid last January and the one the company expects to execute during June and July of this year), following last year's extraordinary cash dividend payment which gave Repsol the greatest dividend yield of the Ibex Index and also of its peers.

Improved outlook for the Spanish economy

During his speech to the shareholders, Antonio Brufau analyzed the recent improvement in the outlook of the Spanish economy, as key indicators confirm a recovery and allow greater optimism for the coming years.

“Thanks to structural reforms made by the government, both foreign and national investors are regaining confidence, and Spain is beginning to grow at a notable rate,” he said.

The chairman of Repsol was optimistic about the Spanish economy's situation and noted that “more growth will guarantee the creation of new jobs, the main aspiration of any government.”

Additionally, he analyzed the oil market's situation, in which “a 50-dollar barrel of oil is not sustainable over time.”

Renewal of members of the Board of Directors and Shareholder votes

The shareholders approved the reelection as board members for a new four-year term of Antonio Brufau, of the independent Directors Luis Carlos Croissier, Ángel Durández and Mario Fernández, and of the institutional Director nominated by Sacyr José Manuel Loureda. They also ratified the appointment of Josu Jon Imaz and John Robinson West as members of the Board of Directors and their reelection for a four-year term.