Acquisition of Talisman Energy

December 16th, 2014

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Talisman Energy Acquisition

- Key transformational deal
- More focused E&P company
- Production doubled
- Fully financed
- Sound liquidity after transaction
- Value creation

Talisman Energy Acquisition

- **Right Deal at the Right Time**
- **Strategic goals achieved**
- **Repsol's track record in executing**
  - Upstream turnaround
  - World class explorers and production growth
  - Downstream: best in class strong cash flow generating assets
  - Brazil/LNG: Value crystallization
  - Resolution of YPF expropriation

A unique opportunity to accelerate Repsol's strategic agenda

- 15 months of analysis
- Various small transactions
  - Competitive environment
  - No synergies
  - Multiple assets and companies
- Large transactions (above US$ 10 billion)
  - Few potential buyers
  - Fewer targets
  - Just companies
- Recent drop in Oil Prices especially affecting companies with balance sheets concerns
- Repsol less exposed, more resilient
- Right Deal at the Right Time: Financial markets disconnection versus value of the assets

Transaction Overview

REPSOL

Transaction structure	*Repsol S.A. ("Repsol") to acquire 100% of Talisman Energy Inc. ("Talisman") outstanding common shares* *Structured as Plan of Arrangement*
Consideration & Valuation	**US$8 per share**, *representing total all-cash consideration of* **US$8.3 billion**[1] **Total enterprise value of US$12.9 billion, assuming US$4.7 billion in Talisman net debt as of September 30th, 2014** *Immediately accretive to operating cash flow per share, EPS neutral for 2016 and accretive from 2017*[2]
Financing	*Liquidity on hand* *Designed to secure the Investment Grade rating* *Maintenance of current competitive dividend*
Certainty & timing	*Offer unanimously approved by Repsol and Talisman Boards of Directors* *Subject to the approval of Talisman shareholders* *Subject to customary Governmental regulatory approvals, including Investment Canada, and third party consents* *Closing estimated by mid-year 2015*

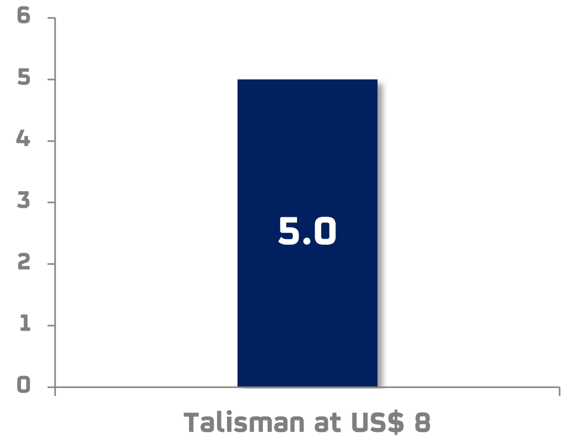
1. Talisman permitted to pay common dividends of up to US$0.18 per share between signing and closing. 2. Using the scenario of prices: forward curve first 3 years and then Repsol price deck

Price and Trading Multiples

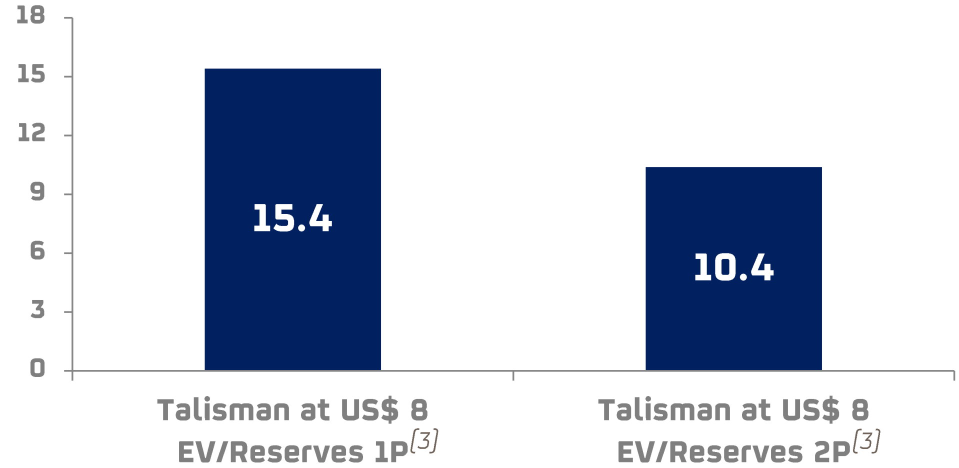
The transaction offers competitive multiples for Repsol, especially considering the long term value of the asset

REPSOL

EV/EBITDA 2015E (x) [1]



EV/2013 1P & 2P reserves ($/boe) [2]



Premium of 24% over last 3-month average share price and 14% premium over last 3-month average Enterprise Value[4]

1. Company filings, FactSet, Equity research and Bloomberg. 2. Finding & Development 5-year average cost of the industry is US$ 24.4/boe. 3. According to Sell Side analysts the average resource finding cost of the industry is 5 $/boe, which compares with 2.9 $/boe of EV/resources in this transaction (assuming Sell Side estimate of 3.2 Bboe for Talisman's contingent resources) 4. VWAP as of December 11th, 2014

Talisman:

A major Canadian listed upstream company with a globally diversified portfolio

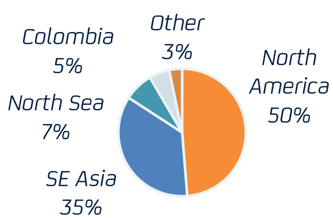
REPSOL

Key facts

- Dual-listed E&P company with core assets in North America, the Asia Pacific region, Colombia and Northern Europe
- Headquartered in Calgary, Alberta, Canada
- Approximately 2,800 highly trained employees in 18 countries
- 1P reserves 838 Mboe, ~65% Developed
- OECD countries: ~65% of 2P Reserves
- R/P: 12 (2P Reserves / run rate production)

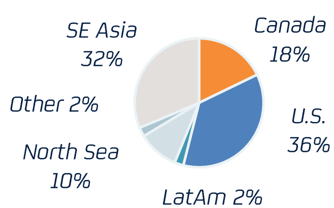
2014E Production: 280-290 Kboepd[1]

After contract and royalties

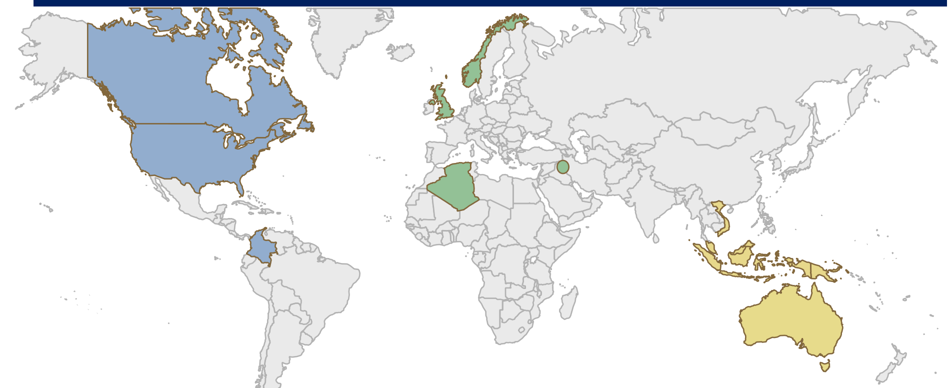


2P Net reserves: 1,243 Mmboe[2]

Year End 2013



Diversified asset portfolio



Americas	EMEA	Asia-Pacific
Natural gas and associated liquids long-term growth potential Upsides from NGL and gas price Legacy asset position in Canada Efficient operator in Canada and Marcellus Capital intensive unconventionals Upside emerging in Colombia (heavy oil)	JV with Sinopec in UK Offshore operator in North Sea (UK and Norway), mainly oil production Algeria free cash flow	Legacy asset position Large Free Cash Flow Sustainable production Additional Exploration & Development potential Efficient operator Good relations with Governments and NOC's

Source: Company filings, presentation, equity research

Note: All figures shown gross of royalties and in U.S. dollars, unless otherwise noted, includes equity investments

1. Net production (assuming 2013YE reserve report implied royalty rates of 19% for gas and 20% for liquids) from ongoing operations based on company guidance (350-365 kboepd gross)

2. Net reserves as of December 2013YE adjusted to reflect sale of Montney assets (550 Bcf of 2P reserves, assumes to be 100% gas, 19% royalty)

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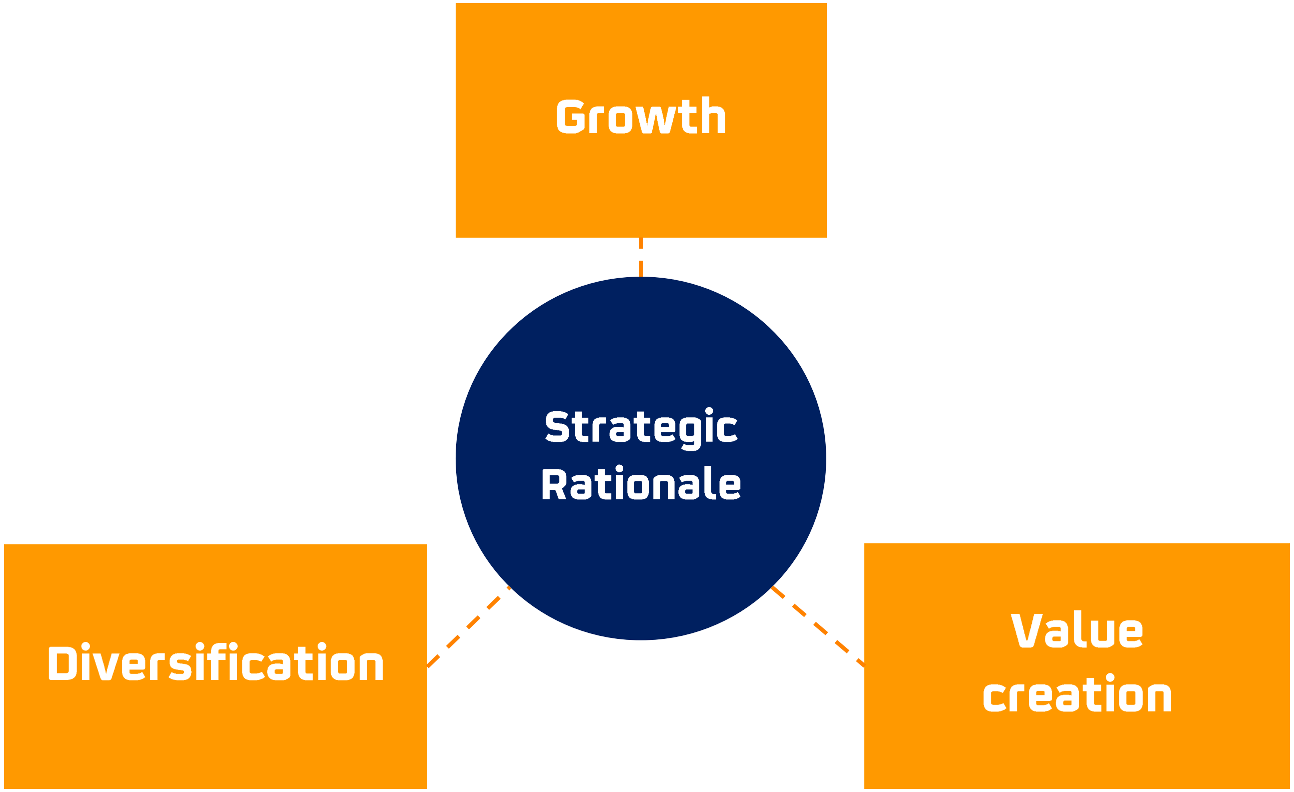
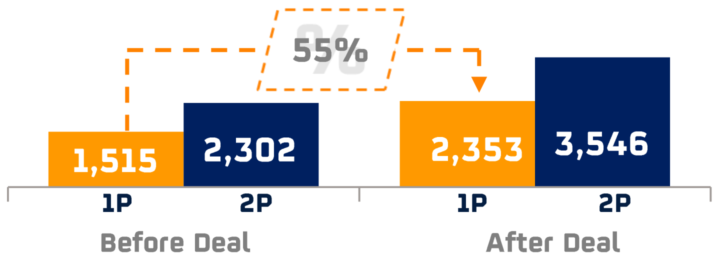
Strategic Rationale



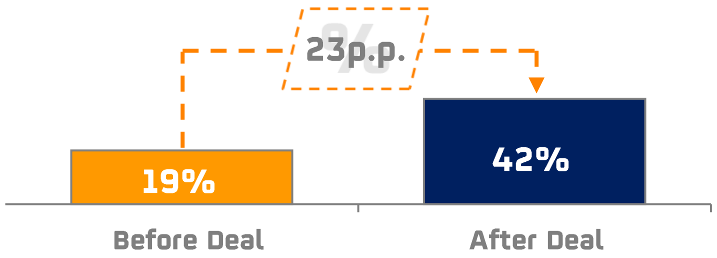
Transformational deal, upgrading Repsol's portfolio *and* **competitive advantage** *achieving global* **scale** *and* **diversification,** *greater* **exposure to Upstream, leading growth platforms** *and* **enhanced capabilities to create value**

Production, Reserves, Operatorship, OECD production

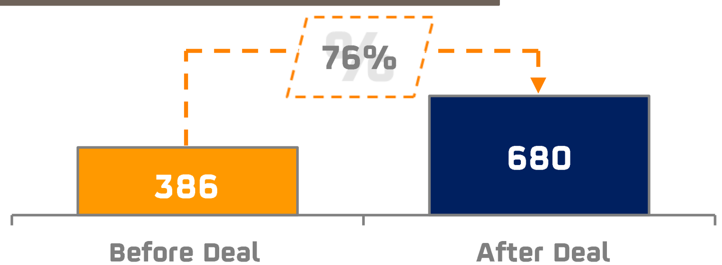
Reserves 1P/2P (MBoe)



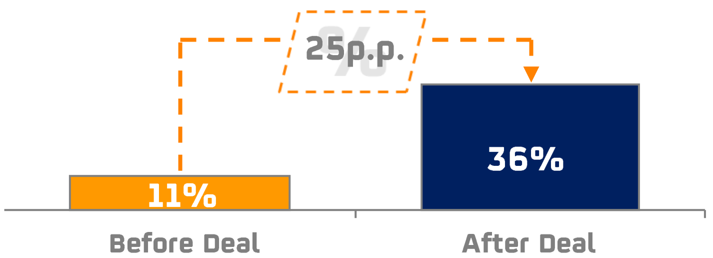
Operated production (%)[1]



Production 2014E (Kboepd)



OECD production (%)



1. Without Libya
Note: Considering net reserves (after royalties) and net production (after royalties). Asset sales considered
Note: If not specified 2013 data
Source: Rystad; Repsol internal information; Talisman Annual Report

Enhanced portfolio with new production areas and strengthened exploration opportunities

REPSOL

2012-2016

North America

Eagle Ford (USA)	Marcellus[3] (USA)	Mid-continent (USA)
27 Kboed WI: 50% FO: 2011	84 Kboed WI: 85% FG: 2014	26 Kboed net production FO: 2012
TALISMAN ENERGY	TALISMAN ENERGY	REPSOL

Africa & Europe

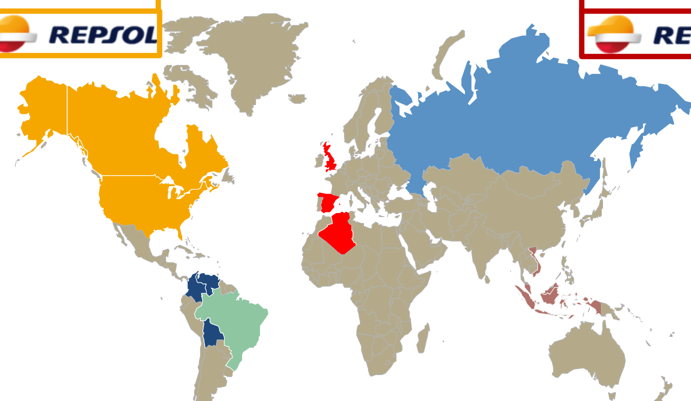
Reggane (Algeria)	Monarb (UK)
48 Kboed WI: 29.25% FG: 2017	11 Kboed WI: 30% FO: 2017
REPSOL	TALISMAN ENERGY

Brazil

Sapinhoa (Guara)	Lapa
300 Kboed WI: 15% FO: 2013	72 Kboed WI: 15% FO: 2016
REPSOL	REPSOL

Russia

SANECO/TNO/SK
50 Kboed WI: 49% FO: 2012
REPSOL



North Latam

Margarita-Huacaya (Bolivia)	Carabobo – AEP [1] (Venezuela)	Cardon IV (Venezuela)	Kinteroni + Sagari (Peru)	Akacias (Colombia)
138 Kboed WI: 37.5% FG: 2012	90 Kboed WI: 11% FO: 2012	159 Kboed[2] WI: 32.5% FG: 2015	46 Kboed WI: 53,8% FG: 2014	42 Kboed WI: 45% FO: 2014
REPSOL	REPSOL	REPSOL	REPSOL	TALISMAN ENERGY

SEA

Kinabalu (Malaysia)	Jambi Merang [3] Phase 2 (Indonesia)	HST/HSD (Vietnam)
12 Kboed WI: 60% FO: 2014	12 Kboed WI: 25% FG: 2016	13 Kboed WI: 60% FO: 2013
TALISMAN ENERGY	TALISMAN ENERGY	TALISMAN ENERGY

Post 2016
Next wave of growth

Exploration

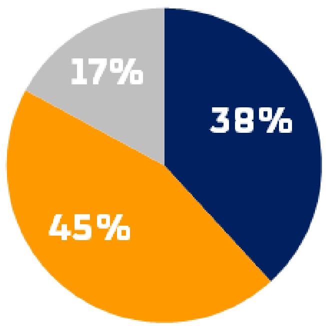
- **Contingent resources**
  - Repsol
    - Alaska
    - C-33 (Seat, Gavea, Pao de Açucar)
    - Presalt Albacora
    - Karabashsky
    - Buckskin
    - NC200
    - THIS-1
    - Sagitario (BMS-50)
  - Talisman:
    - Duvernay
    - North America
    - SE Asia
    - Kurdistan
    - Colombia (CP-6)
- **Prospective resources**
  - Talisman
    - North America
    - SE Asia
    - Colombia
  - Repsol
    - GoM - Leon
    - Louisiana
    - East Canada
    - Campos, Santos & Espirito Santo
    - Colombia RC11, RC12 & Tayrona
    - Guyana
    - Spain and Portugal
    - Norway offshore
    - Peru

Note: all production figures indicate gross plateau production; WI = Repsol Working Interest; FID = Final Investment Decision; FO: First Oil; FG: First Gas; Net capex 2012-2016, excluding G&G and G&A.
1. AEP = Accelerated Early Production 2. Phase II gross production (800 Mscf/d) 3. This refers to 2nd phase of the play. Source: Repsol internal data, Talisman corporate reports

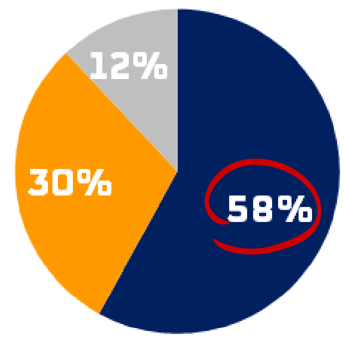
Significant enhancement of Repsol's upstream business geographic diversification

REPSOL | REPSOL + TALISMAN ENERGY

Whole Company



Upstream Downstream GNF

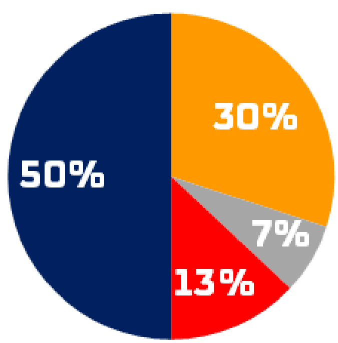


CE: ~36 B$

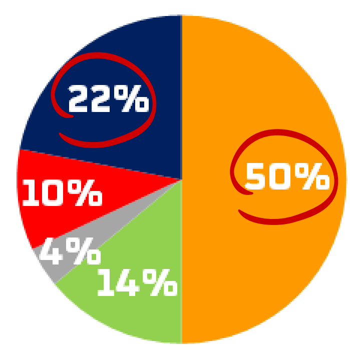
CE: ~52 B$

Capital Employed in ***Upstream*** *from 38% to 58%*

Upstream Division



North America SEA
Europe Other Latam



CE Ups: ~ 14 B$[1]

CE Ups: ~ 30 B$[2]

Upstream Division Capital Employed in NA from 30% to 50%, Latam from 50% to 22%

Repsol will have operations in more than 50 countries and more than 27,000 employees

1. Data 2014 Estimated. Others include Repsol assets in Africa and Russia 2. Public 2013 Talisman data
Note: Corporate Center CE splitted between Upstream and Downstream proportionally to their standalone CE. Corporate Center CE included in Spain. Whole GNF stake considered in Spain. Source: annual report, Capital IQ

Adds new plays, skills & technology. Complementary capabilities

REPSOL		TALISMAN ENERGY
World class explorer	↔	Experienced production operator
Deepwater exploration experience and portfolio	↔	Unconventional experience and portfolio
Broad international portfolio with strong focus on LatAm	↔	Broad international portfolio with strong focus on North America and South East Asia
High growth exploration and development pipeline	↔	Great legacy assets and contingent resources
High impact Upstream G&G capabilities and R&D	↔	Focus on operational capabilities

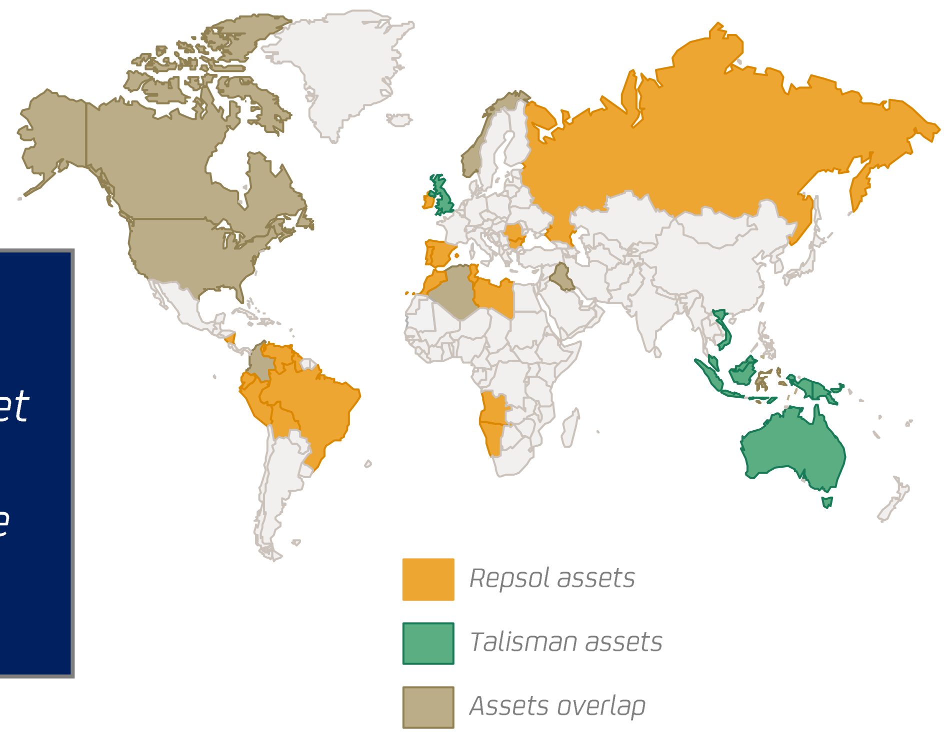
With this transaction, Repsol gains a significant competitive edge becoming a much stronger and balanced E&P player

Portfolio management: Opportunities to optimize capital allocation

A broader portfolio together with a sound financial position provides a better capacity to create and unlock value through portfolio management, allocating capital to the most valuable projects and assets

Portfolio management criteria:

- *Prioritizing CF and Net Income*
- *Exposure to priority plays where to set platforms for growth*
- *Increasing sustainability (Reserve Life Ratio)*
- *Geographic Risk Profile*



Synergies. Focus on efficiency

		Opportunities
Cost Synergies	**Commercial**	• *Leverage scale in procurement in categories with global or regional markets* • *Best practice sharing in Capex and project management*
	Capex costs	• *Enhanced gas, NGLs and oil marketing and trading in North America* • *Growth in N. America gas, NGLs and oil commercial and midstream portfolio size and diversity*
	G&A costs	• *Optimization and integration of corporate functions* • *Integration of regional and country HQ where overlapped* • *IT expenditure optimization and scale*
Operational Synergies	**Exploration effectiveness**	• *Enhanced commercialization of heavy crudes (i.e. Akacias)* • *Application of Repsol exploration technology on new portfolio* • *Exploration teams integration and best practice transfer* • *Global exploration portfolio management*

The transaction would generate synergies of ~220 M U$/year[1]

1. *Conservative estimate*

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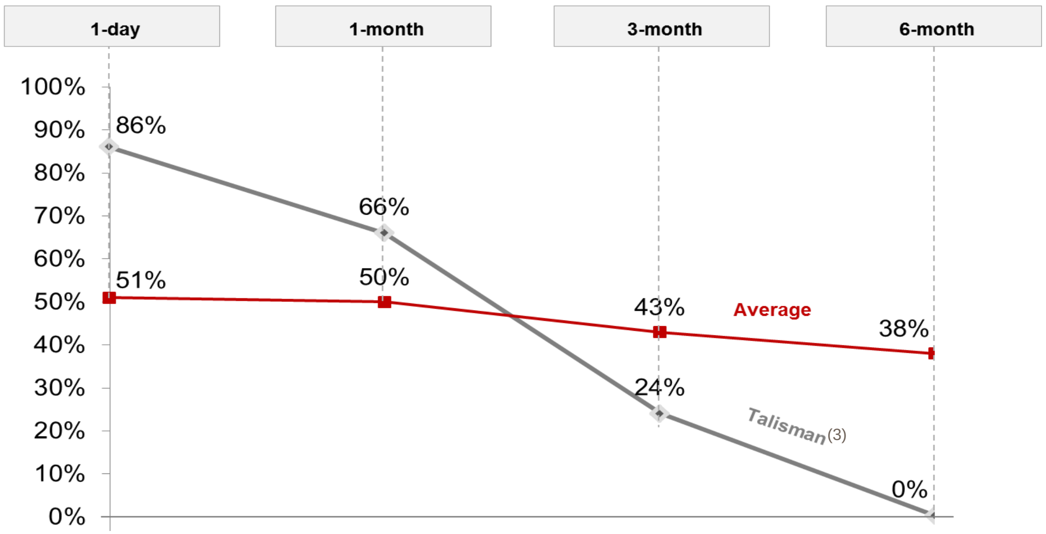
Price Analysis

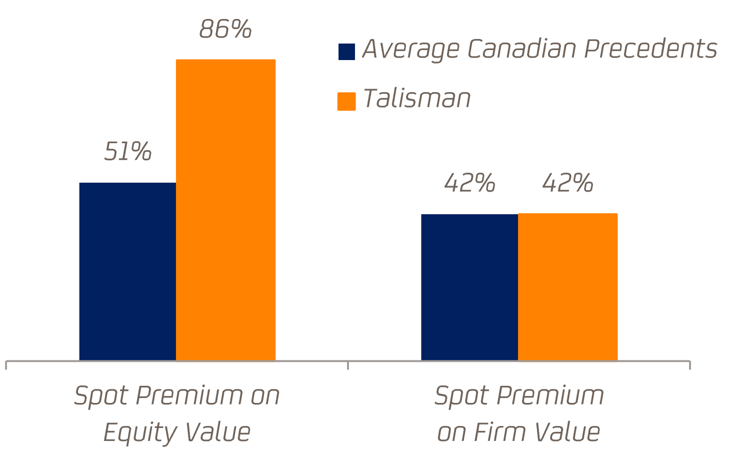
Canadian Oil&Gas precedent transactions[1]

	Spot premium to Equity Value	Spot premium to Enterprise Value[2]
KNOC / Harvest	37%	13%
Total / UTS	46%	70%
CNOOC / OPTI	4%	0%
Sinopec / Daylight	120%	68%
KGHM / QuadraFNX	32%	26%
Petronas / Progress	90%	88%
Glencore / Viterra	48%	35%
CNOOC / Nexen	61%	48%
ExxonMobil / Celtic	35%	35%
Bell Canada Enterprises / Astral Media	38%	32%
Average	51%	42%
TALISMAN[3]	**86%**	**42%**

Premium comparing different terms



Spot Premiums Talisman[3] vs Canadian Precedents



1. Based on Canadian transactions in the O&G sector above 1 Bn$ in the last five years. Source: company filings, Factset, Bloomberg
2. Firm Value is calculated based on offered price and net debt of the quarter prior to the transaction
3. At December 12th, 2014

Funding details

REPSOL

Short Term Financing

- **Liquidity exceeds the cash-out for the transaction**:
  - *Cash and Equivalents: €6.4Bn*
  - *Long term Credit Lines: €2.6Bn*
  - *Additional Short term financial alternatives*

Long Term Capital Structure defined to secure Investment Grade Rating

- **Issuance of up to € 5 billion of hybrid bonds, non-dilutive to shareholders**
- **Active global hybrid markets with favorable issuance conditions**
- **US$ 1 billion in synergies and US$ 1 billion in divestments[1]**

Financing from existing resources and hybrid bond to secure to investment grade rating

1. Portfolio opportunities focused on assets not linked to oil price

Key Financial and Operating Metrics

REPSOL

9M 2014	REPSOL	TALISMAN
Net Income (BUS$) [1]	2.2	0.7
Operating Cash Flow (BUS$) [1]	3.5	1.3
Net Debt (BUS$) [2] [3]	2.5	4.7
Net liquids production (Kboepd)	131	107
Net gas Production (Mscfpd)	1,222	1,099

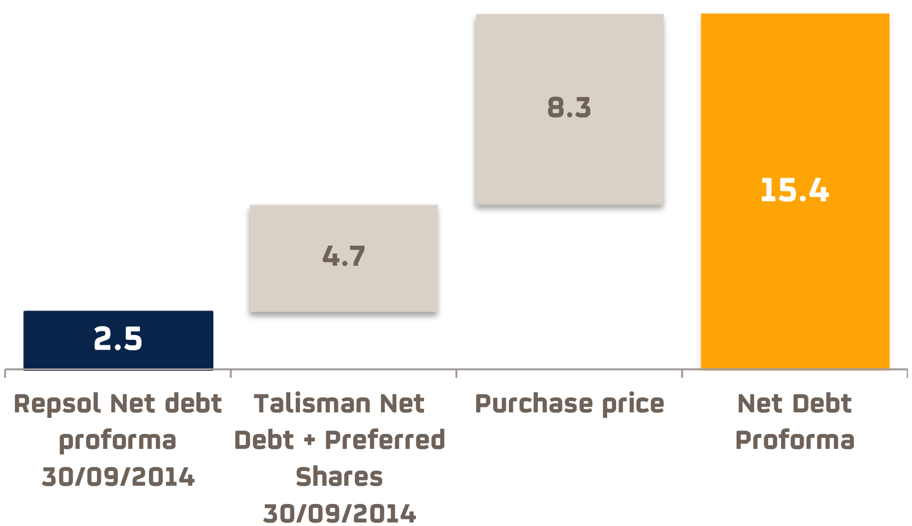
- **Strong financial position**
- **Accretive to production growth and operating cash flow**
- **Accretive to earnings per share from 2017[3]**

1. Average exchange rate US$/€ 9M2014 = 1.35
2. Exchange rate US$/€ as of 30/09/2014 = 1.26
3. Using the scenario of prices: forward curve first 3 years and then Repsol price deck

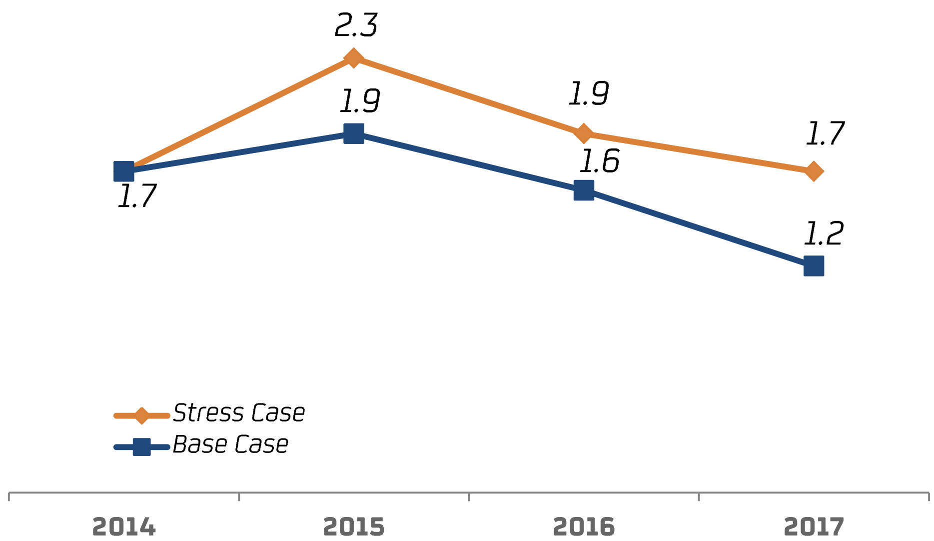
Net debt proforma post deal

Resilient credit metrics under stress scenarios

Net debt proforma post deal (BUS$)



Net Debt [1] / EBITDA (x) [2] [3]



Resilient credit metrics under stress scenarios

1. Net debt 2015-2017 includes: US$ 1 billion in synergies and US$ 1 billion in divestments; 50% in 2015 and 50% in 2016.
2. Joint Ventures' EBITDA included
3. Base case: Repsol price deck (2015E 85 US$/bbl; 2016E 93 US$/bbl; 2017E 99 US$/bbl); Stress case: Forward curve first 3 years (2015E 71 US$/bbl; 2016E 76 US$/bbl; 2017E 79 US$/bbl)

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A strategic combination to accelerate growth, diversify asset base and drive shareholder value

REPSOL

- ✓ *Talisman acquisition* **consistent with Repsol strategy to strengthen Repsol's upstream** *business while providing a* **platform for future growth**
- ✓ *Creating Value:* **IRR above WACC**
- ✓ *Creates a truly* **globally diversified company** *with an asset base in key sought-after regions in* **North America, Northern Europe, Southeast Asia and Latin America**
- ✓ *Gives Repsol* **access to deeper expertise** *in unconventional plays, heavy oil, and offshore*
- ✓ **Doubles Repsol's operatorships** *and* **increases** *its weight towards* **OECD**
- ✓ **Immediately cash flow accretive** *and* **EPS** *neutral for 2016 and* **accretive from 2017**
- ✓ **Doable opportunity**
- ✓ **Commitment to maintain competitive dividend**

Q&A Session

Acquisition of Talisman

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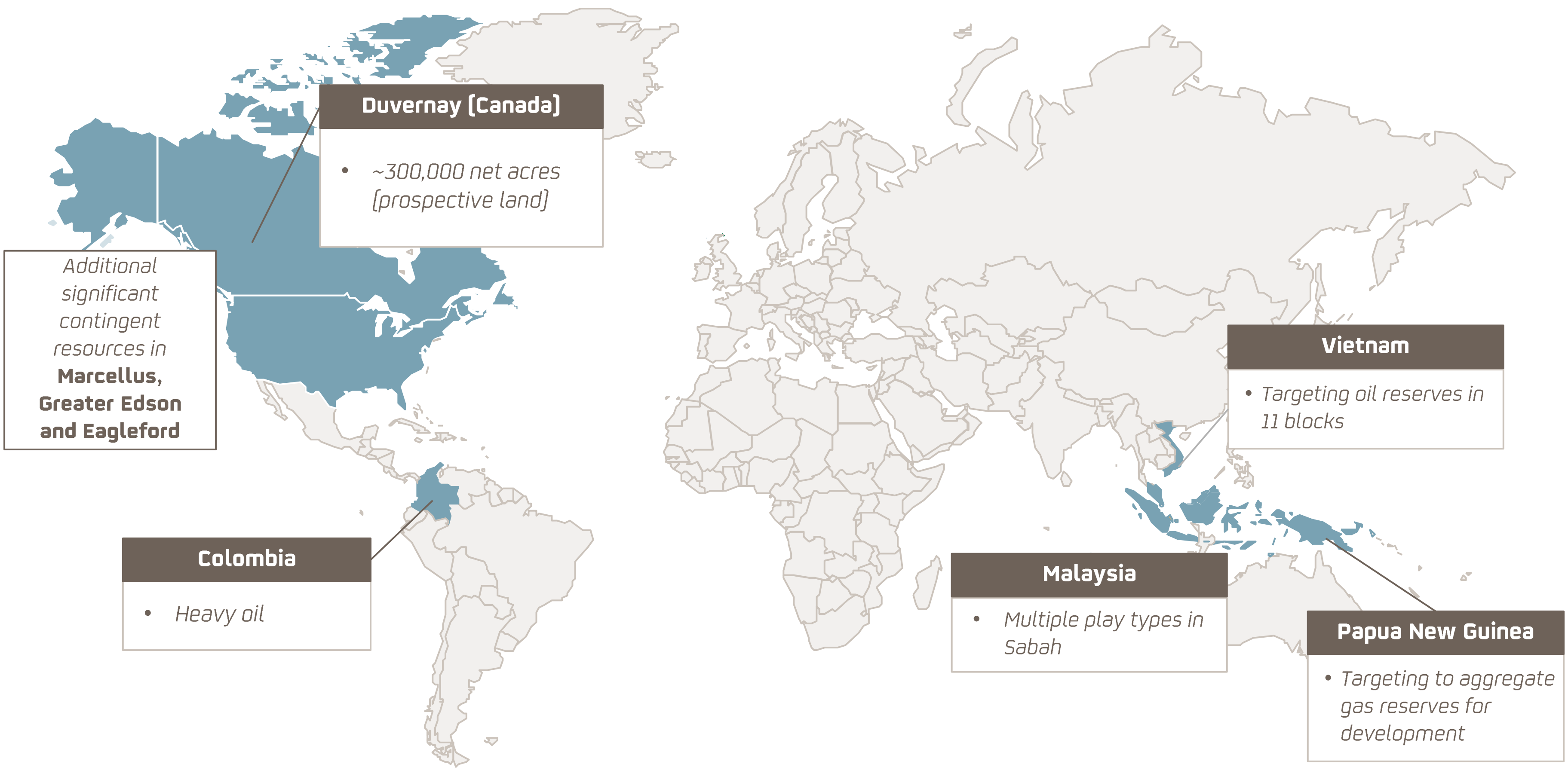
Exploration: strengthened with highly attractive new positions

Value creation by applying Repsol exploration leading capabilities

Talisman resources for future growth



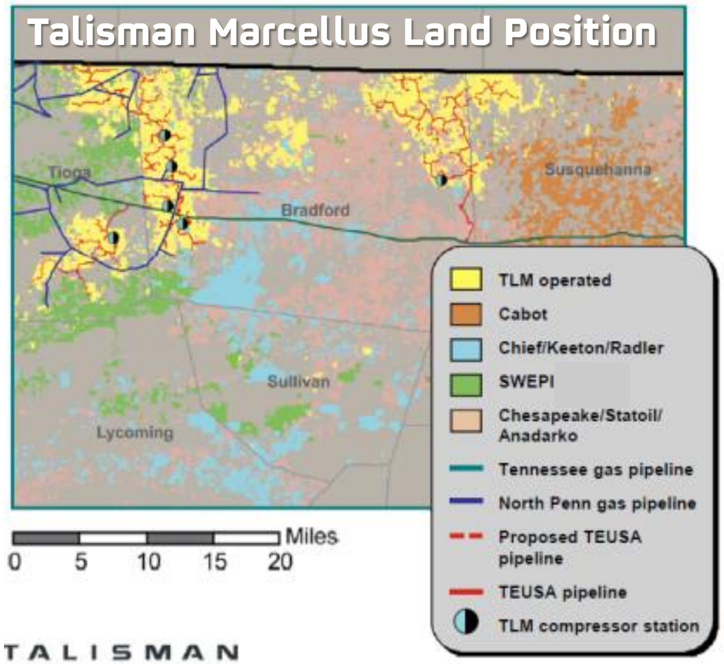
Source: companies annual reports, WoodMackenzie

TALISMAN
Americas Core Region

- Natural gas and associated liquids long-term growth potential
- Upsides from NGL and gas price
- Legacy asset position in Canada
- Efficient operator in Canada and Marcellus
- Capital intensive unconventionals
- Upside emerging in Colombia (heavy oil)

Talisman USA - Marcellus

Large position, quality reservoir and own infrastructure



▪ Marcellus - Facts:

- *200,000 net acres, contiguous land position in a high quality reservoir*
- *Production: 450 Mscf/d*
- *Firm transport capacity*
- *Self-funding capital programme at today's prices*

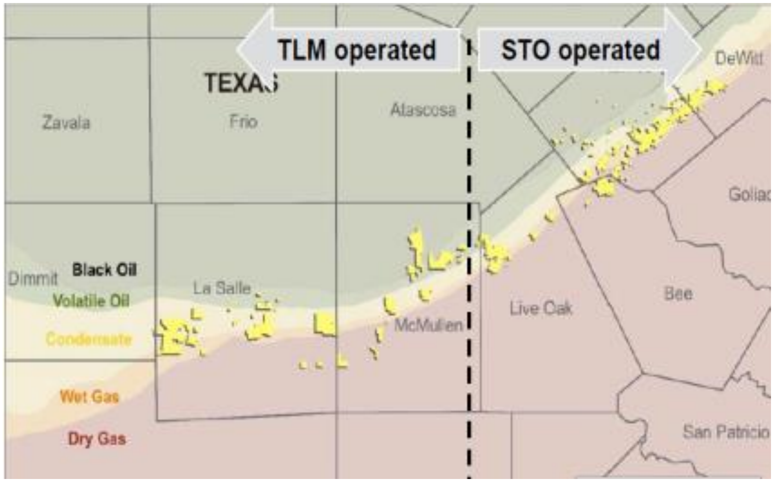
▪ Opportunities and Challenges

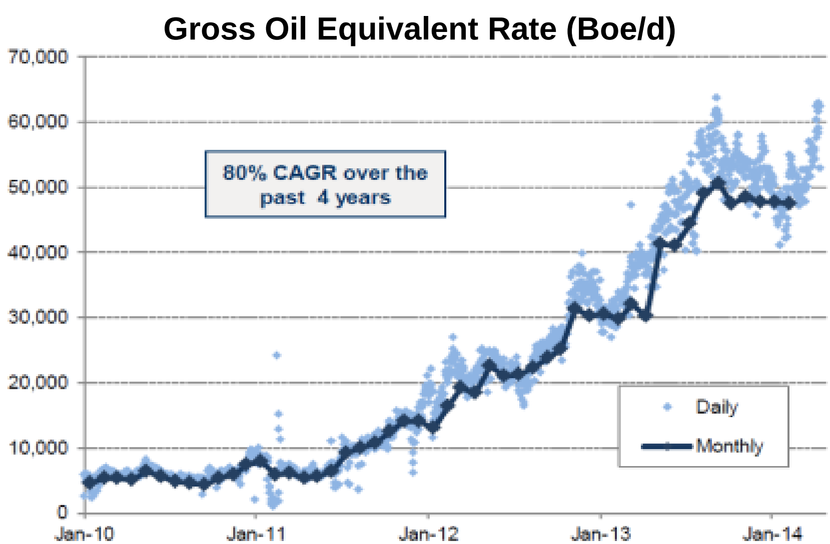
- *Upside to higher gas price environment, with production potential up to 600-700 Mscf/d*
- *Experienced operator*
- *Synergies with Repsol existing activities*

Talisman USA – Eagle Ford

Position in one of key USA resource plays with liquids potential

REPSOL





▪ Eagle Ford - Facts:

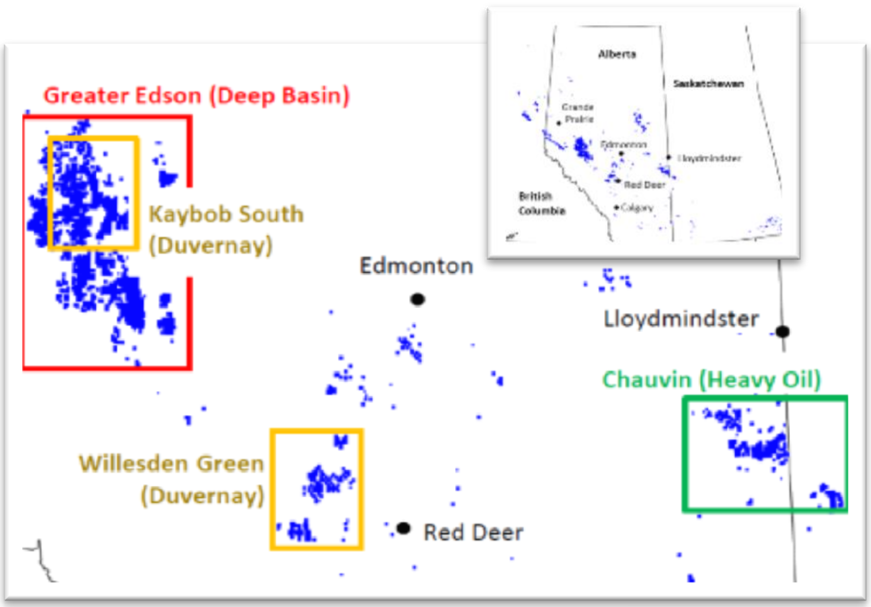
- *Joint Development Agreement with Statoil (50/50)*
- *60,000 net acres*
- *Predominantly located in gas and condensate windows. Short term focus on condensate window*
- *Production of 33 kboe/d and growing*

▪ Opportunities & Challenges

- *High production growth*
- *Continue Drilling & Completion cost reduction trend from last years*
- *Recent changes in condensate export US policies may enhance condensate pricing*

Talisman Canada

Legacy conventional with extensive infrastructure, plus liquids' rich potential from unconventional Duvernay

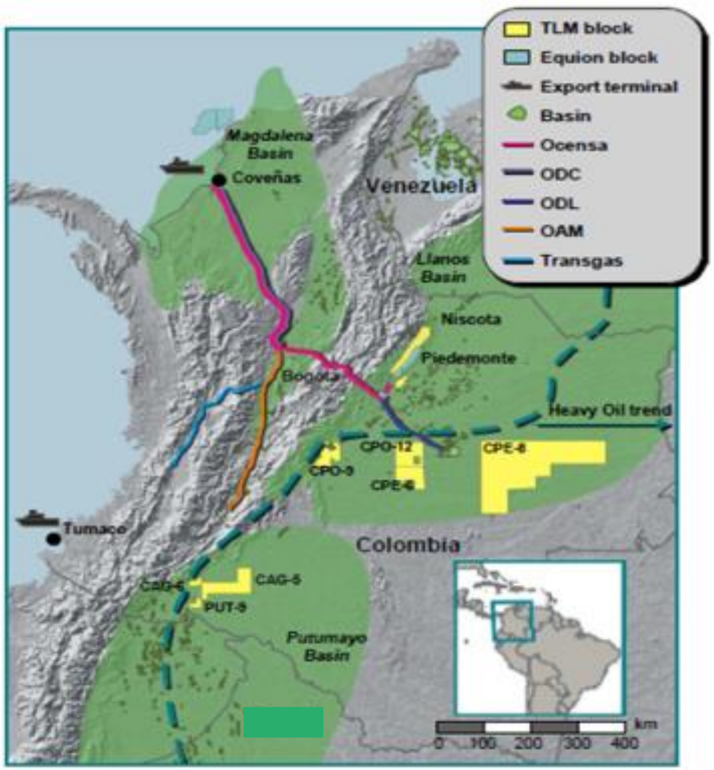


- **Canada - Facts:**
  - *Talisman core area with strong operational capability 400+ people*
  - *Own field facilities and midstream*
  - *Large acreage position in three main Plays:*
    - *Greater Edson (Deep Basin) mostly gas*
    - *Chauvin heavy Oil*
    - *Duvernay Gas & Liquids (undeveloped)*
  - *Total production: 50 kboe/d (40% liquids)*

- **Opportunities & Challenges**
  - *Platform for growth in Canada for Repsol*
  - *In emerging Duvernay Play, large land position*

Talisman Colombia

Promising liquids-weighted position with production growth potential



▪ Colombia - Facts

- *Three main areas (c. 50% non/operated interest):*
  - *Equion Gas & Cond (JV w/ Ecopetrol)*
  - *CPO-9, Heavy Oil (Ecopetrol operator)*
  - *CPE-6, Heavy Oil (Pacific Rubiales operator)*
- *Production: 21 kboe/d*
- *CPO-9 - Akacias Field Dev. Plan submitted in March 2014*
- *CPE-6 - Hamaca Field appraisal ongoing*
- *Ownership of transportation agreements*

▪ Opportunities & Challenges

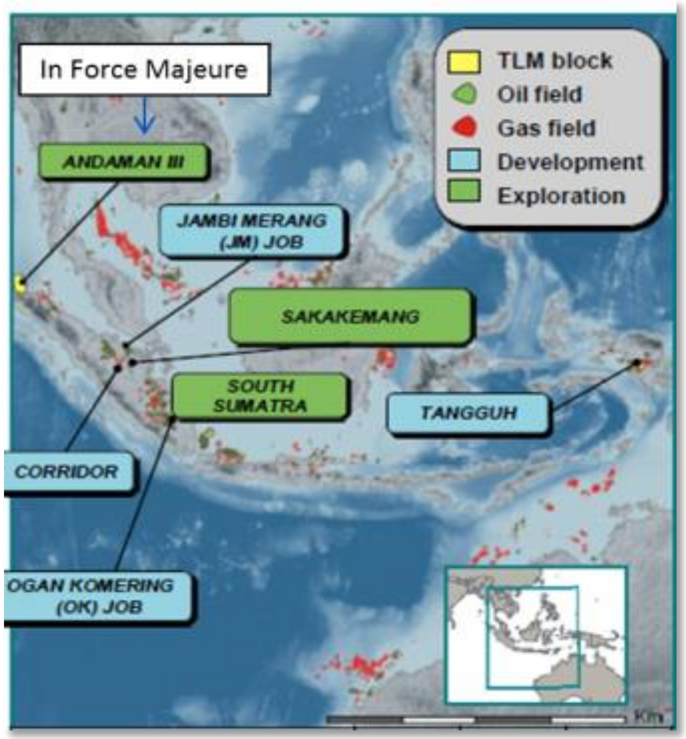
- *Further growth in Colombia possible, in combination with Repsol's existing production position and offshore exploration*
- *Equion provides cash flow to develop blocks CPO-9 & CPE-6*

TALISMAN
South East Asia Core Region

- *Legacy asset position*
- *Large Free Cash Flow*
- *Sustainable production*
- *Additional Exploration & Development potential*
- *Efficient operator*
- *Good relations with Governments and NOC's*

Talisman Asia Pacific - Indonesia

TLM largest producing country ~75,000 Boe/d (~88% gas)



▪ Indonesia - Facts:

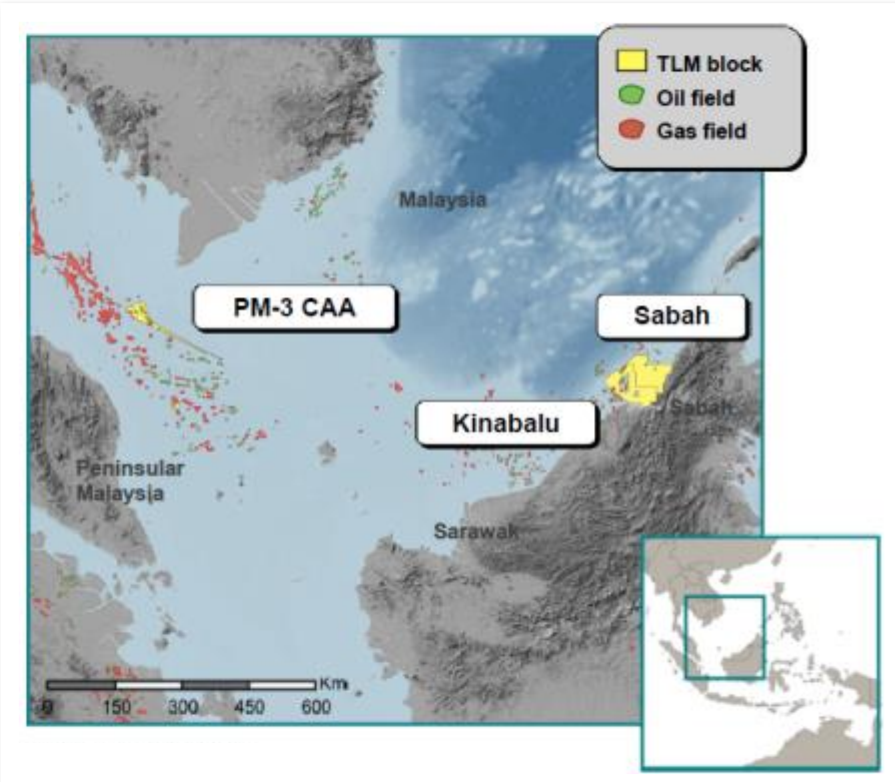
- *Experienced operator with good NOC relationships*
- *Three main areas:*
  - *Corridor (36%) non-operated*
  - *Jambi Merang (25%) JOB with PERTAMINA*
  - *Tangguh LNG Project (3%)*
- *Production (gas): 76 kboe/d (~460 Mscf/d)*
- *Premium-priced oil-linked gas pricing.*

▪ Opportunities & Challenges

- *Strong regional gas demand growth and good pricing*
- *Jambi Merang expansion by 2016*
- *Exploration potential with Corridor synergy*
- *Cost and operational synergies with Repsol presence in Indonesia (Downstream, Exploration)*

Talisman Asia Pacific - Malaysia

PM-3 TLM's largest operated asset with high net backs



▪ Malaysia - Facts:

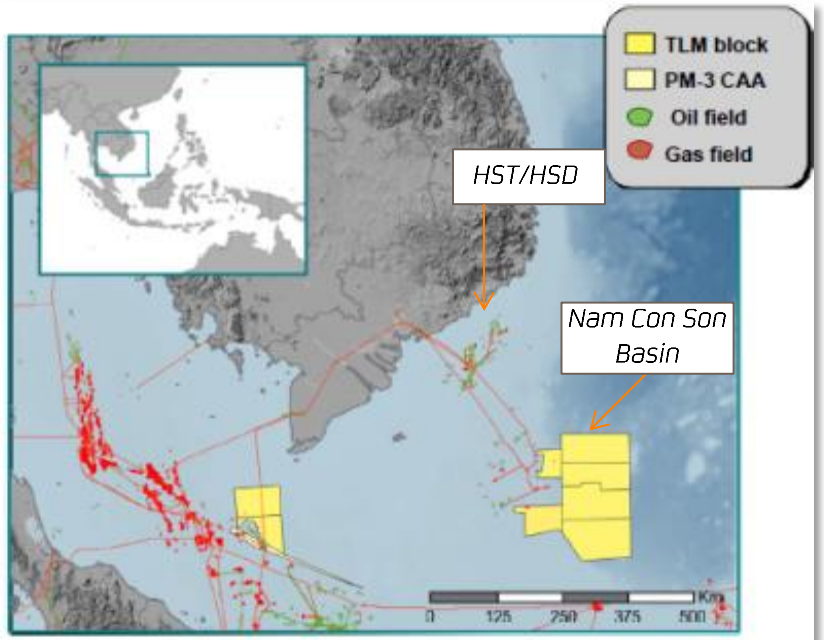
- *Upper quartile operator in Malaysia.*
- *Two main areas:*
    - *PM-3 (41% TLM)*
    - *Sabah: Kinabalu Field (60% TLM)+ Exploration assets*
- *Production: 41 kboe/d (50% gas)*
- *Significant exploration position*

▪ Opportunities & Challenges

- *Good NOC relations may help generating new opportunities*
- *Kinabalu near-term oil production growth (potentially doubling by end 2016)*
- *Sabah exploration wells close to existing oil and gas fields and infrastructure*

Talisman Asia Pacific - Vietnam

HST/HSD oil field developed under-budget and ahead of schedule, provides production base and cash flow



▪ Vietnam - Facts:

- *Strong relationships with NOC*
- *Two main areas:*
  - *HST/HSD (60%) JOC with PETROVIETNAM*
  - *Nam Con Son Basin (Red Emperor, under appraisal)*
- *Production: 12 kboe/d*

▪ Opportunities & Challenges

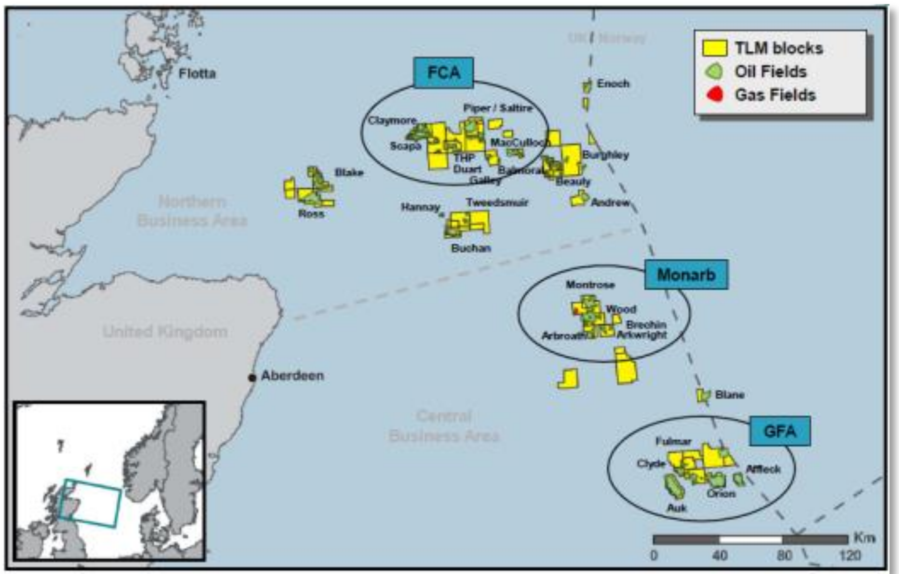
- *HST/HSD free cash flow, will fund Red Emperor development*
- *Potential additional resources by exploration*
- *Relationship with NOC may generate new opportunities*

TALISMAN
NORTH SEA AND OTHERS

- JV with Sinopec in UK
- Offshore operator in North Sea (UK and Norway), mainly oil production
- Algeria free cash flow

Talisman UK

Improve reliability and economics from late life assets



▪ UK- Facts

- *JV TSEUK (51% TLM – 49% Sinopec)*
- *Mature, late-life assets*

▪ UK – Challenges & Opportunities

- *Needs extensive decommissioning and abandonment of fields*
- *Execute selective field redevelopment projects*

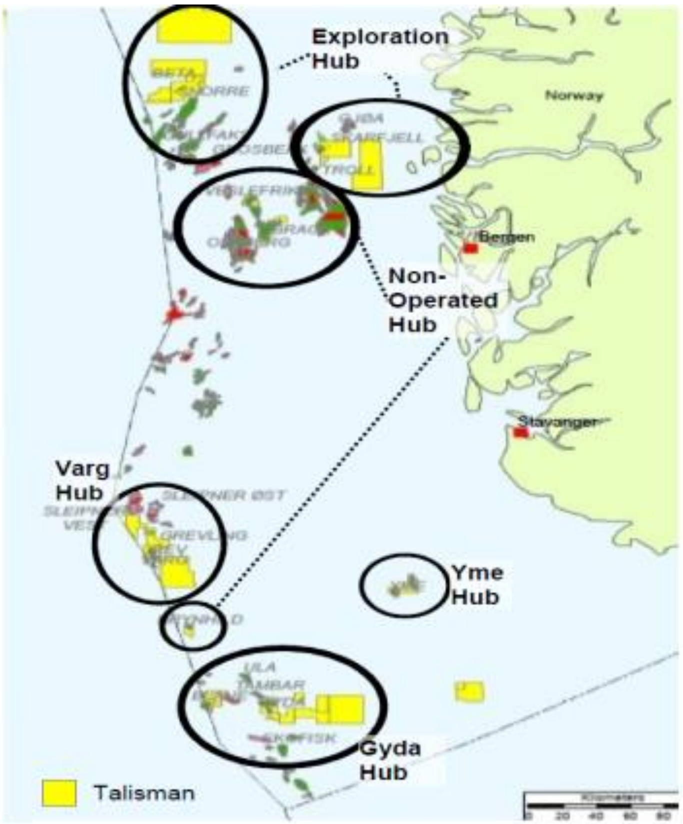
Talisman UK

Repsol Approach to UK Asset Management

- *Turn Around Plan initiated by TSEUK to improve efficiency and maximize value*
- *Repsol well positioned to align objectives with strategic partner Sinopec*
- *Realistic assessment and valuation of assets will drive capex/opex allocation to HSE and asset integrity, with mid-term benefits for Production Efficiency*
- *Late Life Assets decommissioning will be periodically revisited to reduce uncertainty of costs and schedule*
- *Repsol experience in operation optimization and mature asset management instrumental for further improvements*

Talisman Norway

Production decline, near-term focus on Yme abandonment. Potential synergies ahead



▪ Norway - Facts:

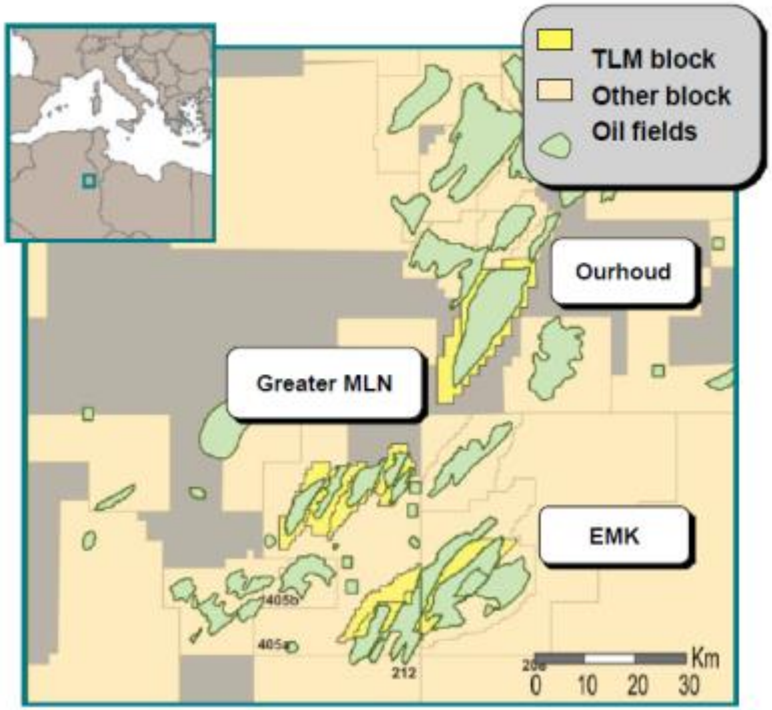
- *~350 people (~200 staff & 150 contractors)*
- *4 production hubs with ~9 mature fields*
- *Production: 18 kboe/d*
- *YME Field existing platform to be removed in 2015*
- *Significant tax pools*

▪ Opportunities & Challenges

- *Norway is a preferred country for Repsol*
- *Integration of Repsol and TLM exploration portfolios*

Talisman - Algeria

Small scale with strong cash generation



▪ Facts:

- *Small non-operated position with strong cash flow*
- *Talisman main position Block 405a MLN TLM 35% (Pertamina operator)*
- *Production: 11 kboe/d*

▪ Opportunities & Challenges

- *Relationship with Indonesian NOC Pertamina through international venture*
- *Cost and portfolio synergies with Repsol's position in Algeria*

Acquisition of Talisman Energy

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Contact details

Investor Relations

abautistaf.ir@repsol.com

Tel: +34 917 53 55 48

Fax: 34 913 48 87 77

REPSOL S.A.

C/ Méndez Álvaro, 44

28045 Madrid (Spain)

www.repsol.com