

# WEBCAST – CONFERENCE CALL Fourth Quarter 2015 Results

February 25th, 2015



**REPSOL**

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1. Main events of 2015
2. Progress of our Strategic Plan
3. Projects activity in 2016
4. Quarterly and full year results
5. Conclusions



Main events of 2015

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# Main events of 2015

## Highlights



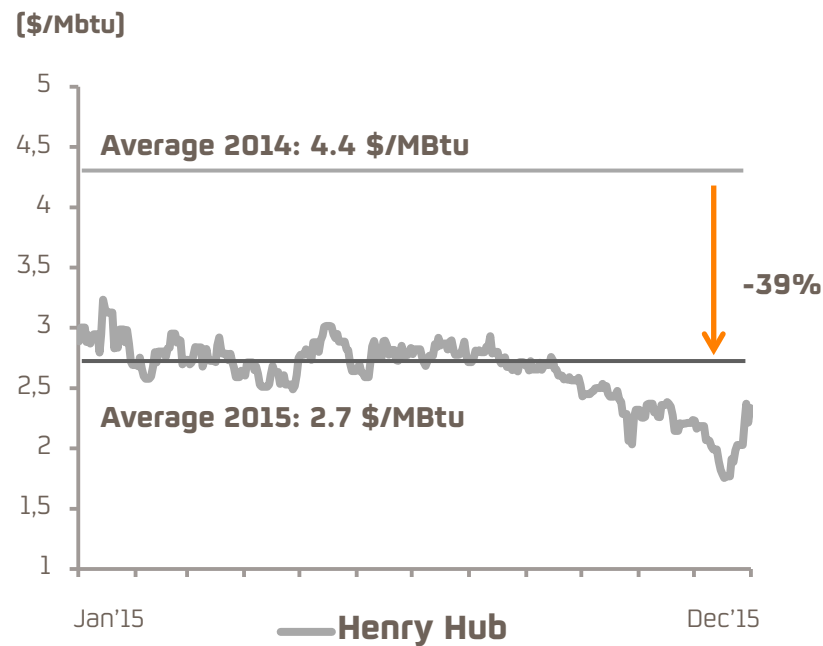
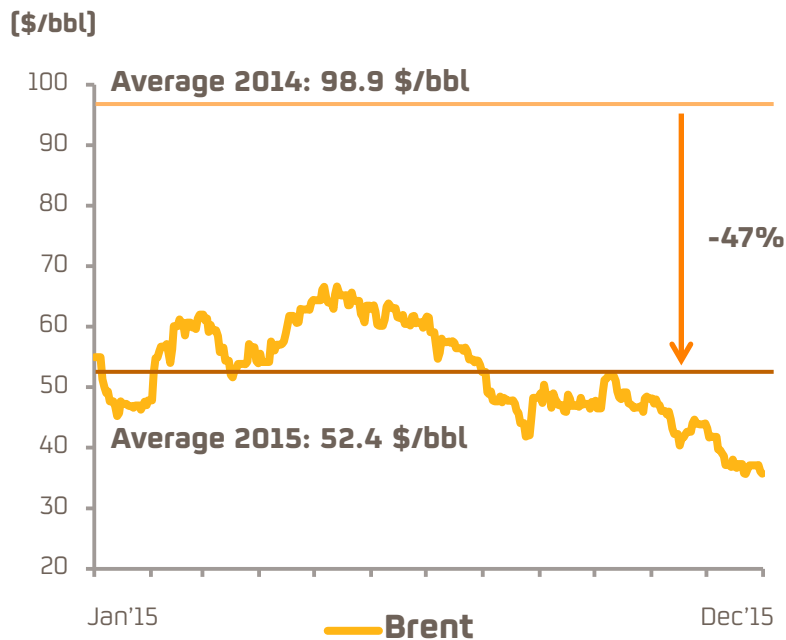
- Integration of **Talisman**
- Strategic Plan 2016-2020: **Value and Resilience**
- Challenging **macro scenario**
- EBITDA CCS of **€5Bn**
- Cash Flow from operating activities of **€5.4Bn**
- Cash neutrality **break-even** below 50\$ in 2015
- **Debt reduction** of €1Bn excluding the effect of the Talisman acquisition

# Main events of 2015

Prices continued negative trend



## // 2015 Brent and Henry Hub //



**Brent averaged 47 \$/bbl less in 2015 vs 2014**

**Henry Hub averaged 1.7 \$/Mbtu less in 2015 vs 2014**

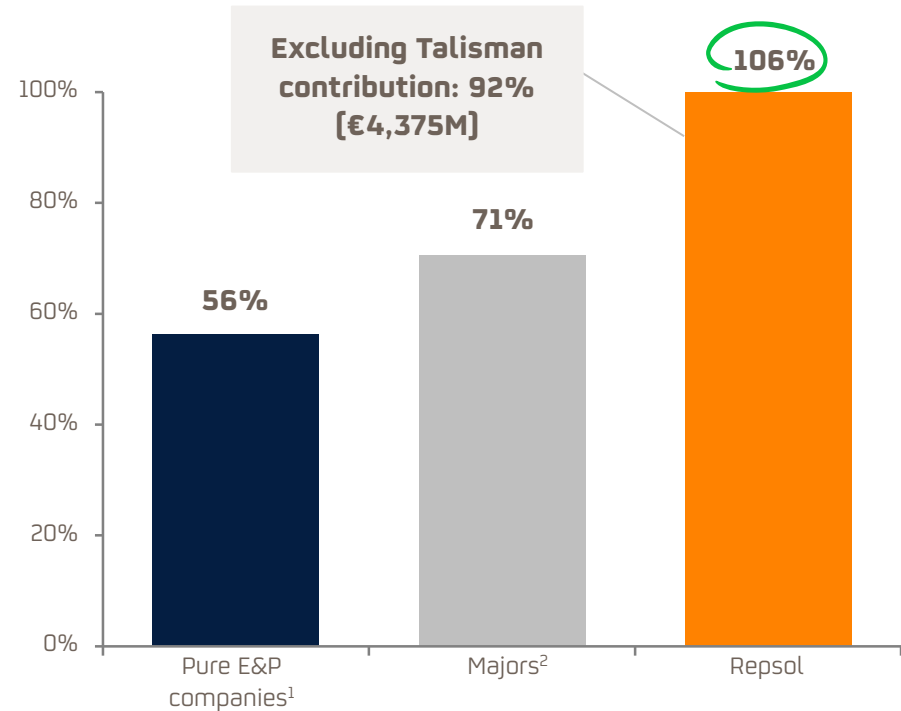
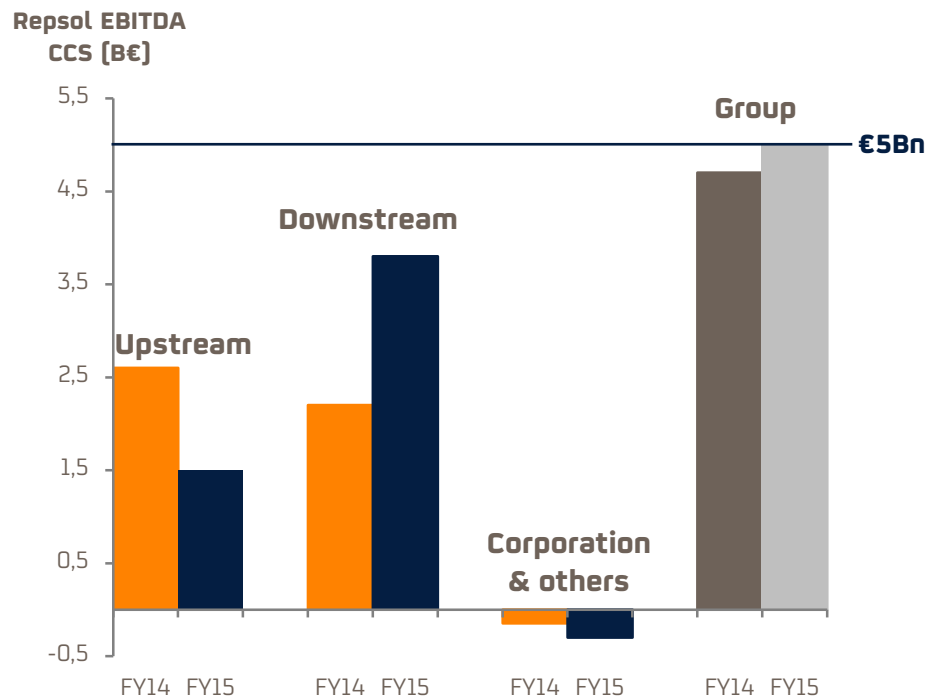
# Main events of 2015

Strong cash generation in a challenging scenario



// Maintaining EBITDA CCS 2015 vs. 2014  
at much lower crude prices //

// EBITDA CCS FY 2015 / FY 2014 [%] //



1. Peers included in Pure E&P are ConocoPhillips, Anadarko, Devon and Occidental  
2. Peers included in Majors and Integrated are Chevron, Total, Shell, Exxon, BP, BG and Statoil

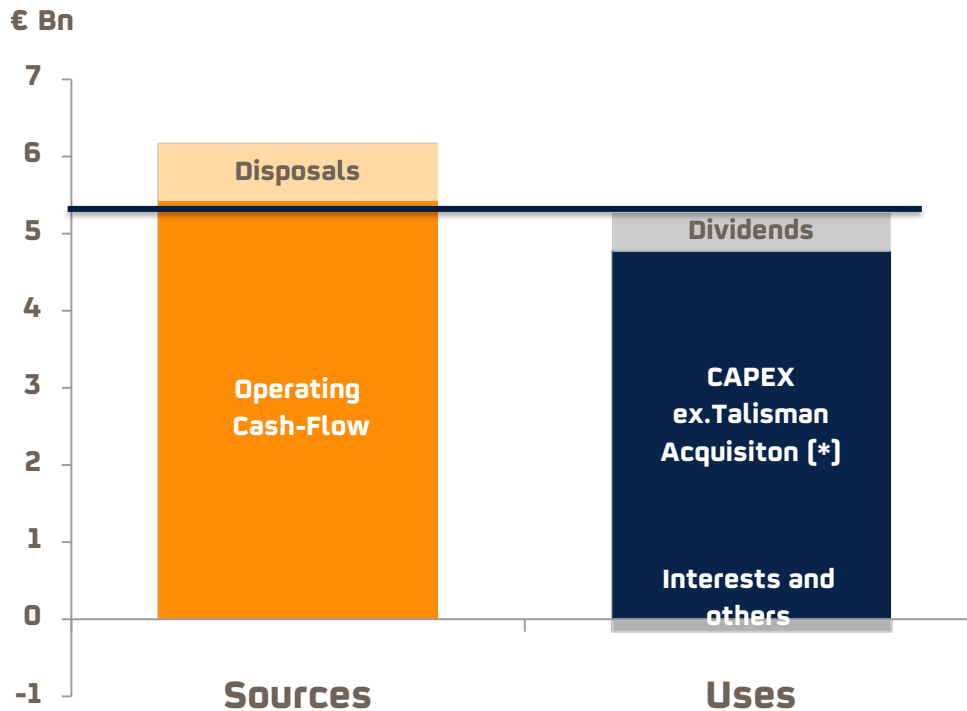
**In 2015, even under this macro scenario we maintain our EBITDA CCS stable compared to 2014**

# Main events of 2015

## Sources and Uses of cash



### // Sources and Uses of cash in 2015 //



- Repsol integrated model delivering strong results in difficult Upstream environment
- Downstream acting counter-cycle leveraging:
  - Increased oil product demand
  - Higher industry margins
  - Privileged Repsol asset base
- Upstream impact partially mitigated by PSC's and fixed prices, plus gassy production mix
- GNF provides stable dividends

**Positive Free Cash Flow in 2015 reduces Net Debt in €1 Billion.  
2015 FCF breakeven after dividends lower than 50 \$/Bbl**

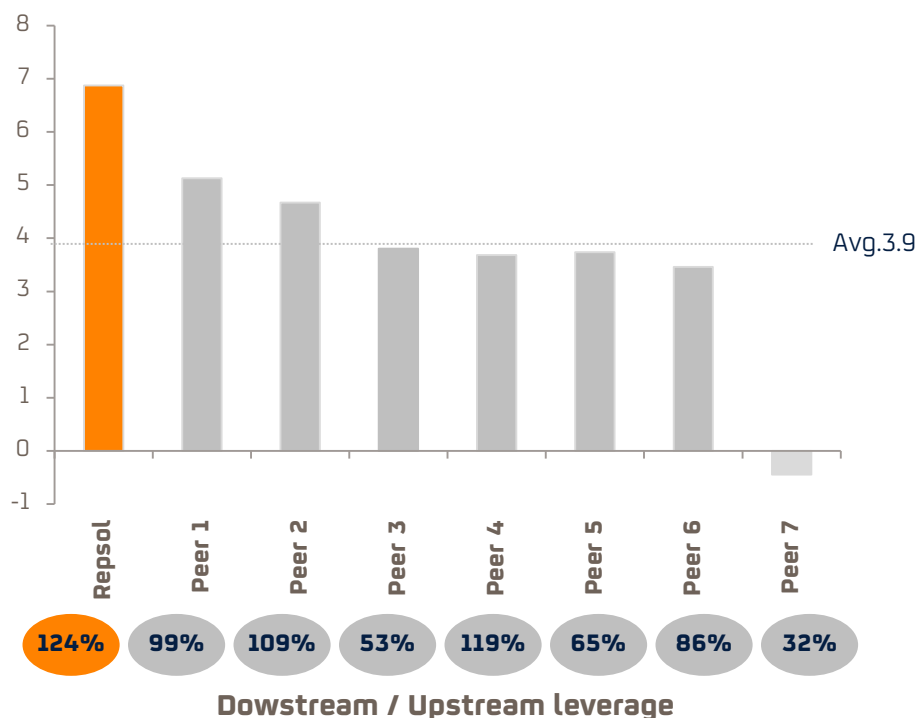
\* Capex 2015 excluding the payment for the acquisition of Talisman



# Main events of 2015

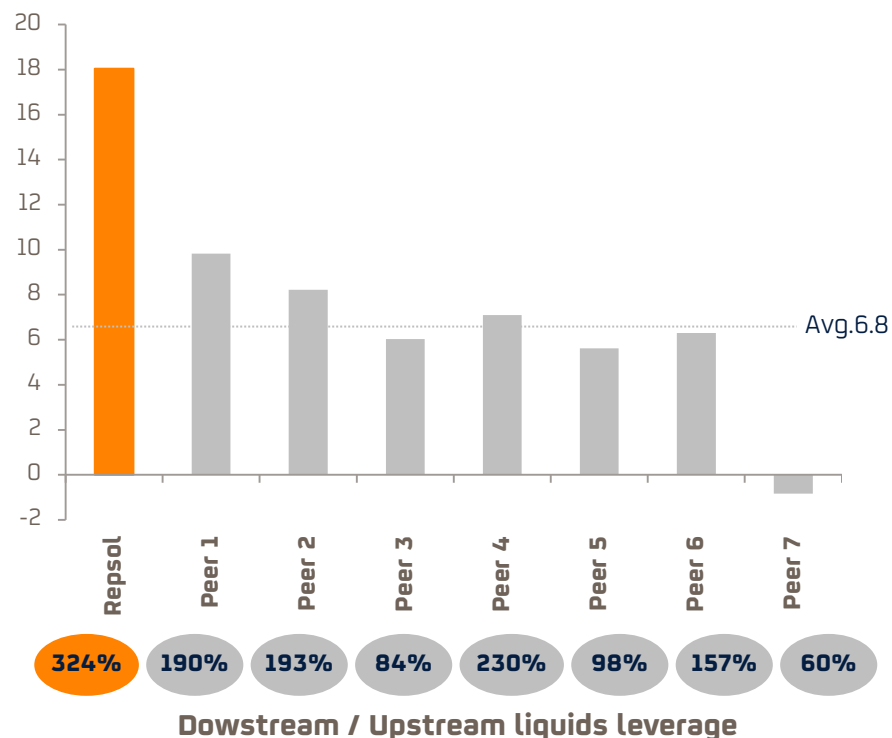
## Repsol profits from a high Downstream/Upstream leverage

// Avg 2010-15 R&M integrated margin <sup>(1)</sup> x 2015E  
Downstream / Upstream leverage (\$/bbl) //



2015E Refining distillation / Upstream total production [%]

// Avg 2010-15 R&M integrated margin <sup>(1)</sup> x 2015E  
Downstream / Upstream liquids leverage (\$/bbl) //



2015E Refining distillation / Total Liquids production [%]

<sup>(1)</sup> Figures based on 3Q15 reported information. R&M operating profit is a proxy of the impact in FCF breakeven under the assumption that Investments=Depreciation. 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]. Source: company filings

\* Peers companies considered: BP, Shell, Chevron, Total, Exxon, OMV and ENI



Progress of our Strategic Plan

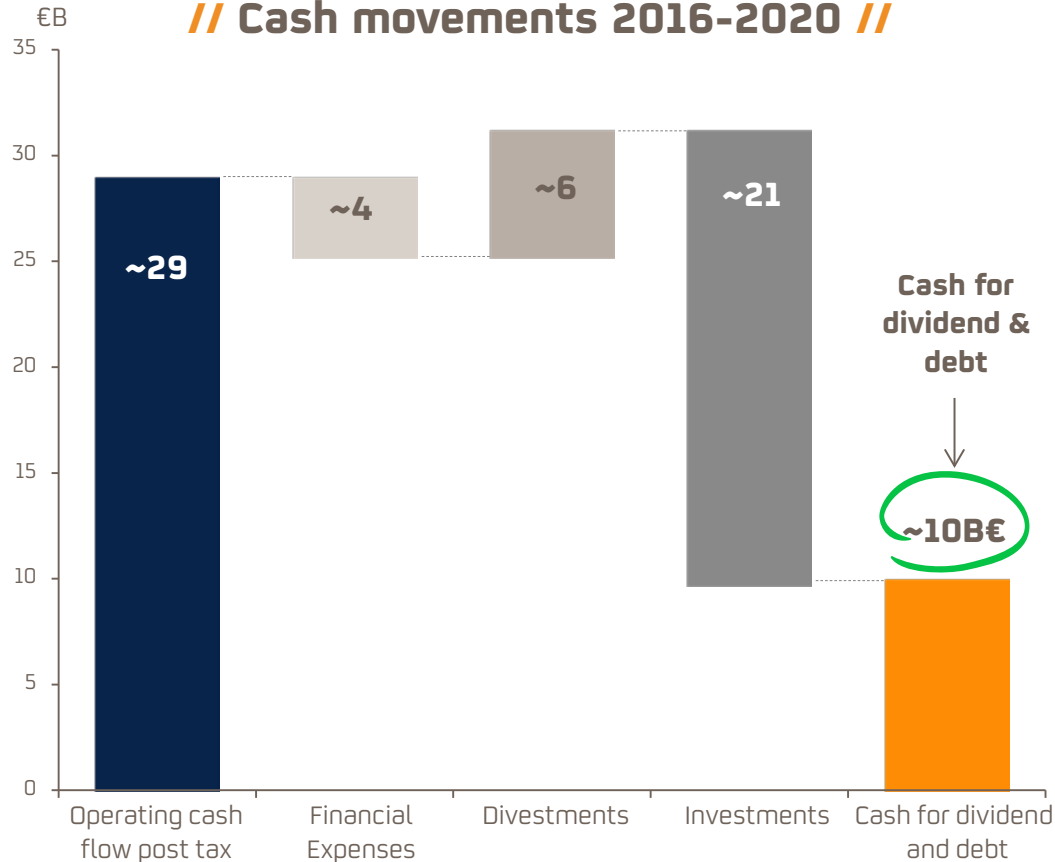
2

# Progress of our Strategic Plan

## Stress Case under revisited price deck



### // Cash movements 2016-2020 //



- Reduction of our capex budget in 2016 below €4Bn
- Investment reduction for 2016 and 2017 around €1.8Bn
- Acceleration of efficiency and synergy target in 2016 → €1.1Bn
- Reduction of Group FCF breakeven to 40\$

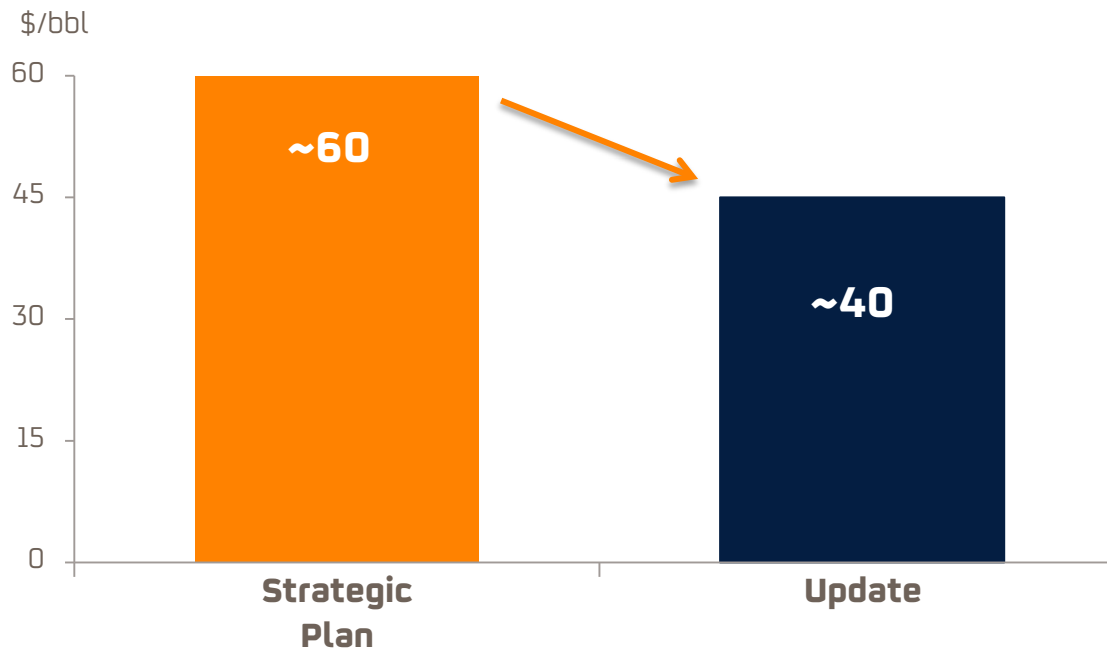
Sensitivities [5 years accumulated]	FCF	Adj. Net Income
Brent +/- \$5/bbl	€1.5B -€1.5B	€1.3B -€1.3B
Henry Hub +/- \$0.5/Mbtu	€0.8B -€0.8B	€0.6B -€0.6B
Refining Margin +/- \$1/bbl	€0.8B -€0.9B	€1.1B -€1.1B

# Progress of our Strategic Plan

Group's Break even of 40\$/bbl in 2016-2017



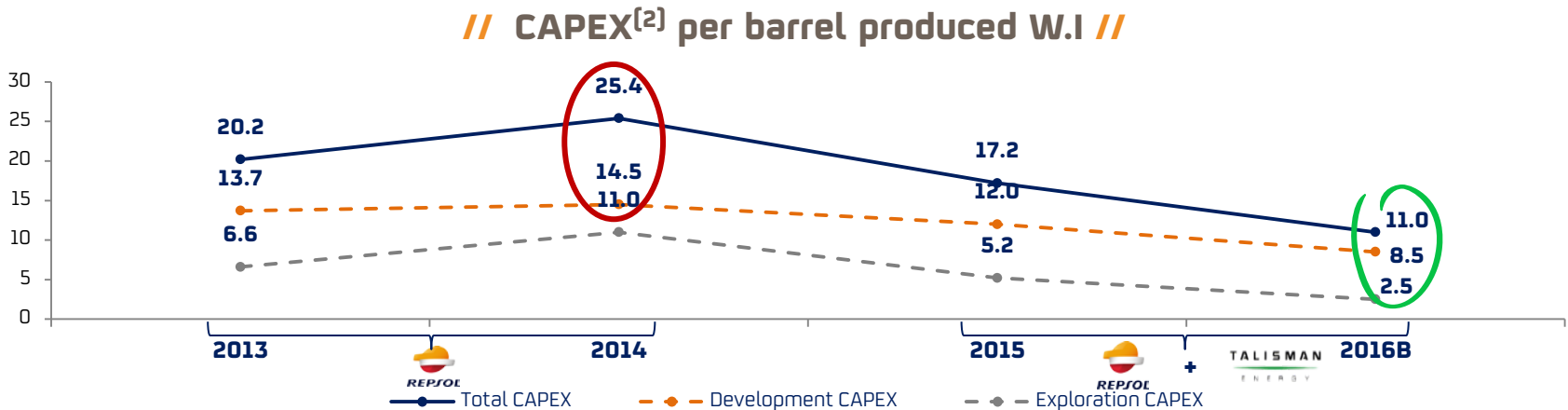
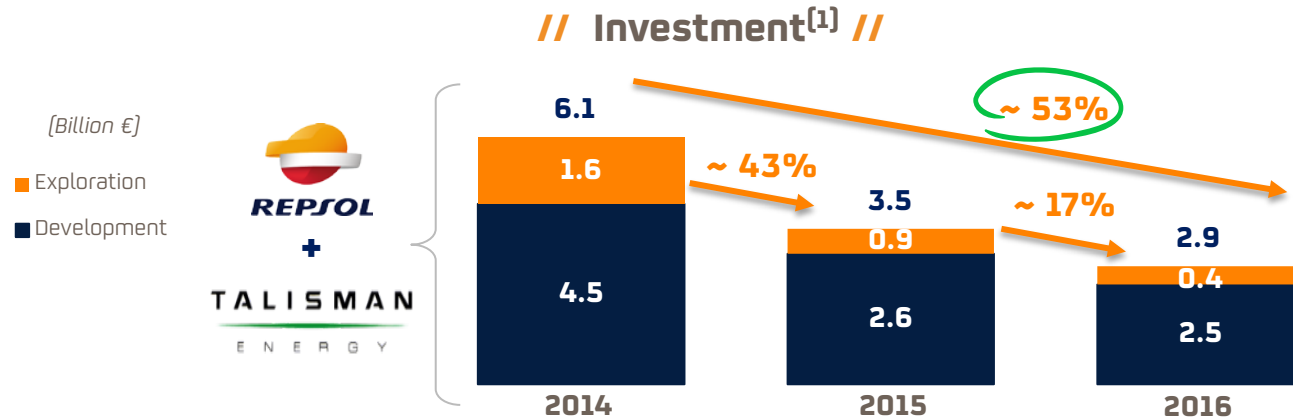
// Group FCF breakeven after dividends and interests  
[2016-2017] //



**Resilience: \$40/bbl free cash flow breakeven after dividend and interests**

# Progress of our Strategic Plan

## Investments and Capex reduction in the Upstream Business



**Capex per barrel produced decreases significantly in 2016** after Talisman acquisition: exploration is reduced and development Capex is compensated by increased production

<sup>(1)</sup> Investment excluding G&G and G&A from exploration and including efficiencies.

<sup>(2)</sup> CAPEX including G&G and G&A from exploration and including efficiencies

# Progress of our Strategic Plan

## Status of the Efficiency Plan



### Pre-tax cash savings

// 2016 // // 2018 //

Synergies	€0.2 B	€0.3 B
Upstream Opex & Capex efficiency	€0.6 B	€1.1 B
Downstream profit improvement and efficiency	€0.2 B	€0.5 B
Corporation right-sizing	€0.1 B	€0.2 B
	<b>€1.1 B</b>	<b>€2.1 B</b>

- Recurrent synergies target increased to 400M\$
- 50% of synergies already implemented
- Upstream program ahead of schedule [700 efficiency initiatives identified]
- Downstream and Corporate on track
- Upstream unit Opex reduction of 13% in 2016

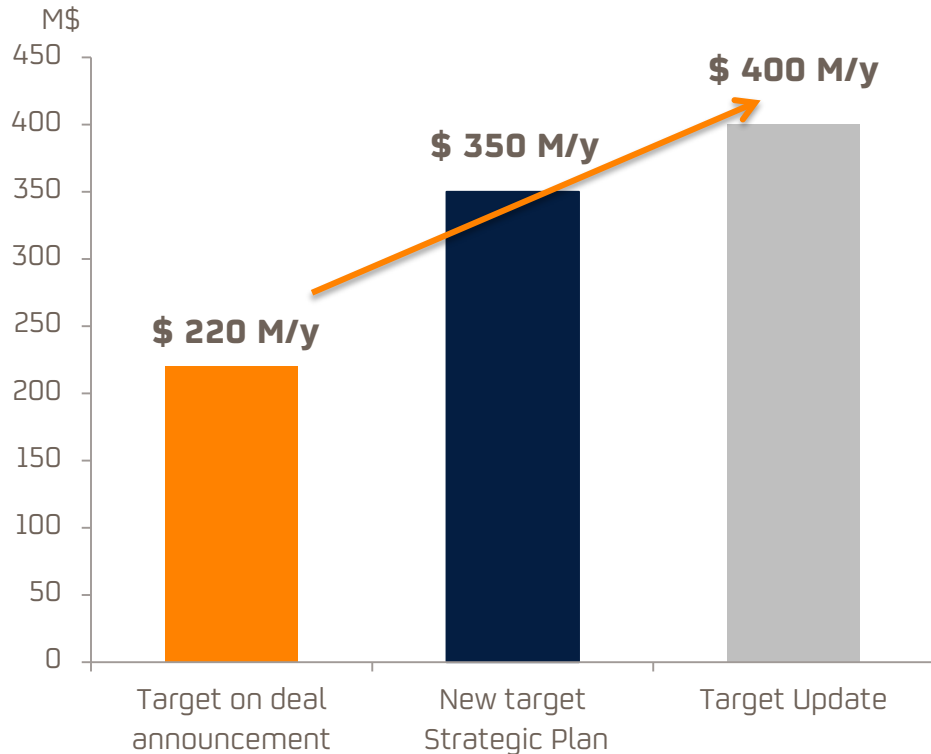
**More than 50% of the efficiency plus synergies target in 2018 to be achieved in 2016**

# Progress of our Strategic Plan

## New synergy target



// >\$250M in 2016 of which ~225M already captured //



- \$88M Finance:** repurchase of Talisman bonds and joint financial optimization
- \$69M People and Organization:** workforce and contractor reduction from overlaps
- \$34M IT:** application & infrastructure rationalization
- \$21M Exploration:** highgrading of Talisman portfolio
- \$13M Joint insurance program**

**Repsol increases recurrent synergy target derived from Talisman Integration up to 400 M\$ pre-tax**

# Progress of our Strategic Plan

## Transactions closed in the last months



### Wind Power

#### Sale of our offshore wind power business in the UK for 238 million euros

- After tax capital gain of 109M€



### CLH

#### Sale of Repsol's 10% stake in CLH

- We sold our stake in CLH for 325 million Euros
- Around 300 million Euros of capital gains



### Piped LPG

#### Sale of the Piped LPG business for 788 M€

- Generating an estimated pre-tax capital gain of ~470 M€
- Will be cashed-in mostly in 2016. Capital gains also to be booked mainly in 2016



### Alaska dilution

#### Agreement with our partner Armstrong to dilute our position in North Slope

- Positive impact on our cash flow of around 700 million Euros



### E.F. Gudrun

#### Eagle Ford divestment and acquisition of Norwegian producing assets

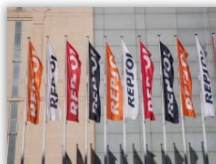
- Significant improvement in the cash flow generation in 2015-2017
- Improvement of operations through the nomination of a single operator



### Yme

#### Transfer of our 60 per cent stake in the Yme field to OKEA

- Saving 200 million euros of decommissioning costs in the 2016-2020 period



### TLM Bonds

#### Repsol amortizes part of TLM's debt and reduces its financing costs by >65M\$/year

- Repsol amortizes TLM bonds in the amount of 1.7 billion dollars in transactions that will provide the Group a net present value of more than 1 B\$
- Total capital gain of 243 M\$





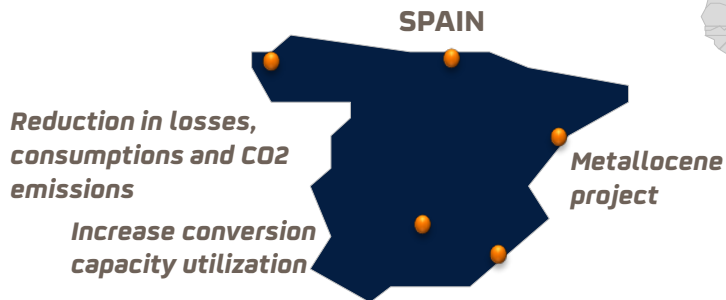
Projects activity in 2016

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# Projects activity in 2016



**ALGERIA**  
*Reganne &  
Sud-Est-Ilizi*



**COLOMBIA**  
*Akacias*



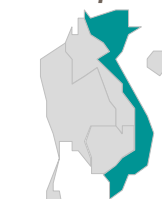
**BRAZIL**  
*Plateau Sapinhoá  
First Oil Lapa  
Appraisals*



**PERU**  
*La Pampilla Refinery  
Sagari*



**VIETNAM**  
*Red Emperor*



**MALAYSIA**  
*Redevelopment Kinabalu  
and Bunga Pakma*



**INDONESIA**  
*Exploration Activity*



\* Additional exploration activity in Angola, Romania, Bulgaria and PNG.



Quarterly and full year  
results

4

# Quarterly and FY 2015 Results



## Q4 2015

Q4 2014

Q4 2015

% Variation

**CCS Adjusted Net Income**

370

461

+ 25%

Million €

Q4 2014

Q4 2015

**Net Income**

-34

-2,059

Million €

## FY 2015

2014

2015

% Variation

**CCS Adjusted Net Income**

1,707

1,860

+9%

Million €

2014

2015

**Net Income**

1,612

-1,227

Million €

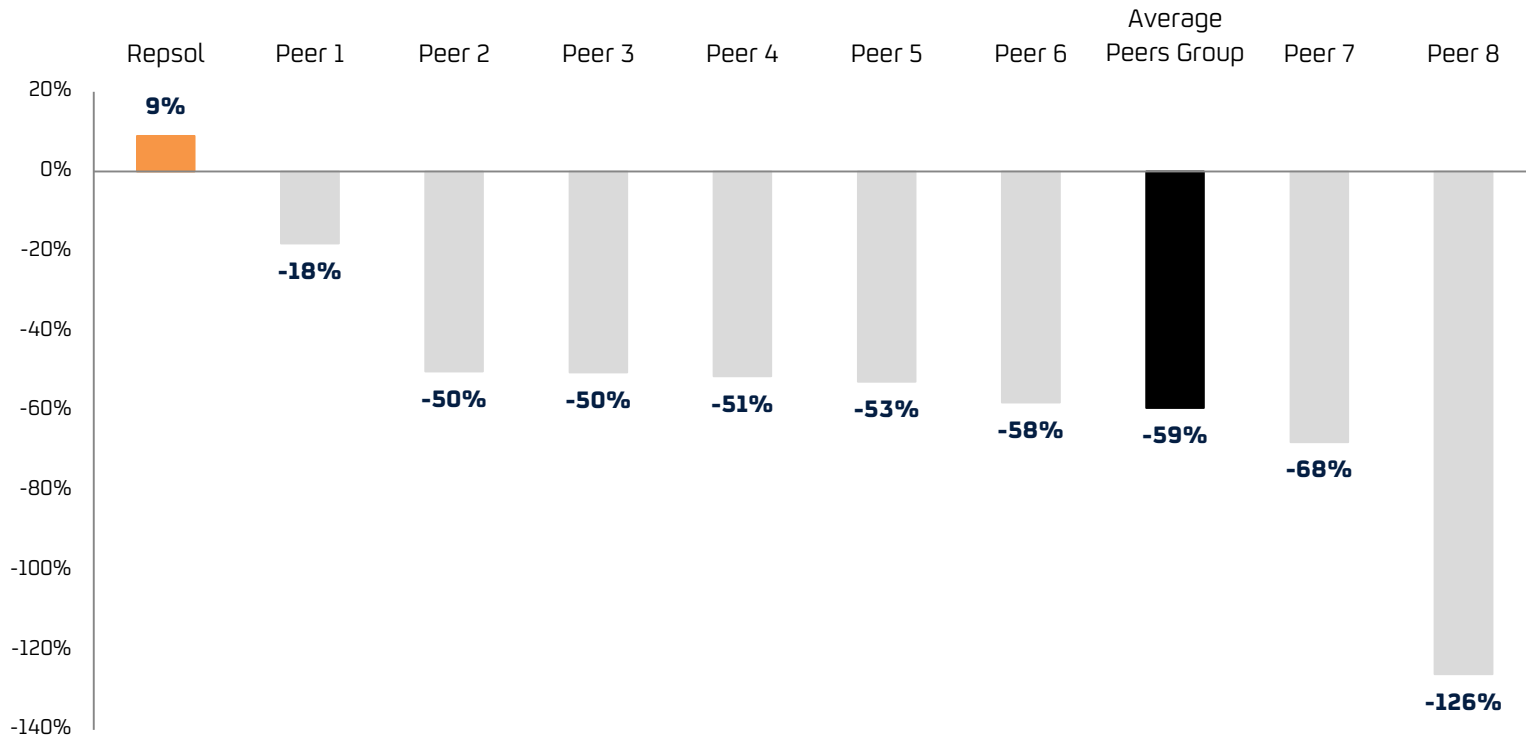
**Cash Flow from operations stood at €5.4Bn in 2015, of which around €4Bn comes from the Downstream**

# Quarterly and FY 2015 Results

## Comparison with our peers



### // Adjusted Net Income 2015 vs 2014 //



\* Peers companies are those that have already published their full year result: (BP, Statoil, BG, ConocoPhillips, Total, ExxonMobil, Chevron and RD Shell).

**Resilient results under a much lower crude oil & gas prices**

# Upstream Results

## Adjusted Net Income



Q4 2014

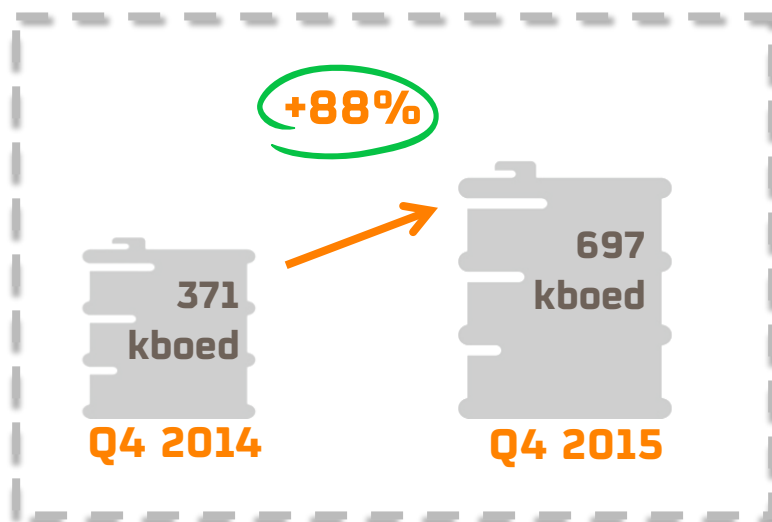
Q4 2015

**Adjusted Net Income**

4

-276

Million €



- Ramp-ups in Sapinhoá (Brazil) and Cardón IV (Venezuela)
- Production increase in UK

**Current Production** >700 Kboed

**Organic RRR\* 2015** 159%

• Excluding Reserves from the Talisman acquisition and other inorganic transactions.  
 • Including Reserves from Talisman RRR would be >500%

# Upstream Results

## Adjusted Net Income

Q4 2014

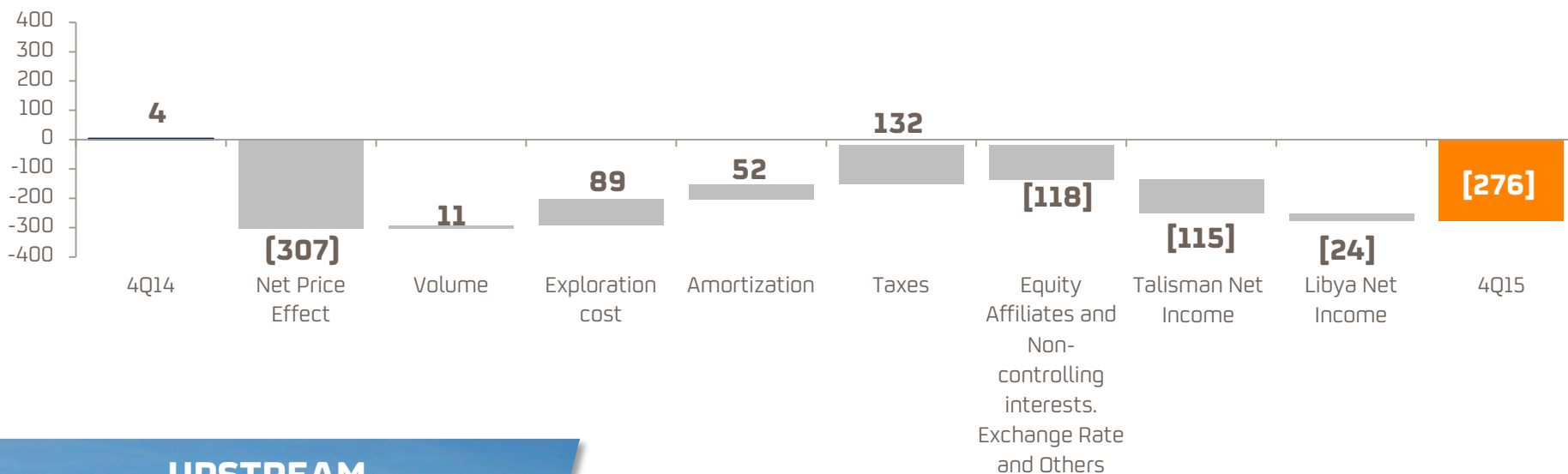
Q4 2015

**Adjusted Net Income**

4

-276

Million €



### UPSTREAM



- Low oil and gas prices

- Extraordinary impairments

{ 4Q15 → €2.4Bn  
 FY 2015 → €2.9Bn<sup>(1)</sup>

<sup>(1)</sup> Includes impairments in G&P booked in the first 9 months of 2015



# Upstream Results

Examples of improvements in Talisman legacy assets **REPSOL**

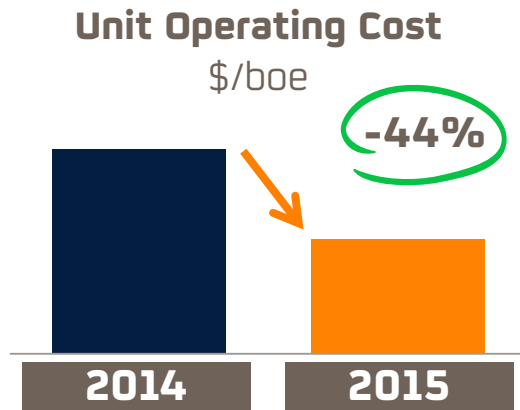
## UK

### Improved Recovery Factor:

- Develop a prioritized inventory of qualifying capital projects to be used in the asset strategy definition.

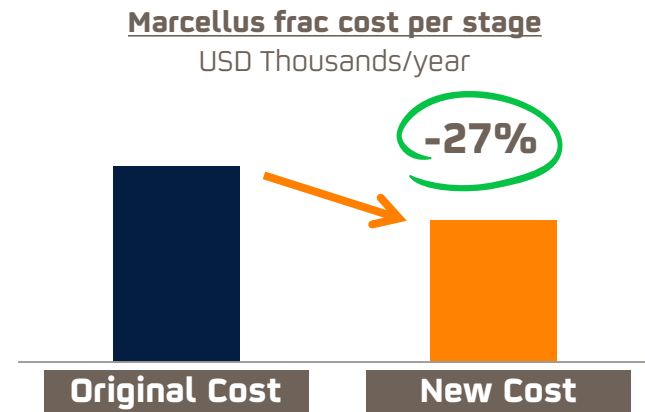
### Improved Operational Efficiency:

- Contribute to the stretch objective of TSEUK producing >50kboe/d, with significant improvement in the per barrel profitability.
- Optimize Capex and Opex



## MARCELLUS

### Marcellus Fracking pricing:



### Marcellus commercialization:

- Practice of **selling excess capacity** has been **replaced with purchase of gas from 3rd parties**, leveraging Repsol Trading capabilities in North America.
- Lower effective transport cost through positive net revenues from buy/sell margins, underpinning business profitability.



# Downstream Results

## Adjusted Net Income



Q4 2014

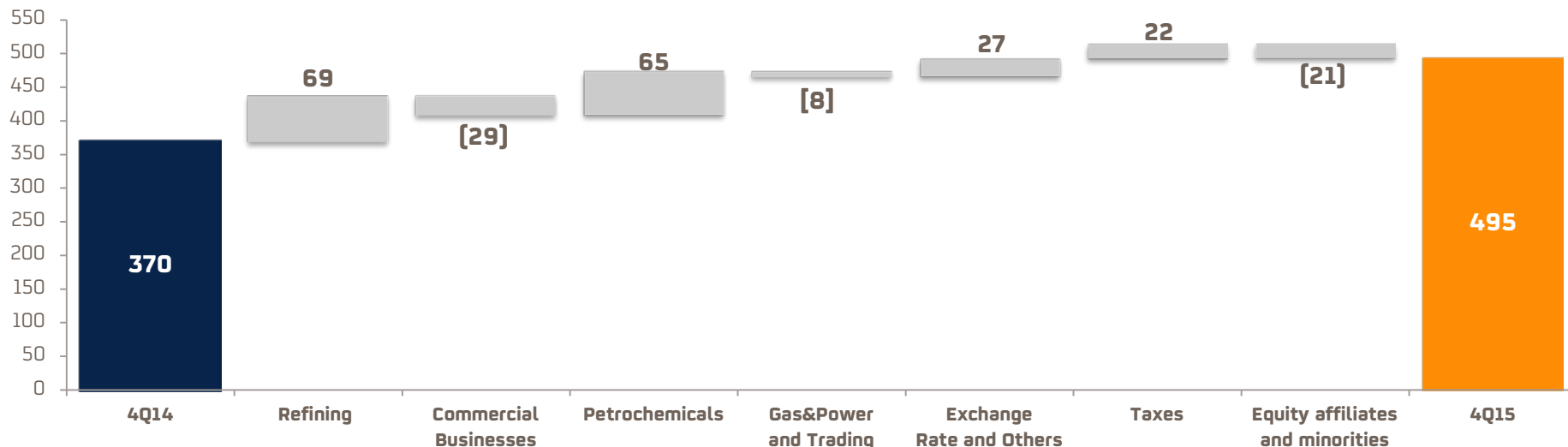
Q4 2015

### CCS Adjusted Net Income

370

495

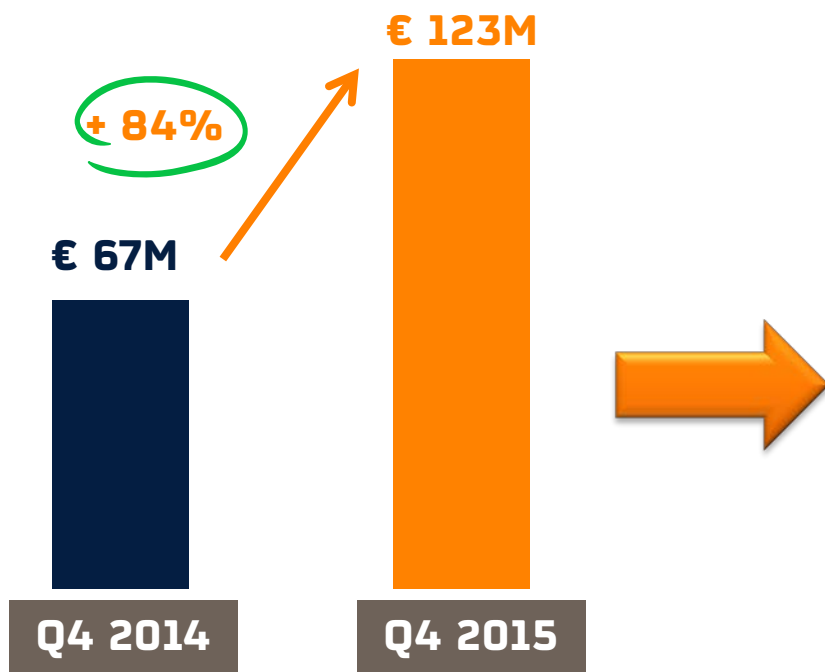
Million €



- FY Adjusted Net Income **113%** higher YoY
- Strong **Chemicals**
- 4Q15 Refining Margin Indicator → **7.3 \$/bbl**

# Gas Natural Fenosa Results

Adjusted Net Income



- Positive contribution to results of CGE Chile during 4Q15
- Stable dividend (269M€ in 2014 and 274M€ in 2015)

# Financial Aspects



Million €

Q4 2014

Q4 2015

## Net Financial Result

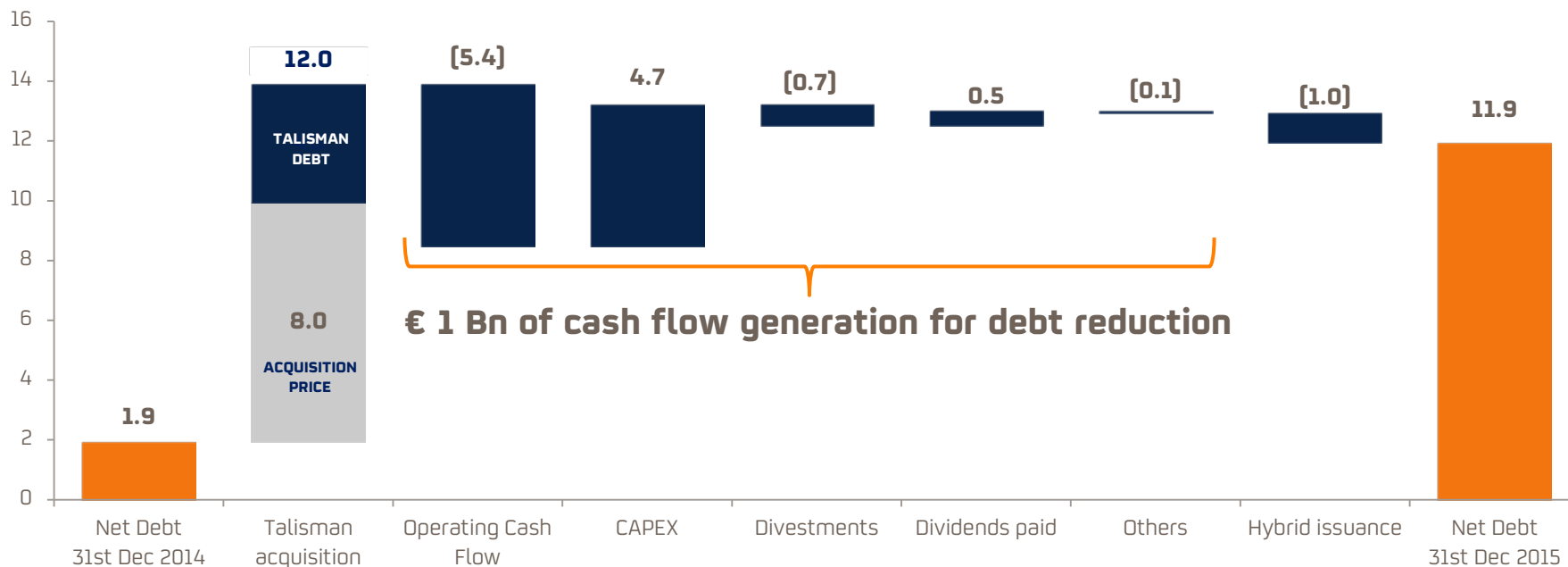
-85

0

- Positive results from **Exchange rate** positions
- Increase in **interest** of debt because the Consolidation of Talisman's debt
- Repsol will pay a **shareholder remuneration** with the scrip option equivalent to €0.30 gross per share in July

**Liquidity Position**  
**Above €9Bn**  
**Covers our short term**  
**maturities by more than 2 times**

[Billion €]





Conclusions

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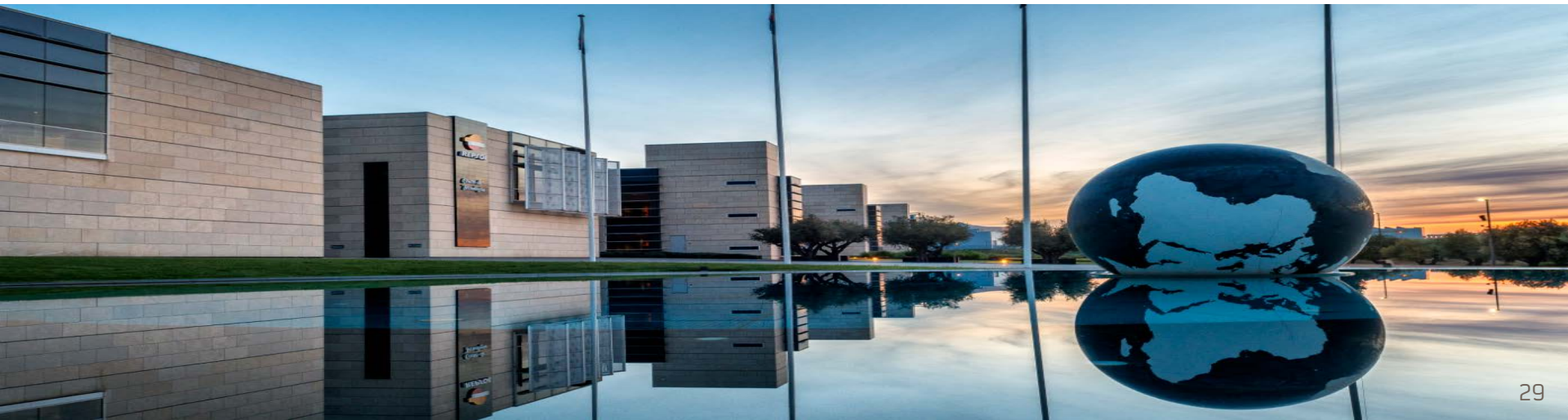
# Conclusions



Talisman provides flexibility and the right balance among businesses

For 2016:

- ✓ Capex and Opex optimization
- ✓ Efficiency targets anticipation
- ✓ One of the lowest cash **break-evens** among peers
- ✓ Progress in our **divestment program**



# Q&A Session

Fourth Quarter 2015 Results

Repsol Investor Relations

[investorsrelations@repsol.com](mailto:investorsrelations@repsol.com)



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February 25th, 2015



**REPSOL**