

WEBCAST – CONFERENCE CALL

Second Quarter 2015 Results

July 30th, 2015



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1. Integration of Talisman
2. Market environment and Operational activity
3. Outlook for 2015 and Efficiency Measures
4. Quarterly results

Integration of Talisman

1

Integration of Talisman

New Organizational structure



**May 8th:
Closing of the transaction**



Upstream division
[4 regional areas]

- Europe, Africa and Brazil
- North America
- South America
- Asia & Russia

Integration of Talisman



- The **purchase price allocation** has been completed
- **Goodwill:** 2.6 billion Dollars out of which 2.1 billion Dollars are the **Deferred tax liabilities** → Firmly supported by the **synergies** identified
- We have **one year to adjust and refine the allocation**

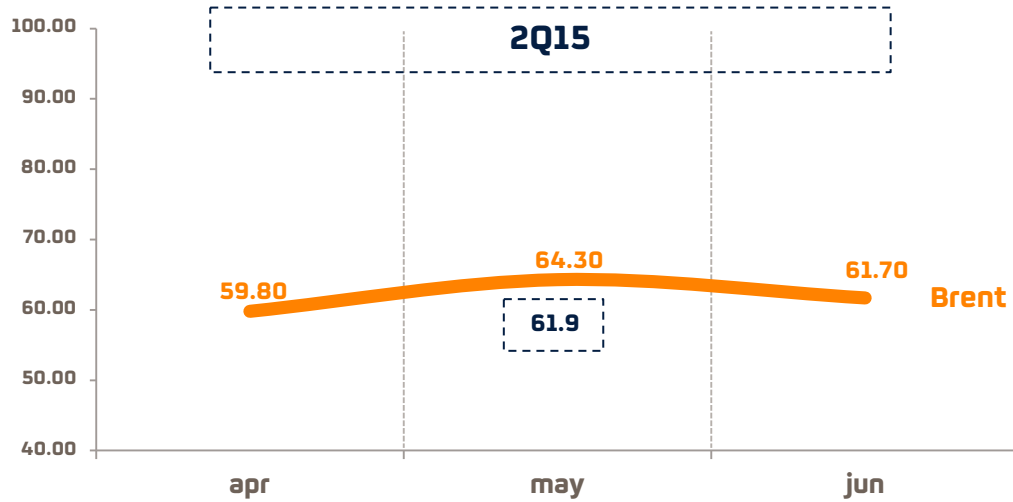
Market environment and Operational activity

2

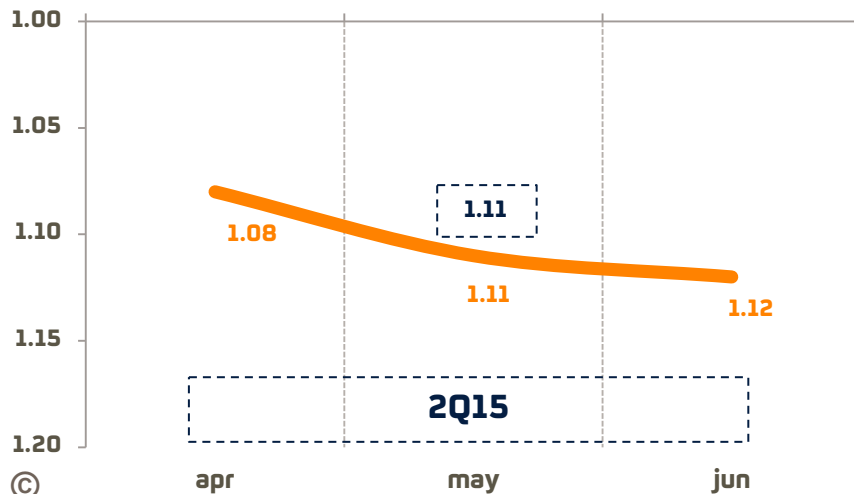
Macro environment



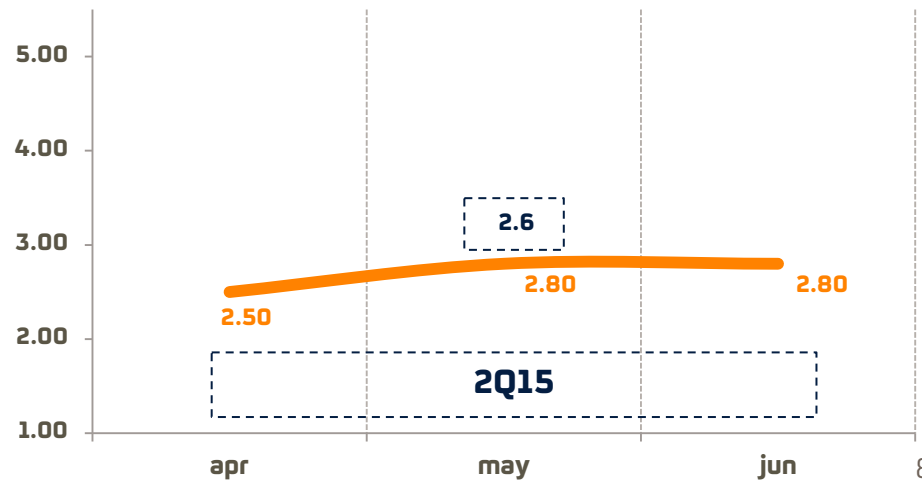
Brent evolution - \$/boe



Exchange Rate - \$/€



Henry Hub - \$/Mbtu



Operational activity

Exploration

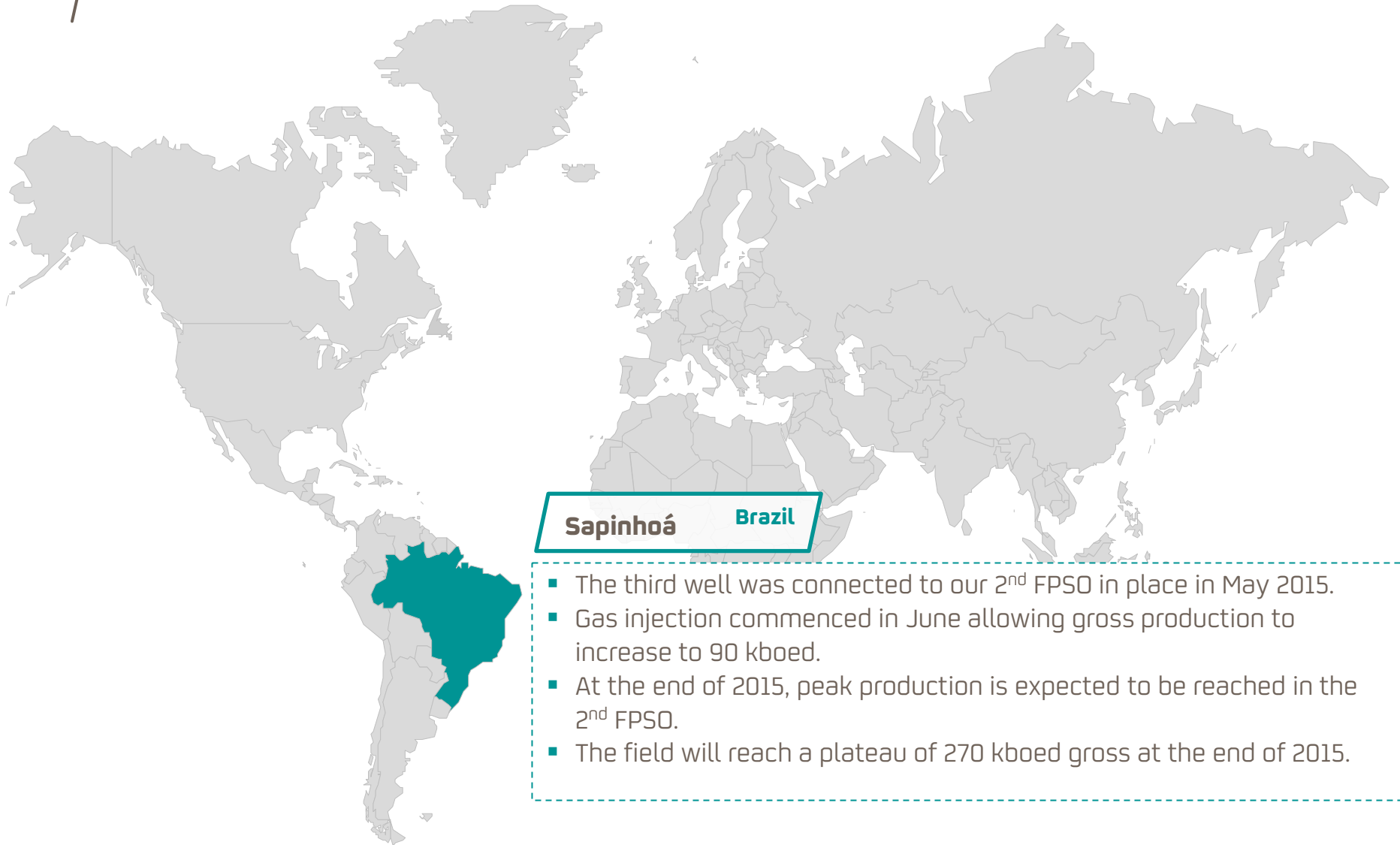


14 wells have been concluded in 2Q15, **6 of them were positive**: 2 exploration wells (**Algeria** and **USA**) and 4 appraisal wells (**Bolivia**, **Russia** and **USA**).

As of today, **3** exploratory wells (**Romania** and **Brazil**) and **4** appraisal wells (**Brazil**, **Bolivia** and **Algeria**) are **on-going**

Operational activity

Development projects



Sapinhoá **Brazil**

- The third well was connected to our 2nd FPSO in place in May 2015.
- Gas injection commenced in June allowing gross production to increase to 90 kboed.
- At the end of 2015, peak production is expected to be reached in the 2nd FPSO.
- The field will reach a plateau of 270 kboed gross at the end of 2015.

Operational activity

Development projects

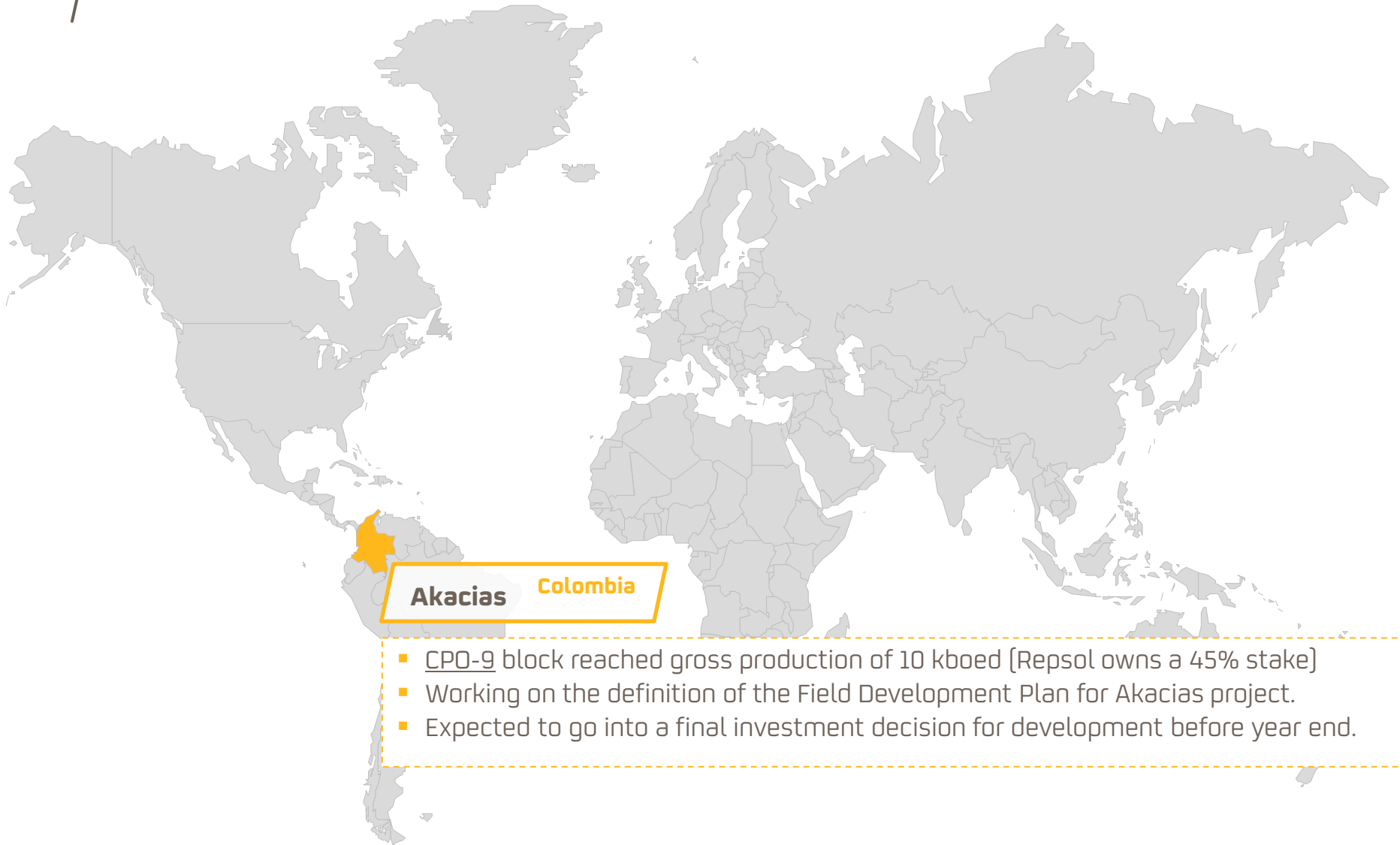


Cardón IV Venezuela

- Repsol started up the first producing well in Perla field (largest offshore gas field in Latin America).
- First phase of the development will produce gross 150Mscf per day.
- Next phase will come on stream by year end and will produce 450Mscf per day.
- With this start-up, the eighth key growth projects of our 2016-2020 Strategic Plan has been delivered.

Operational activity

Development projects

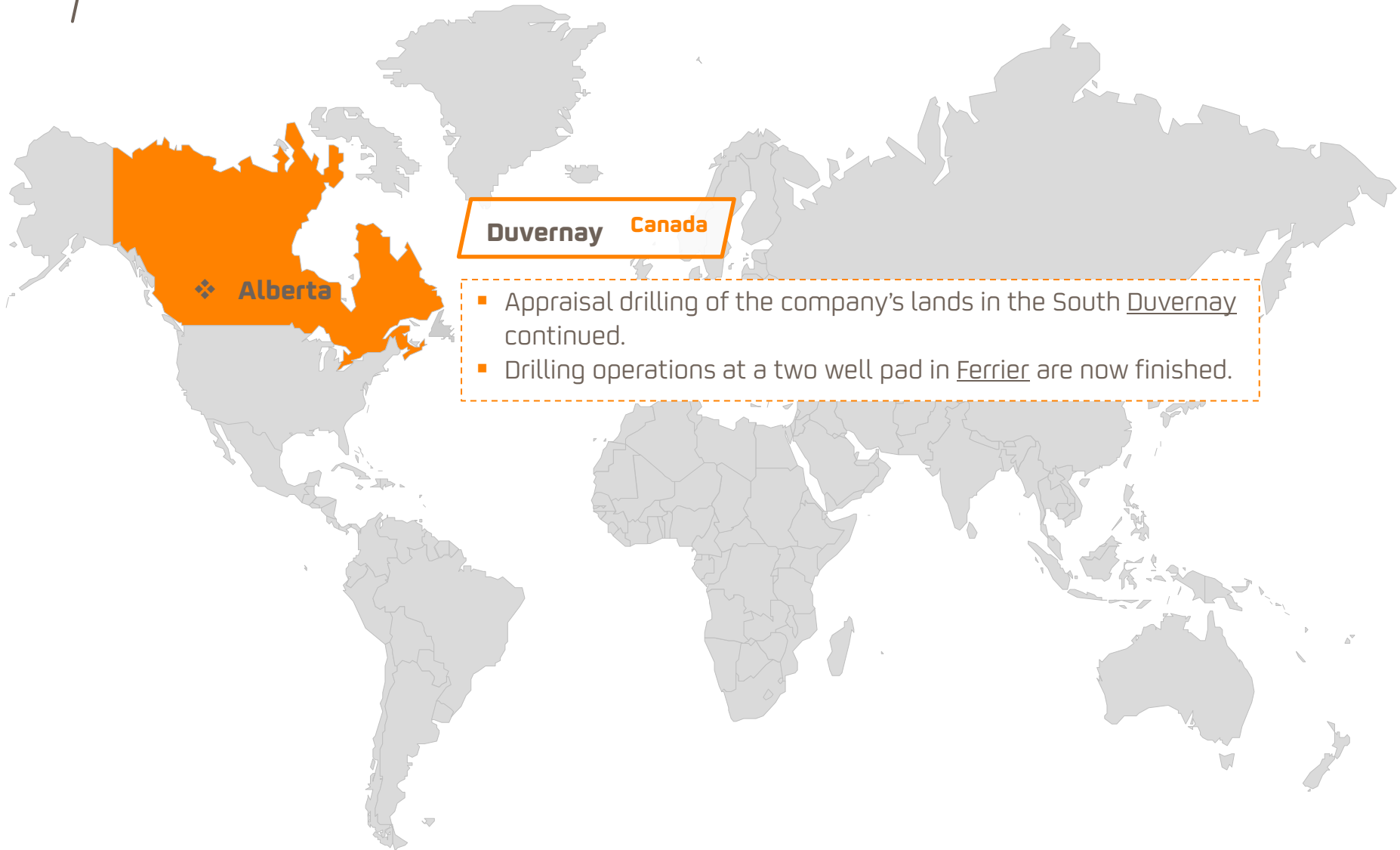


Akacias Colombia

- CPO-9 block reached gross production of 10 kboed (Repsol owns a 45% stake)
- Working on the definition of the Field Development Plan for Akacias project.
- Expected to go into a final investment decision for development before year end.

Operational activity

Development projects



Duvernay **Canada**

- Appraisal drilling of the company's lands in the South Duvernay continued.
- Drilling operations at a two well pad in Ferrier are now finished.

Operational activity

Development projects



Red Emperor Vietnam

- The outline development plan was approved by partners and PetroVietnam in January.
- Commercial Declaration has been completed in early July.
- FID is estimated before year end.

Operational activity

Development projects



Kinabalu & PM3 Malaysia

- The final investment decision has been taken by the end of June in Kinabalu.
- Negotiations for a ten-year extension of the license of PM3 field are well advanced.

Operational activity

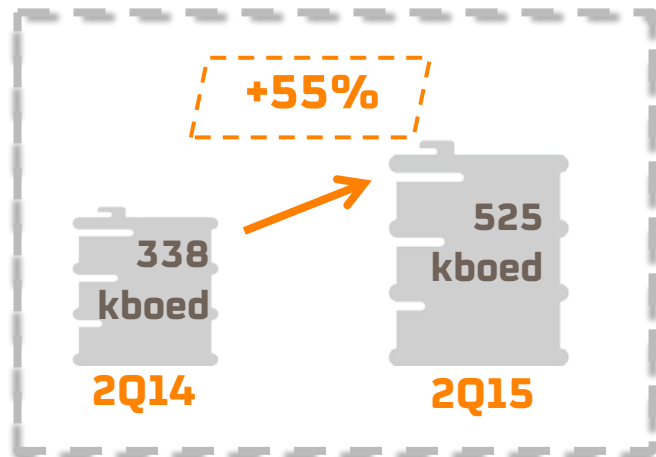
Development projects



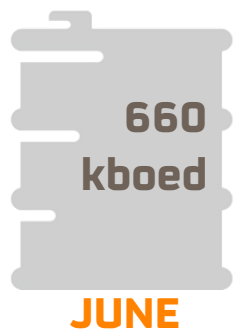
- Lapa and Reggane progress as planned to deliver production in 4Q16 [Lapa] and 1Q17 [Reggane]
- In Lapa, development will commence in the North East area but the test performed in the well Lapa 9-SPS-102 encourages a faster development of Lapa South.

Operational activity

Production



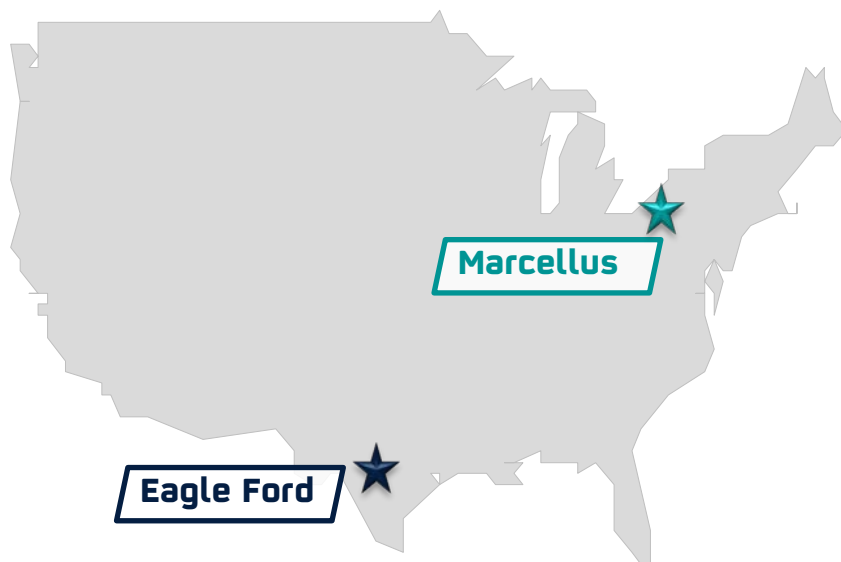
- Production from Talisman assets have been included **since May 8th**
- For the **full year 2015**, we expect to be **in line** with the goal established in the **Strategic Plan** (stripping out Libya from both periods)



190 kboed	• North America region
108 kboed	• Asia & Russia region
93 kboed	• Europe, Africa & Brazil region
269 kboed	• South America region

Operational activity

Production



Marcellus

- Acreage held by production.
- Only one rig is operating now allowing us to maintain a plateau of above 400 mmcf per day net of royalties.
- Gas price will determine the pace of growth of this asset.
- During the first half of the year, 17 development wells were drilled in our play and production from the Friendsville area continued to ramp-up.

Eagle Ford

- Acreage held by production.
- In process of lowering costs and improving efficiencies.
- Drilling focused on liquids-rich acreage.
- Activity is based on a three gross rig programme.
- Repsol participates in a third party non-operated program focused in the liquids rich part of the play
- During the first half of the year, 19 new development wells were drilled in our acreage (net to Repsol).

Operational activity

Production



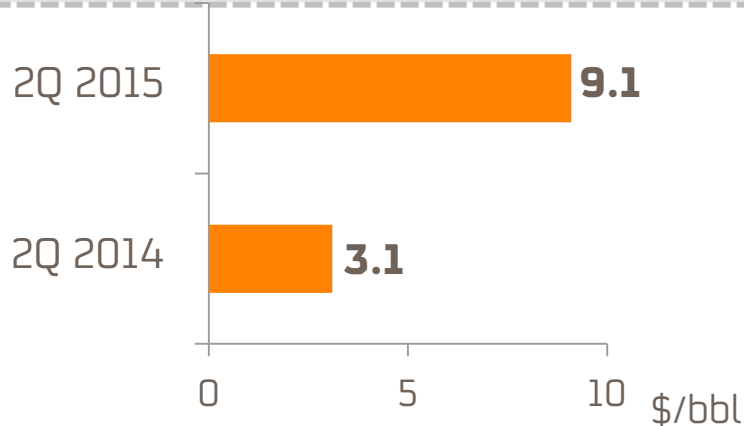
- Production of field Tartan has been restarted.
- Monarb and Claymore have performed well.
- Works on platform Abroath have been finalized
- Increase in production quarter-on-quarter.
- The “turnaround plan” is being implemented in a satisfactory manner.

Operational activity

Downstream



Refining Margin Indicator

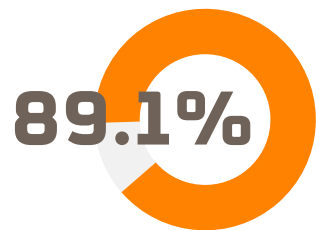


Petrochemicals businesses

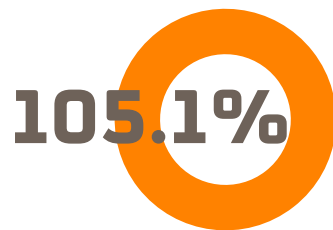
- Higher sales
- Better margins

Utilization rates

2Q 2015



Distillation utilization



Conversion units

Commercial businesses

- Higher sales in service stations and wholesales
- Lower in the LPG business

Outlook for 2015 and Efficiency Measures

3

Outlook for 2015 and Efficiency Measures



2015 FY
EBITDA*
€5-5.5Bn

[*] Assumptions:
- Brent Price: 59\$/bbl
- Henry Hub: 3\$

Excluding the contribution of Talisman assets, the EBITDA will be similar to that of 2014, even in an oil price scenario 40 dollars lower and with no contribution from Libya

Outlook for 2015 and Efficiency Measures

Downstream



- ✓ Energy efficiency saving programs
- ✓ Optimizing oil purchases
- ✓ Maintenance and reliability programs



Refining Margin
increase of 1.2\$/bbl
compared with 2011

On going efforts in this line

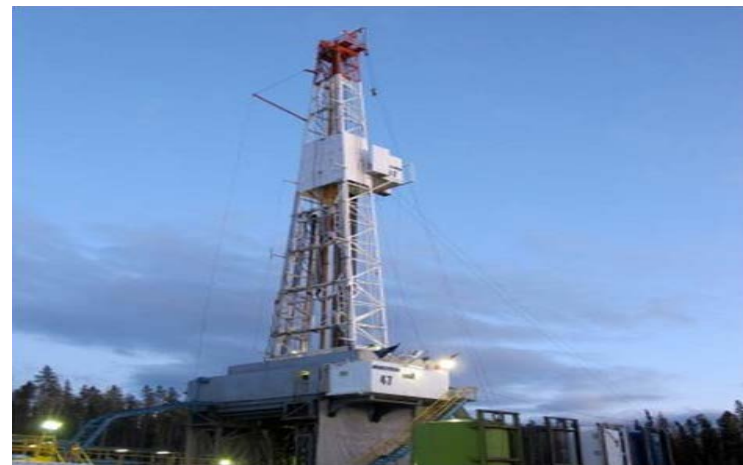


Outlook for 2015 and Efficiency Measures Upstream



Repsol exTalisman Capex

↓ **21%**
[2015] (*)



2014

2015

2016

**~\$4.5
BILLION**

**IN LINE WITH
2014**

**OBJECTIVE:
IN LINE WITH
2014**

**In a much larger company Repsol maintains
Upstream Capex (**)**

(*) In USD

(**) Includes G&G and G&A

Outlook for 2015 and Efficiency Measures

GO Program - Renegotiation of contracts



Existing contracts

↓ **6%** [2015]

New contracts

↓ **10-20%** [Expected]

Outlook for 2015 and Efficiency Measures

Synergies



Annual target

Increased from \$220M to

\$ 350 M

Main initiatives provided by synergies are:

G&A and other costs

- Delisting of Talisman
- Integrate space in Calgary and Houston offices and action plan for smaller offices
- IT systems optimization & scale effects
- Optimization of intragroup financing mechanism for TLM entities
- Integration of TLM's services and activities within Repsol current agreements reinsurance program and D&O insurance program

Commercialization

- Offsetting positions without using external counterparties
- Marcellus supply opportunities for Northeast power market
- Incremental trading margin and volume on Talisman's volumes

Supply Chain

- Synergies derive from both greater scale and specific opportunities within the following expenditure categories:
- E&P: Drilling and Completions, Production Operations, Logistics and Vessels
 - Global: Travel program, Airlines, Hotels, Consulting & Tax, Chemicals

Operational synergies

- Leverage Repsol's higher G&G processing capabilities
- Exploration portfolio opportunities: capital allocation, portfolio rationalization

GO PROGRAM



RECURRENT SYNERGIES



**IMPROVEMENT OF OPERATING
INCOME IN 2016 OF €500M**

Quarterly Results

4

Quarterly results



2Q 2015	2Q 2014	2Q 2015	% Variation
CCS Adjusted Net Income	390	312	- 20%

Million €

1H 2015	1H 2014	1H 2015	% Variation
CCS Adjusted Net Income	922	1,240	+35%

Million €

Upstream Results

Adjusted Net Income



2Q 2014

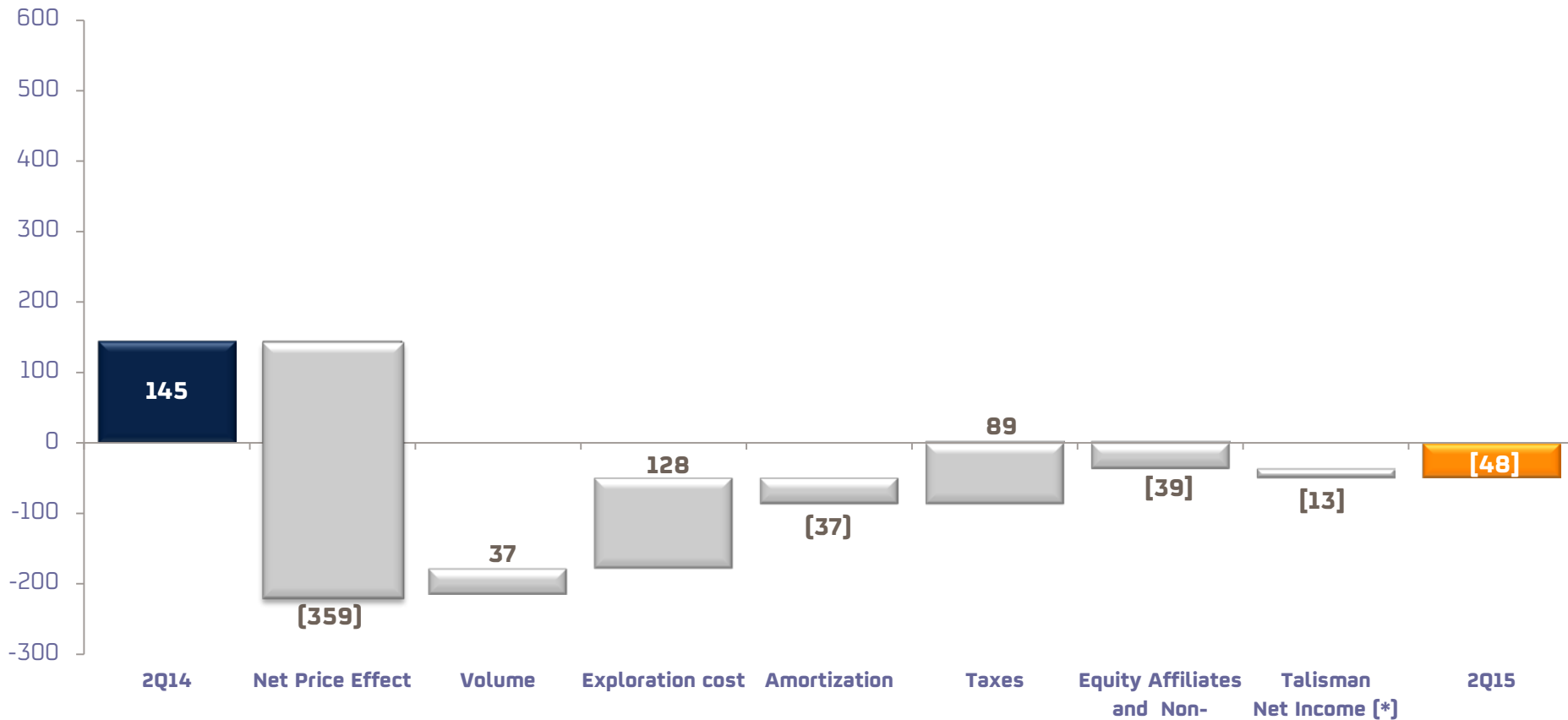
2Q 2015

Adjusted Net Income

145

-48

Million €



[*] The operating income of Talisman has been €6M

Exchange Rate and Others

Downstream Results

CCS Adjusted Net Income

Refining

- ✓ **Higher** margins
- ✓ **Higher** utilization rate

Petrochemicals

- Wider margins and **higher** volumes thanks to:
- ✓ Competitiveness programs implemented
 - ✓ Better market environment

€162M

2Q14

€439M

2Q15

Commercial businesses

- ✓ **Lower** results in the LPG business

Gas & Power and Trading

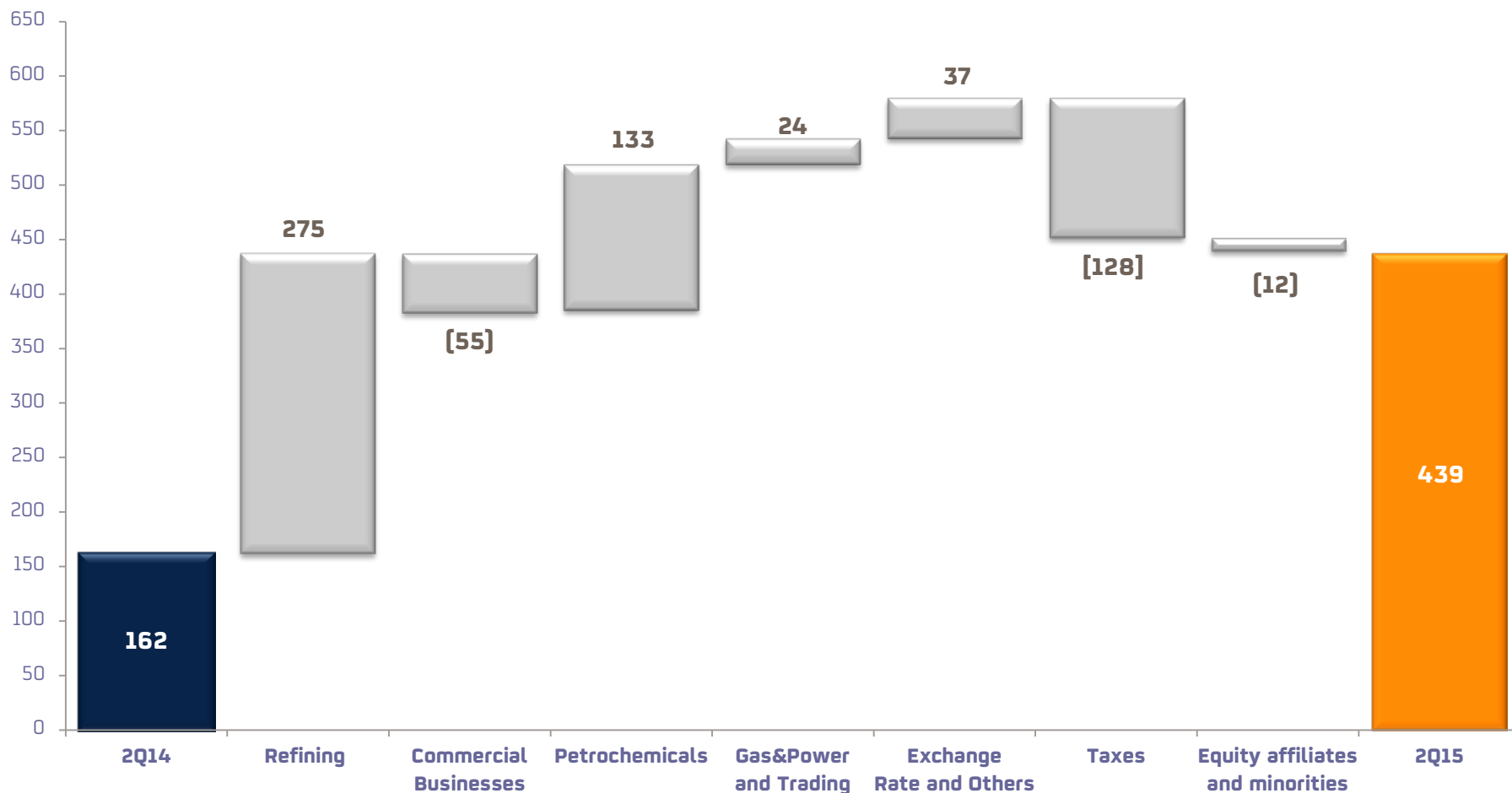
- Higher** results due to:
- ✓ Better results in Trading
 - ✓ Worse performance in G&P [lower commercialization prices in North America]

Downstream Results

Adjusted Net Income

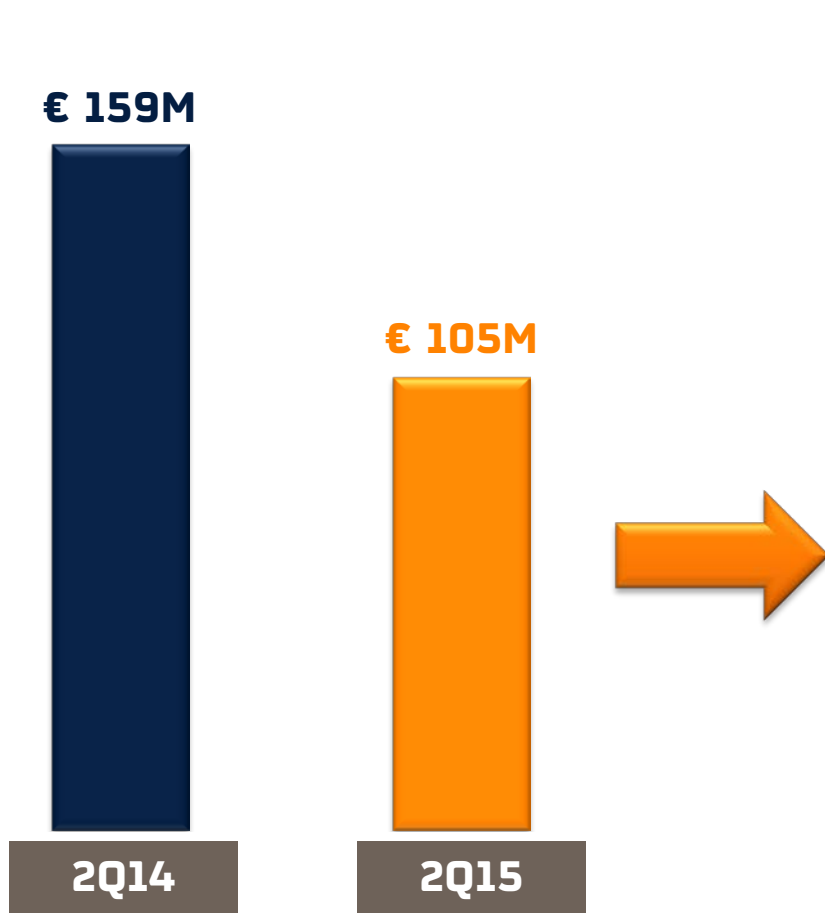


Million €



Gas Natural Fenosa Results

Adjusted Net Income



- Capital gain in 2Q14 on the sale of telecommunication business
- Contribution to results of CGE Chile during 2Q15

Financial Results



2Q 2014 2Q 2015

Net Financial Result -46 -199

Million €

- **Exchange rate** positions → Positive results in 2Q14
- Consolidation of **Talisman's debt** since May 8th of 2015
- **Positive effect** of the **amortization of the bond** offered in the cancellation of the preferred shares in 2Q14.

**Net Debt to Capital
Employed Ratio**

29.8%

Liquidity Position

€ 8.7 Bn

CONCLUSIONS

Q&A Session

Second Quarter 2015 Results



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