

# Investor Update 2017

2016 – 2020 Value & Resilience



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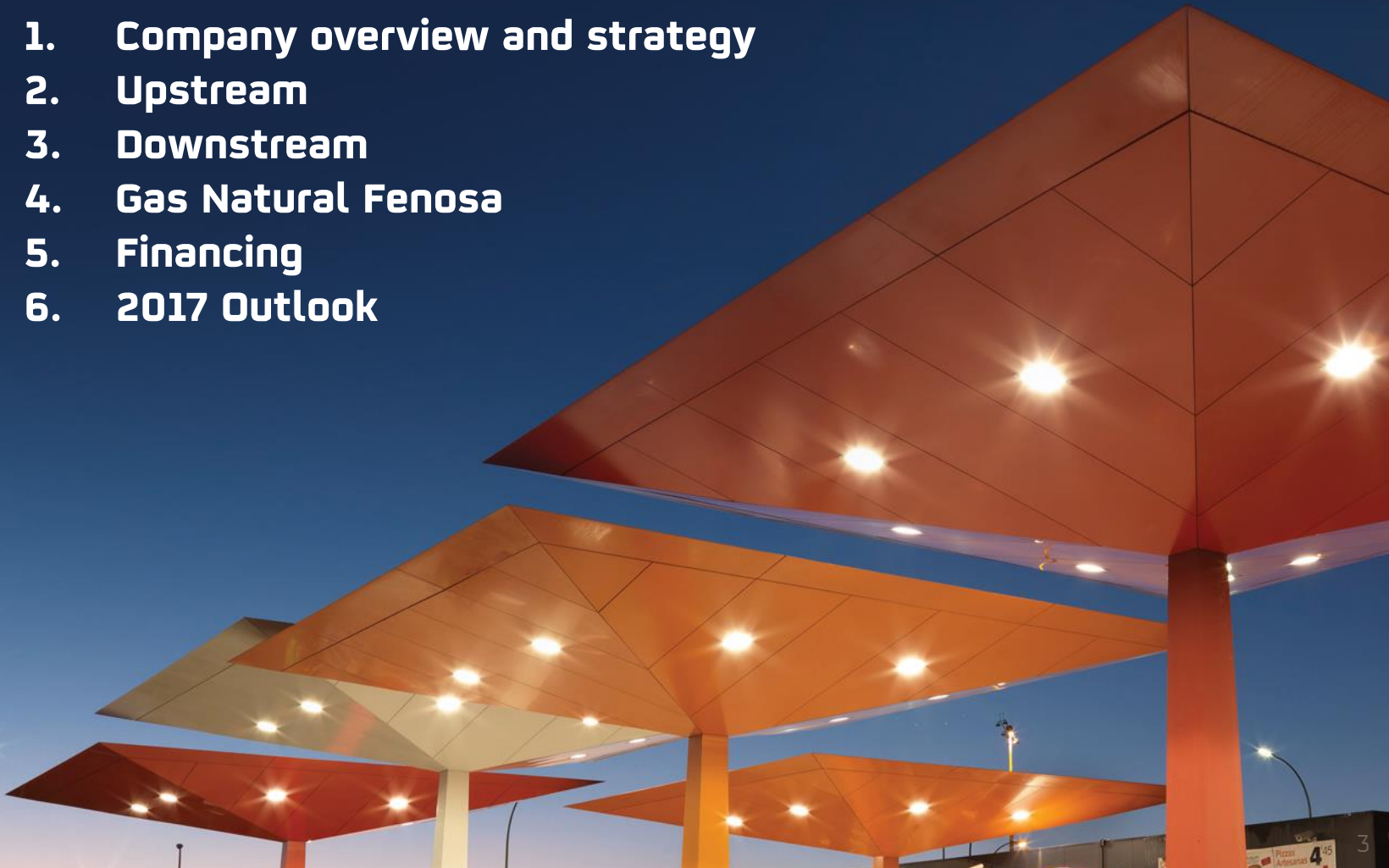
*In October 2015, the European Securities Markets Authority (ESMA) published the Guidelines on Alternative Performance Measures (APM), of mandatory application for the regulated information to be published from 3 July 2016. Information and disclosures related to APM used on the present document are included 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**

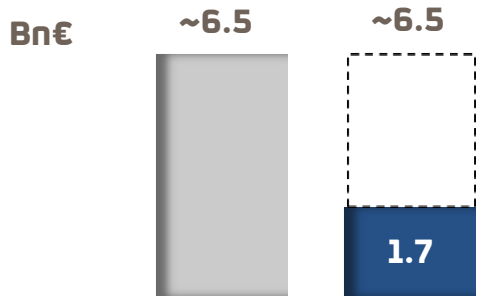
**1**

# Key messages 1Q 2017

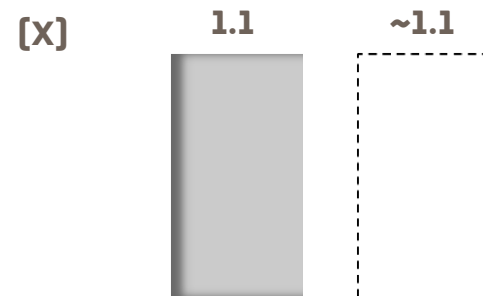
Company overview and strategy



## Continued delivery on strategic objectives

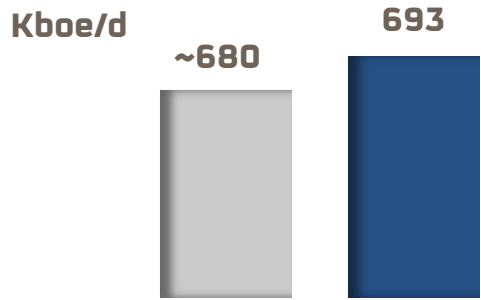


Strong EBITDA CCS generation



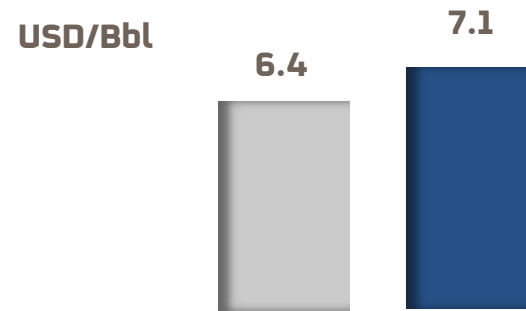
Net Debt/EBITDA in line with projections

### Upstream



Production volumes ahead of plan

### Downstream<sup>[1]</sup>



Refining margin indicator in line with expectations

■ 2017 Budget ■ 1Q17 actual □ 2017 guidance

[1] Refining Margin Indicator

# Operational highlights 1Q 2017

Company overview and strategy



## Upstream

### Production:

- ✓ **1Q17** = 693 Kboe/d → 2% increase QoQ
- ✓ Return of **Libya** → 20 Kboe/d in the quarter
- ✓ Full-quarter contribution from **Lapa**

### Exploration program:

- ✓ 5 exploratory & appraisal wells completed **[2 positive]**<sup>[1]</sup>
- ✓ **Alaska** → confirmed the potential of the Nanushuk play
- ✓ 2017 program: **17 wells [15 exploratory & 2 appraisal]**

## Downstream

### Refining:

- ✓ Strong refining margin indicator **7.1 USD/Bbl** in 1Q17
- ✓ **Planned maintenance** in La Coruña and Bilbao
  - ✓ 87% → Utilization of the distillation units
  - ✓ 97% → Utilization of the conversion units

### Petrochemicals:

- ✓ **Strong performance** → EBIT in line with 4Q16

### Marketing:

- ✓ Strong retail environment in Spain

## Corporate and others

### Synergies and efficiencies:

- ✓ 1Q17 → cash savings > **€0.5 Bn**
- ✓ 2017 target **€2.1 Bn**

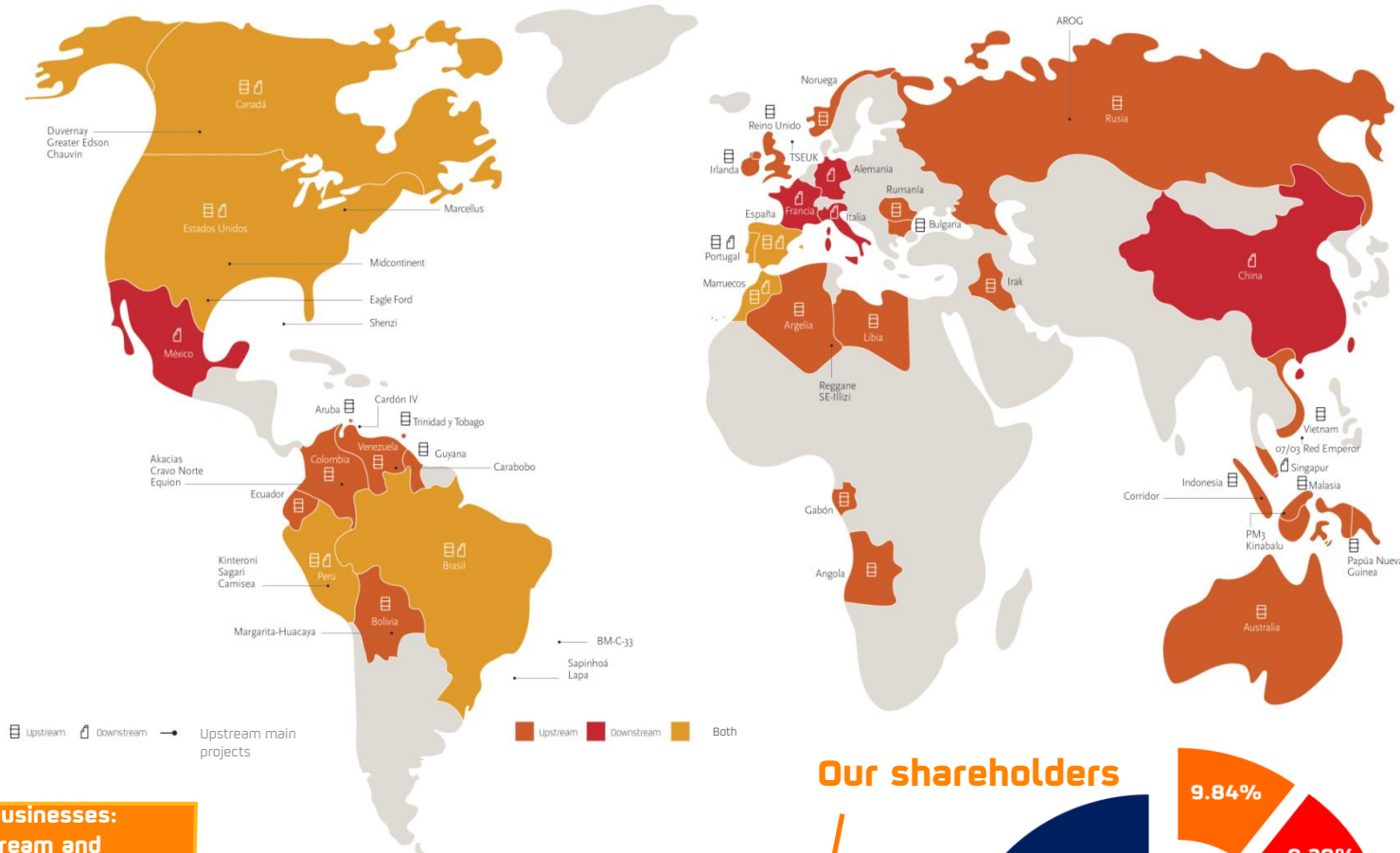
### Corporation:

- ✓ 1Q17 Net debt **€8.3 Bn**
- ✓ Net Debt / EBITDA [x] = **1.1**<sup>[2]</sup>
- ✓ Objective → Credit rating **BBB stable**

[1] 4 in 1Q17, 1 post quarter end [2] Estimated FY 2017

# Through the value chain and across the globe

## Company overview and strategy



**Core businesses:  
Upstream and  
Downstream**

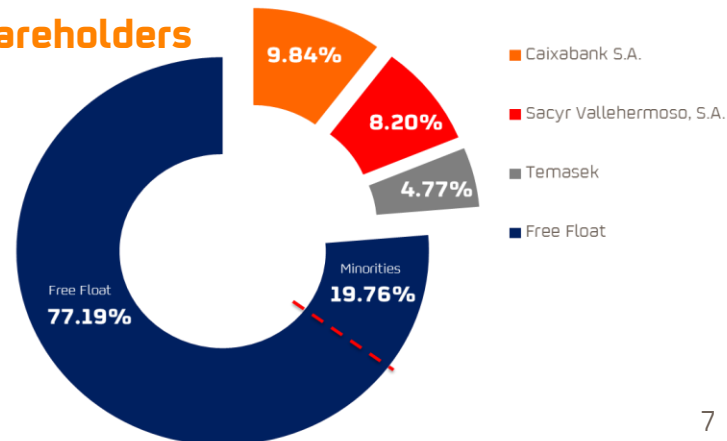
**~700 kboepd  
production**

**~1 Million bpd refining  
capacity**

**~2.4 billion boe  
proved reserves [\*]**

**20% stake in GNF**

### Our shareholders



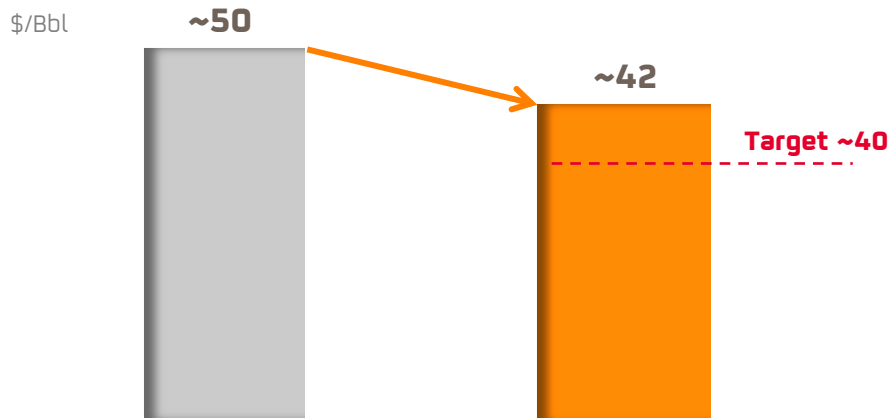
[\*] As at 31/12/2016

# 2016 - A year of strategic progress

Company overview and strategy

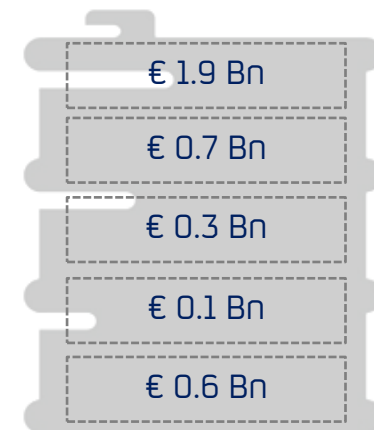


## Group FCF breakeven

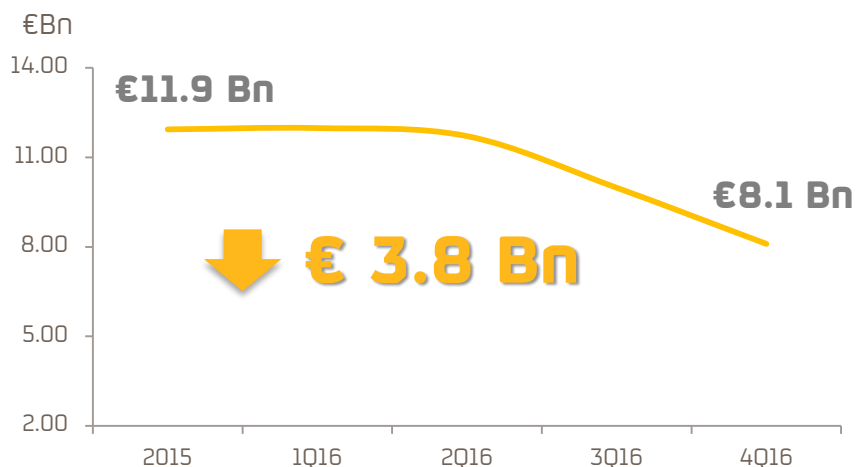


## Divestments

- 10% stake in GNF
- Piped LPG
- Tangguh
- TSP
- Others (eg: LPG Ecuador and Peru)



## Net Debt



## Key Metrics

	2015		2016
<b>EBITDA CCS</b> (Bn€)	<b>5.1</b>	➔	<b>5.0</b>
<b>Brent price</b> (\$/Bbl)	<b>52.4</b>	➔	<b>43.7</b>
<b>HH</b> (\$/MBtu)	<b>2.7</b>	➔	<b>2.5</b>
<b>Refining margin Indicator</b> (\$/Bbl)	<b>8.5</b>	➔	<b>6.3</b>
<b>Exchange rate</b> (\$/€)	<b>1.11</b>	➔	<b>1.11</b>



# 2016 to 2020: Value and Resilience

Company overview and strategy



## 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



## COMMITMENT

## 2016 DELIVERY

IMPLEMENTATION

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

✓✓ Ahead of plan    ✓ On target

[\*] It includes cash proceeds and benefits    [\*\*] Organic breakeven [divestments not included]

# Efficiencies and Synergies Update

Company overview and strategy



Pre-tax cash savings			
	COMMITMENT	DELIVERY	ESTIMATED
	// 2016 BUDGET //	// 2016 //	// 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
	<b>€1.1 B</b>	<b>€1.6 B</b>	<b>€2.1 B</b>

**2018 target accelerated into 2017**

# Resilience in the lower part of the cycle

Company overview and strategy

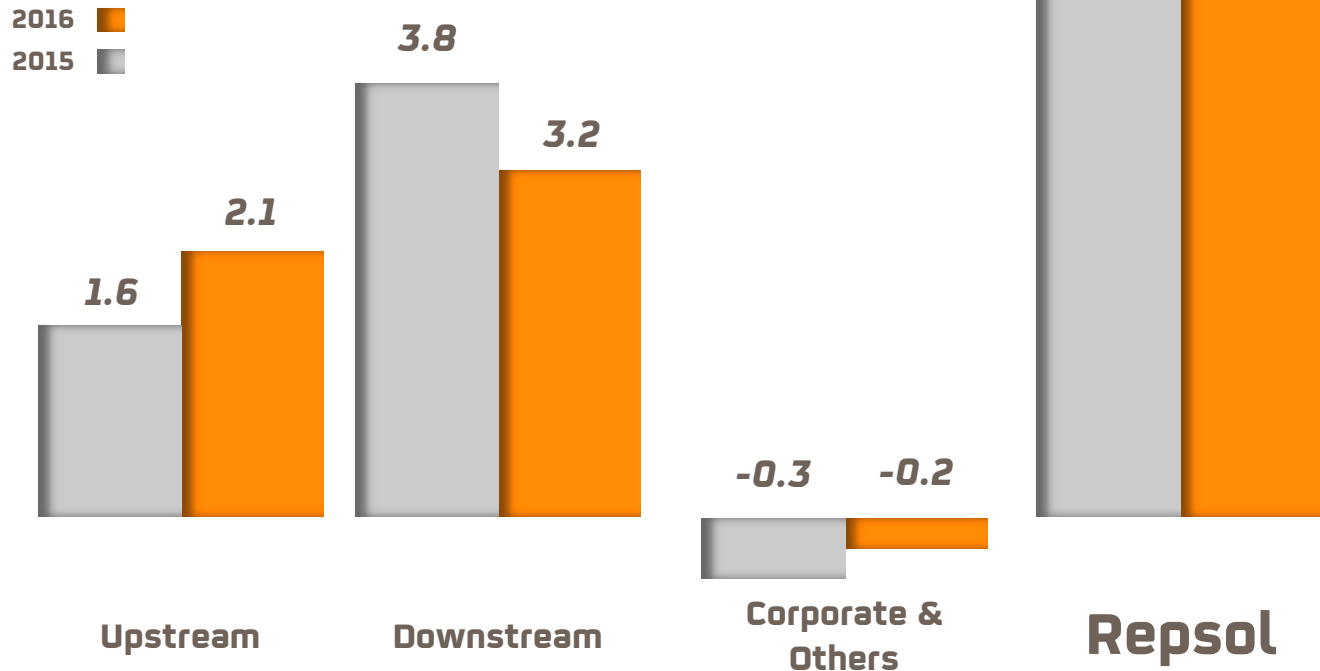


	2015	2016
Brent price [\$/Bbl]	52.4	43.7
HH [\$/MBtu]	2.7	2.5

	2015	2016
Upstream Break Even[\$/Bbl]	~94 <sup>(*)</sup>	~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 8<sup>th</sup> of May 2015. Excludes any 2015 Upstream disposal.

# Portfolio management

Company overview and strategy



## Completed

**10 % Stake GNF**



**Piped LPG**



**Alaska dilution**



**Eagle Ford-Gudrun**



**10 % Stake CLH**



**UK wind power**



**LPG Peru & Ecuador**



**Exploratory licences Canada**

**Brynild Norway**

## ...Latest transactions

**Tanggung**



**TSP**



**TOTAL DIVESTED 5.1 B€**

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

Company overview and strategy

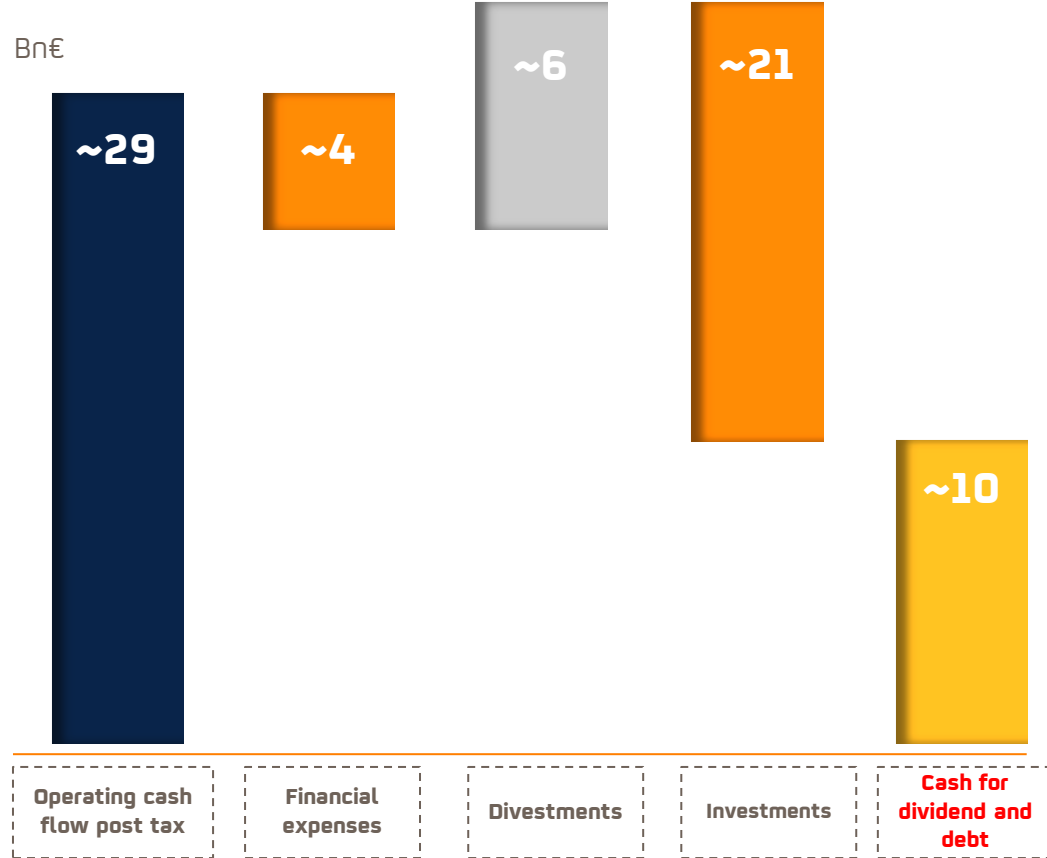


## Cash movements 2016-2020<sup>(\*)</sup>

2016 Contribution



Bn€



## 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 margining +/- \$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

**UPSTREAM**

**2**

# 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

## ● Latin America: **FCF**

Production 2016: ~302 kboepd

Operatorship: ~20%

Gas production [2016]: 70%

- Regional scale
- Exploration track record
- Cultural fit

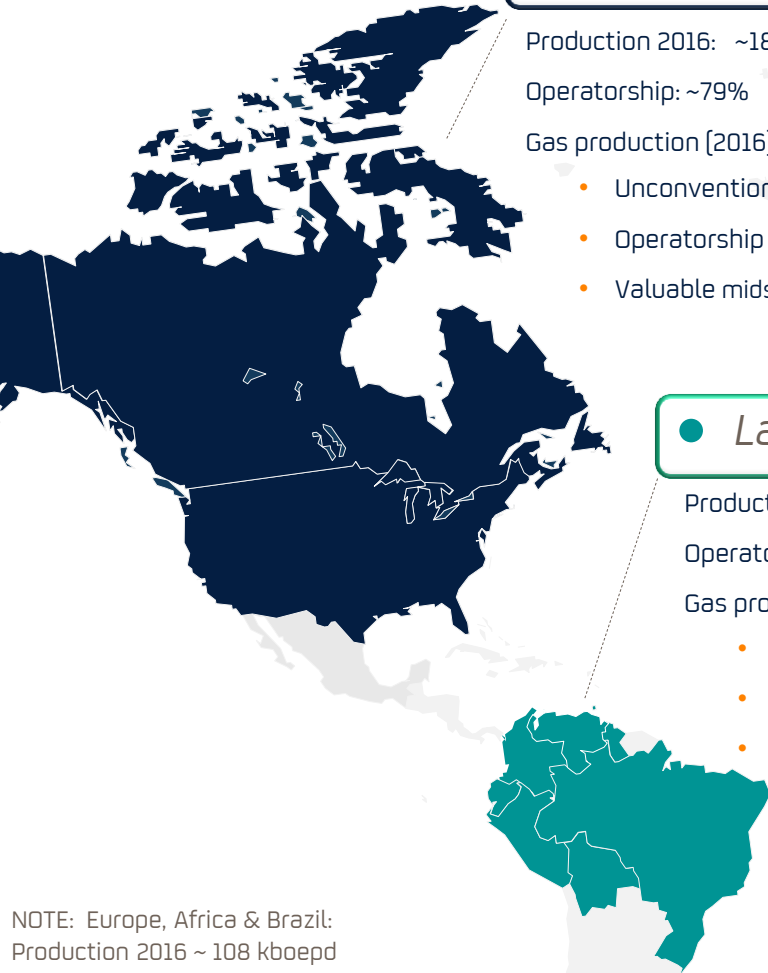
## ● SouthEast Asia: **FCF & Growth**

Production 2016: ~98 kboepd

Operatorship: ~37%

Gas production [2016]: 77%

- Self-financed growth
- Relationship with governments/NOCs
- High potential exploration blocks



	2016	2017E
<b>Production</b> [kboepd]	<b>690</b>	<b>~680<sup>[*]</sup></b>
<b>IP Reserves</b> [Mboe]	<b>2,382</b>	
<b>RRR [%]</b>	<b>124<sup>[**]</sup></b>	<b>~100<sup>[***]</sup></b>

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

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

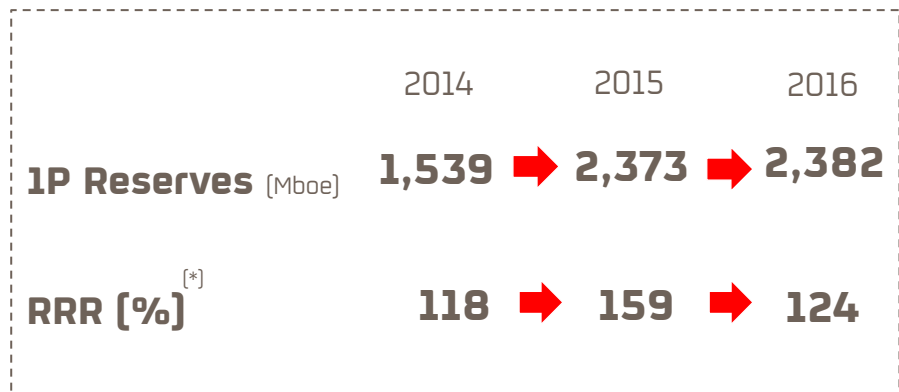


# 2016 Upstream Results

Upstream

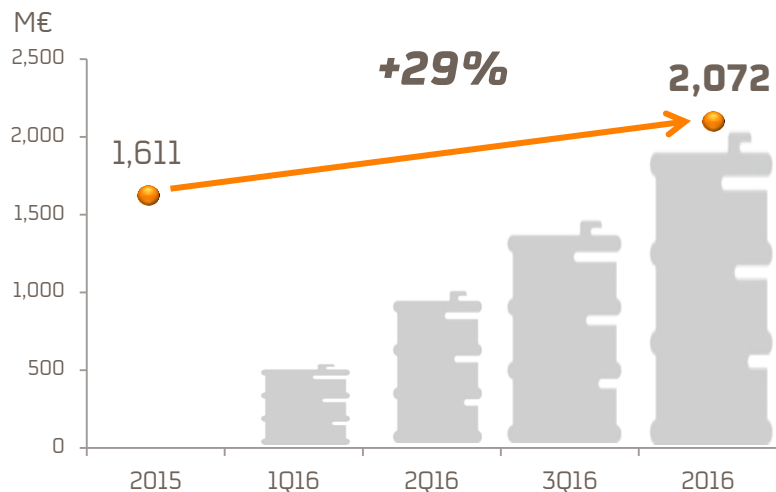


## RESERVES



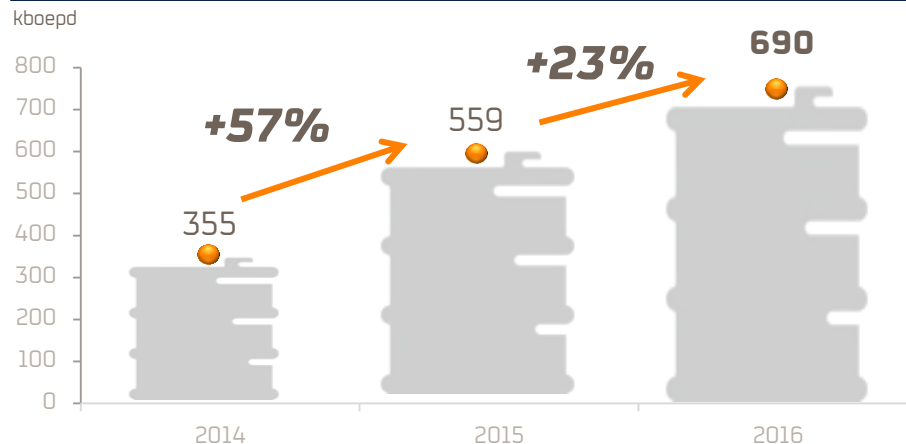
[\*] Organic RRR

## EBITDA<sup>[\*\*\*]</sup>



[\*\*\*] Cumulative

## PRODUCTION<sup>[\*\*]</sup>



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

## PROJECTS

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

# Assets & Projects

Upstream



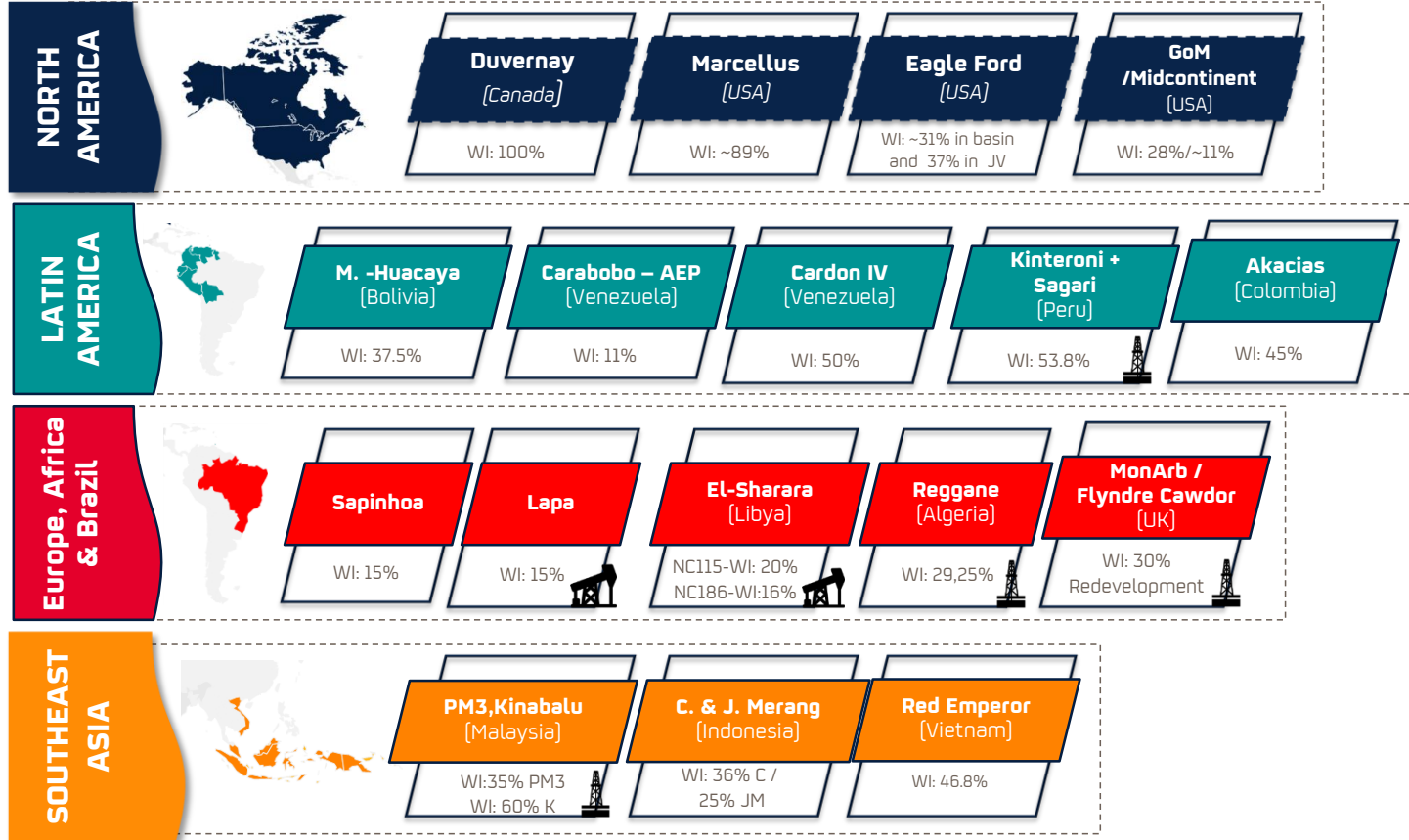
## // Exploration //

### Contingent resources

- Unconventional North America
- Brazil: Campos-33, Sagitario
- Russia: Karabashky
- Colombia: CP09 & Niscota
- Alaska: Colville High
- GOM: Leon and Buckskin
- Indonesia: Sakakemang
- Vietnam: Red Emperor extension
- Kurdistan
- PNG: GAP

### Prospective resources

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



“As is” organic portfolio potential of more than 900 kboepd



First production 2017



Ramping up in 2017

# Capex optimization

Upstream



Organic RRR [%]

118%

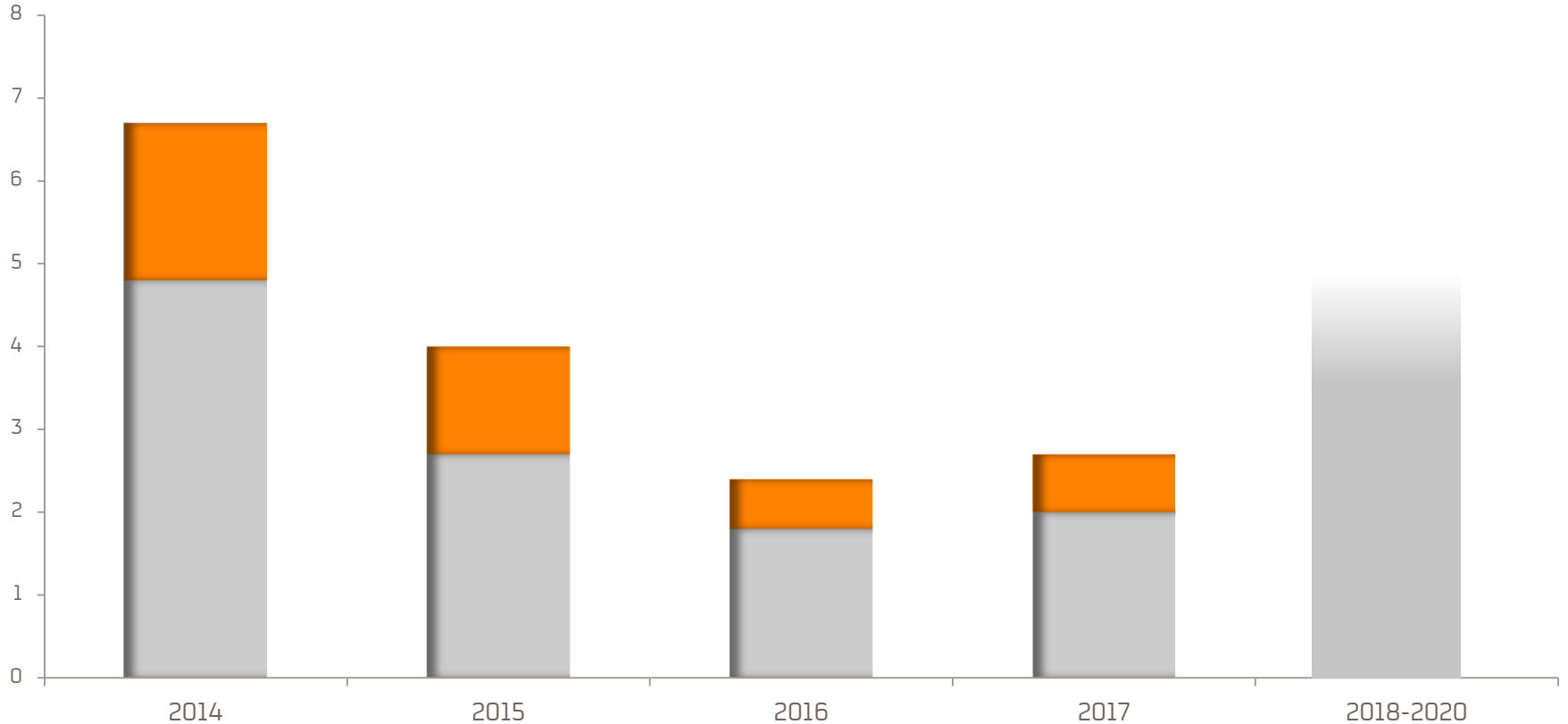
159%

124%

Average 2017-2020

~100%

Bn\$



Exploration Capex    Development Capex    Average Capex 2018-2020

# Efficiency program: delivering our target



Upstream

M€



Note: Excluding synergies  
 \* It does not include ~ 200 M€ of one off

3

# Downstream



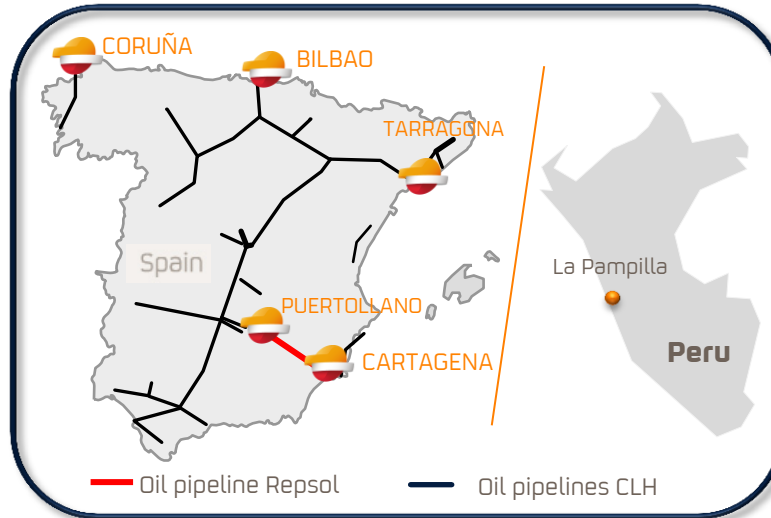
# Sustainable cash flow generator

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



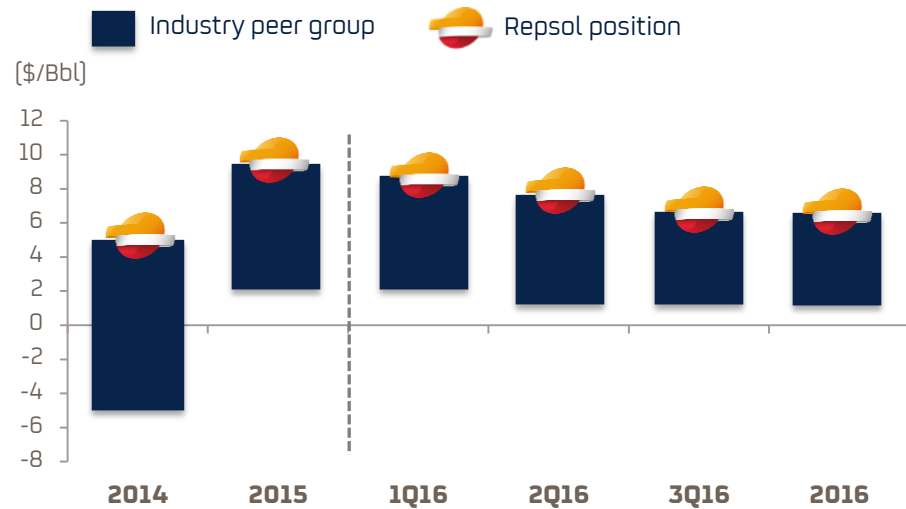
Objective to generate FCF ~ €1.7B per annum (average 2016-2020)

# 2016 Downstream Results

## Downstream



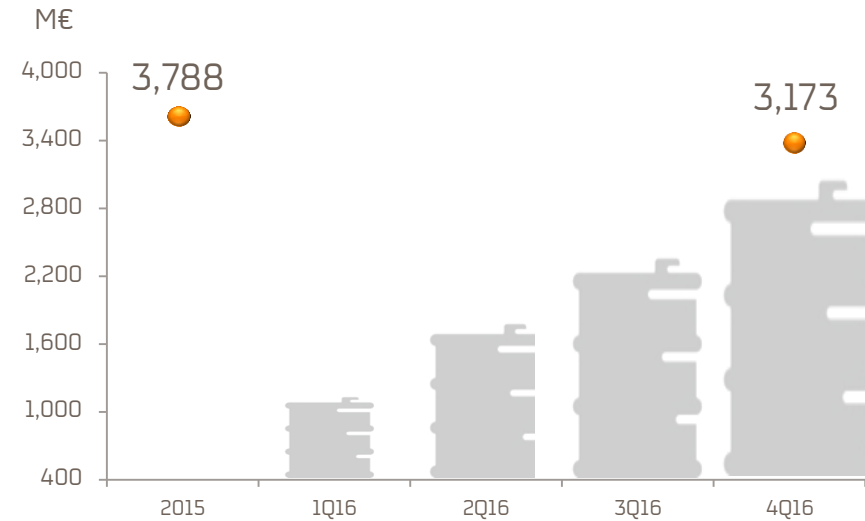
### European Integrated Margin of R&M



Source: Company filings.

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

### EBITDA CCS<sup>[\*]</sup>



\* Cumulative

### FCF



### Integrated Model

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

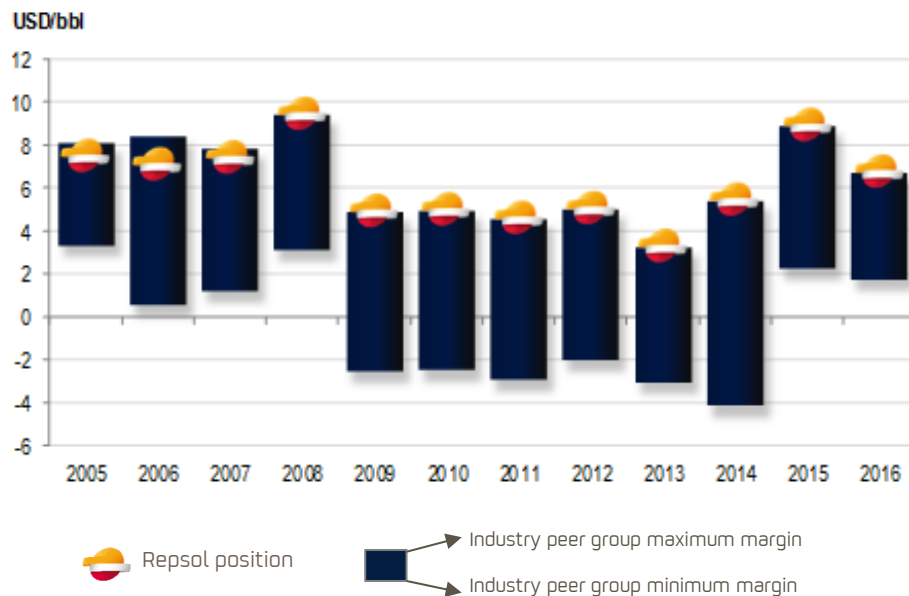
# 2016-2020 Downstream strategy

Downstream

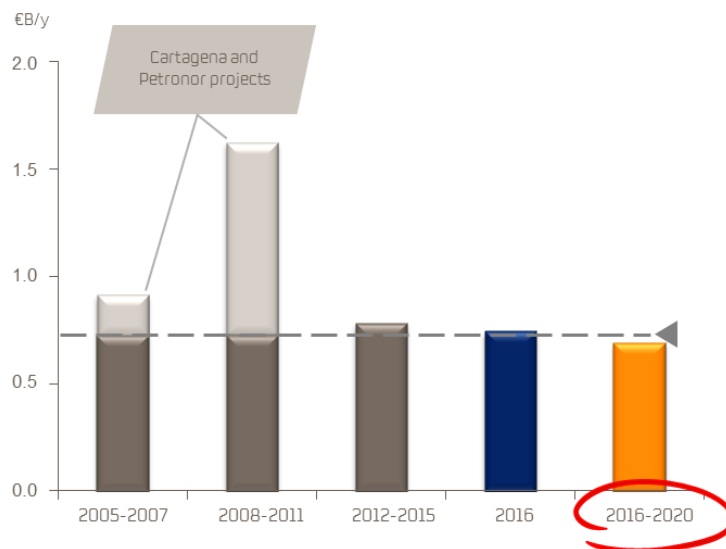


Maximizing value and cash generation leveraged on fully invested assets

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.

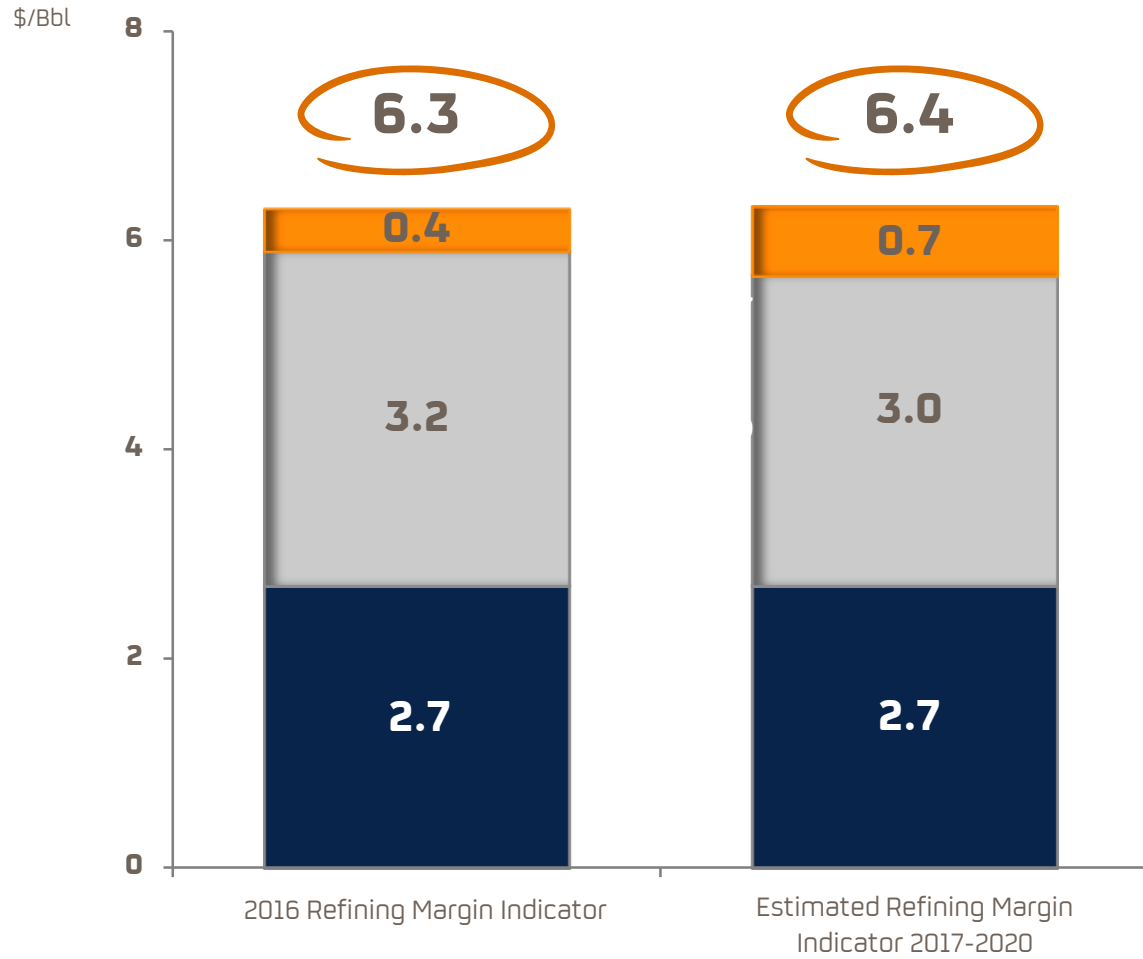
Based on annual reports and Repsol's estimates. Source: Company filings.

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



# Repsol's refining margin indicator

Downstream



■ Base Repsol Crack Index    ■ Additional margin from projects pre-SP    ■ Efficiency and margin improvement program



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<sup>1</sup>
- ✓ **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**



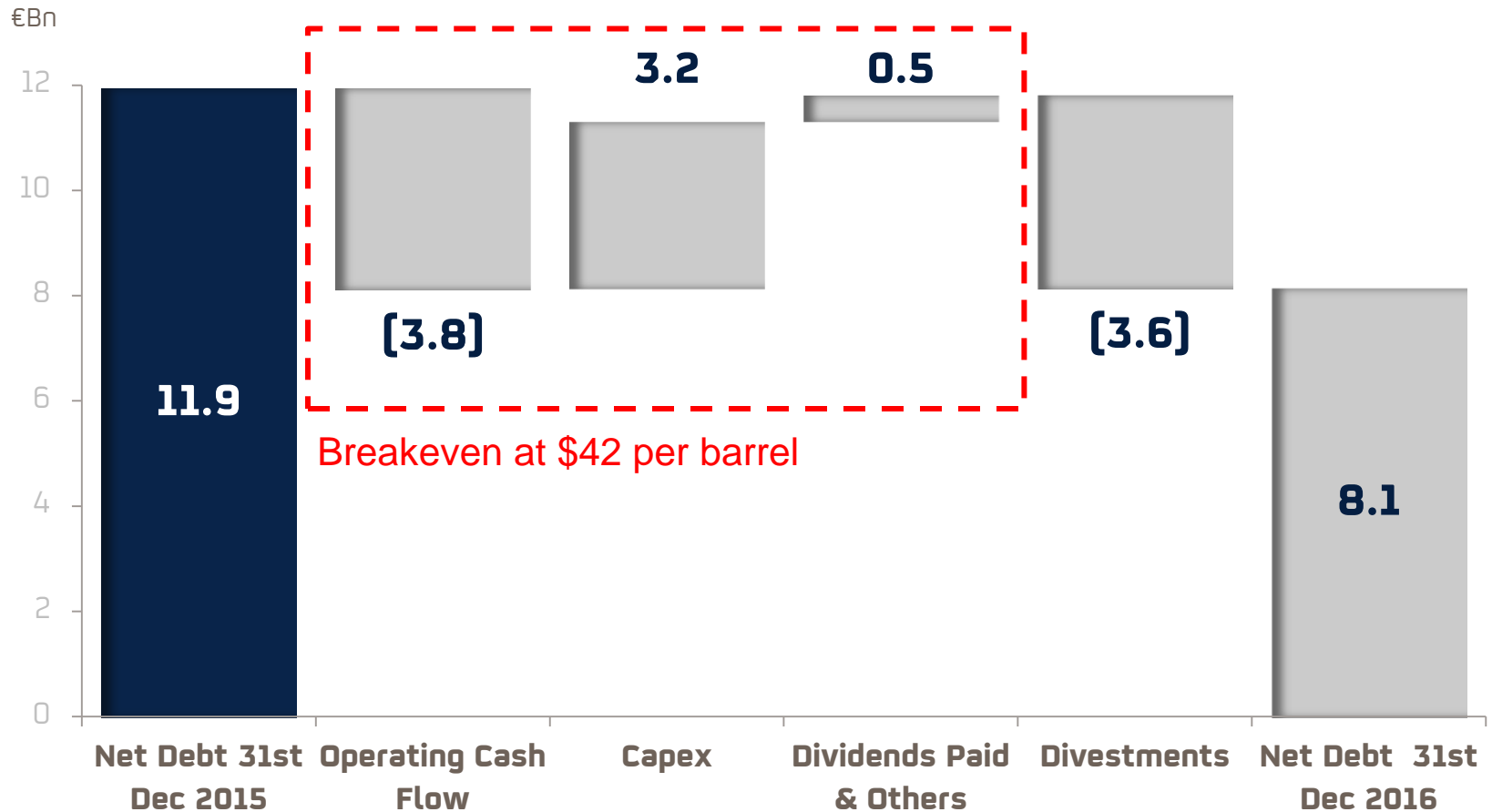
**Commitment to reduce debt and maintain investment grade**

**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

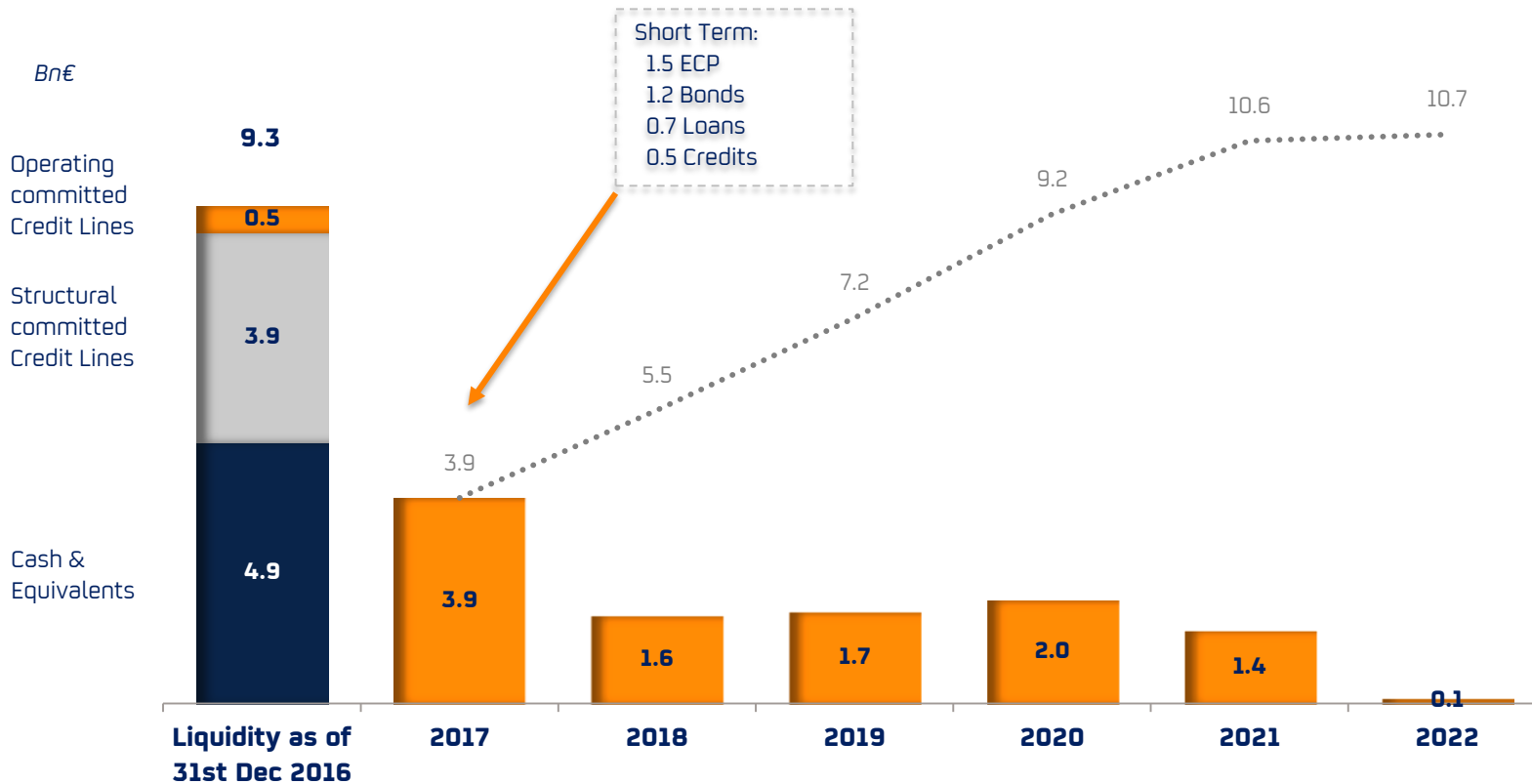
Financing



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
- E&P portfolio management: Alaska, Norway

### GNF monetization

- Sale of 10% participation in GNF

### Dividend

- Repsol dividend reduction
- 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 <sup>[*]</sup>
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	~3.6
Synergies and Efficiencies (Bn€)	1.6	2.1

	2016	2017B
FCF Breakeven [\$/Bbl]	42	~40 <sup>(**)</sup>
Net Debt/EBITDA [x]	1.6	1.1

# Investor Update 2017

2016 – 2020 Value & Resilience

