

Investor Update 1Q 2016

Repsol Investor Relations



REPSOL



2016-2020 Value & Resilience

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2016-2020 Value & Resilience

1. Company Overview

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4. Upstream

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Company Overview

1

Company overview

1Q16 key messages

- ✓ **Net Income:** Strong in a volatile market
- ✓ **Net Debt:** Stable post dividends
- ✓ **Strategy:** On target and making progress
- ✓ **Production:** Double compared to Q1 15
- ✓ **Cash Flow:** Downstream as FCF generator
- ✓ **Portfolio:** As of today €2.8 Billion in disposals



Company overview

Repsol today - An integrated company operating across the entire value chain

~2.4 billion boe proved reserves (*)

Integrated business model

Delivery on commitments

>700 kboepd production

Diversified and global portfolio

~1 million bpd refining capacity

World-class explorer

Core businesses: Upstream and Downstream

Capable and talented workforce

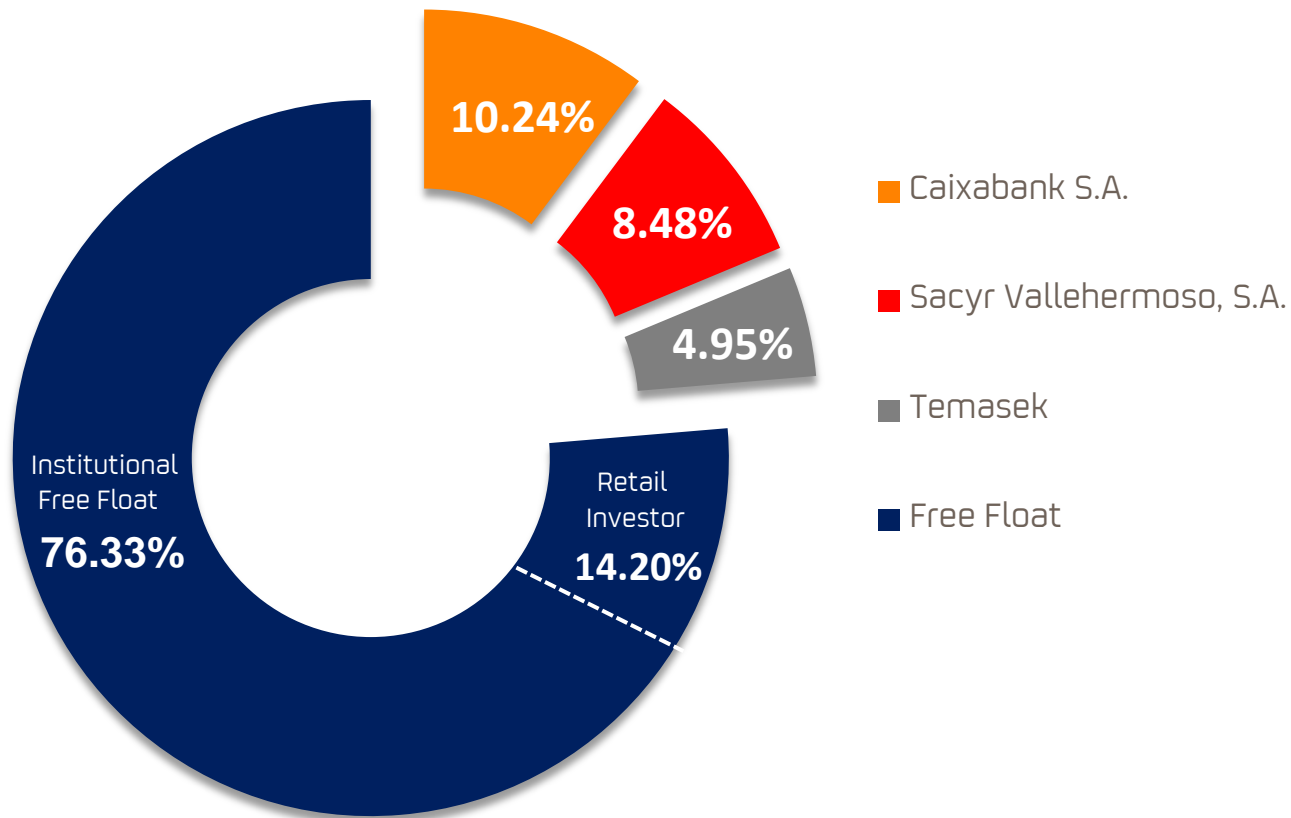
30% stake in Non-operated shareholding: GNF

Tier 1 Downstream



Company overview

Repsol's shareholders



Total number of shares as of May 2016: 1,442 million



Key strategic lines 2016-2020

2

Key strategic lines 2016-2020

Value and resilience

VALUE

Shift from **growth to value delivery**, prepared for the next growth wave

Commitment to **maintain shareholder compensation** in line with current company level

RESILIENCE

Top tier resilience among integrated companies

Self-financing strategy even in a stress scenario

FCF breakeven after dividends at \$40/bbl Brent^[1]

PORTFOLIO MANAGEMENT

Capex flexibility

[~46% Capex reduction vs. 2014]^[2]

Creating value through portfolio management

[€6.2 B divestments: € 3.1 B in 2016-2017 period]

EFFICIENCY

Synergies and company-wide Efficiency Program with strict accountability^[3]:

€2.1 B/y savings target in 2018
[€1.5 B Opex + €0.6 B Capex]
> 50% target to be achieved in 2016

Creating value even in a stress scenario through efficiency and portfolio management

[1] Repsol released a FCF Breakeven at \$50/bbl on strategic plan 2016-2020 presentation. FCF breakeven at \$40/bbl with the revised scenario.

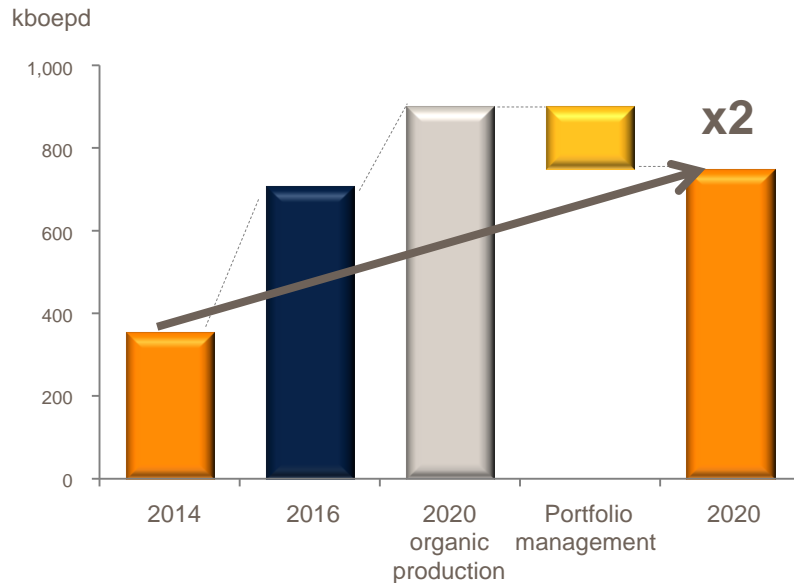
[2] Repsol released in 2015 full year results presentation an additional investment reduction for 2016-2017 period.

[3] In 1Q2016 projects have commenced that will secure 62% of the 2016 annual target and by quarter end 22% of the full year target had already been realized and booked.

Key strategic lines 2016-2020

Shift from growth to value

// Upstream production evolution //



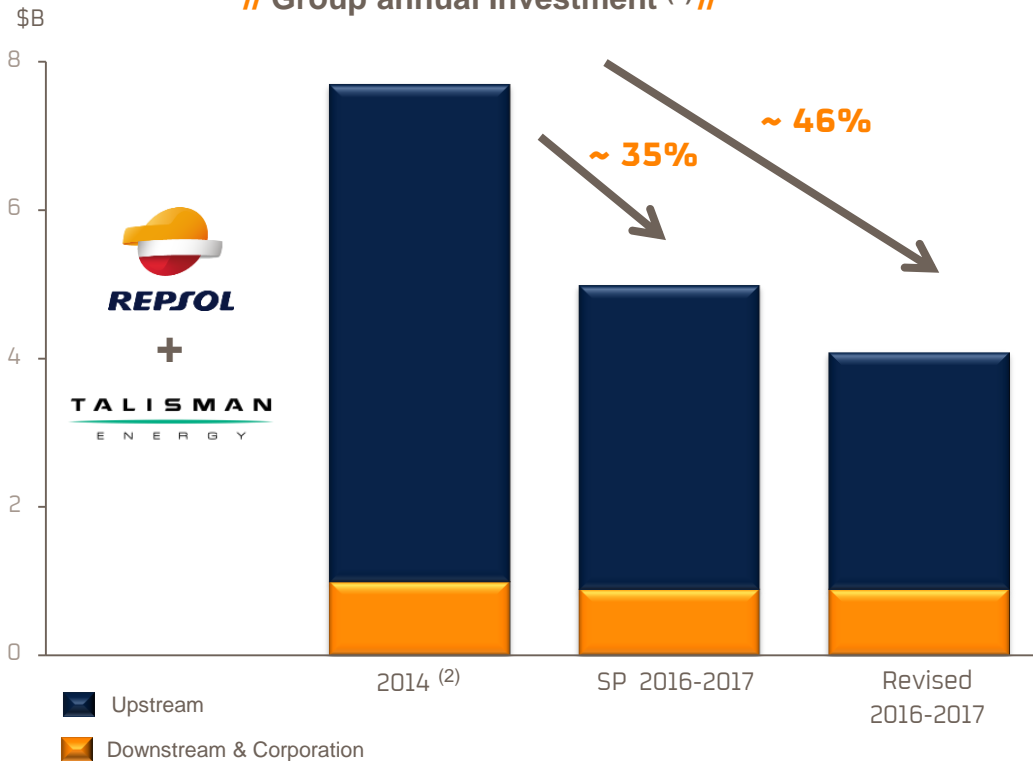
- Achieved critical mass in E&P business
- Extensive portfolio of assets and development projects
- Optionality to improve portfolio value by divestments

Achieving optimal size and portfolio mix

Key strategic lines 2016-2020

Additional Investment reduction for 2016 and 2017 around **€1.8B**

// Group annual Investment ⁽¹⁾ //



- Capex optimization and implementation of our efficiency measures.
- Low Downstream capital requirements
- Deferring non-critical investment in development and producing assets.
- Keeping 2016 our production level at around 700,000 barrels per day.

Repsol shows flexibility in this challenging environment

1. Investment does not include G&G and G&A from exploration.
 2. 2014 Capex figure includes Repsol and Talisman.

Key strategic lines 2016-2020

Strict accountability on Efficiency Program

Pre-tax cash savings

// 2016 // // 2018 //

	// 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
	€1.1 B	€2.1 B

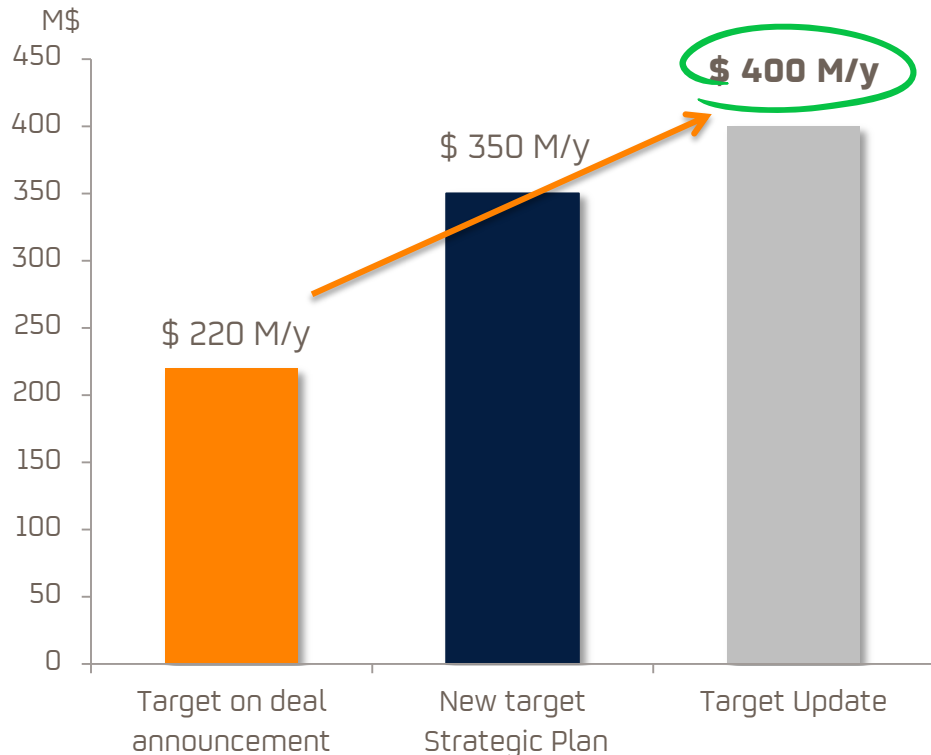
- Recurrent synergies target increased to 400M\$
- 50% of synergies already implemented
- Upstream program ahead of schedule [700 efficiency initiatives identified]
- Downstream and Corporate on track
- Upstream unit Opex reduction of 13% in 2016

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

Key strategic lines 2016-2020

Synergies from Talisman integration are already being delivered

// €250M in 2016 of which ~200M already captured //



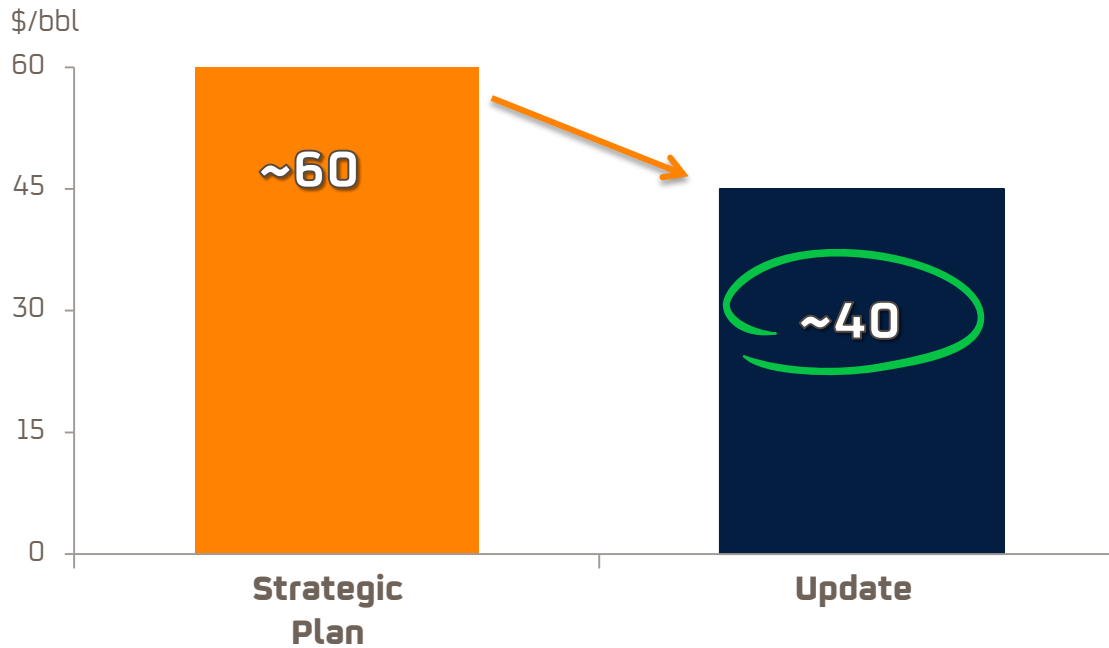
- **Finance:** repurchase of Talisman bonds and joint financial optimization
- **People and Organization:** workforce and contractor reduction from overlaps
- **IT:** application & infrastructure rationalization
- **Exploration:** highgrading of Talisman portfolio
- **General services:** joint insurance program

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

Key strategic lines 2016-2020

Breakevens

// Group FCF breakeven after dividends and interests **(2016-2017)** (*) //



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

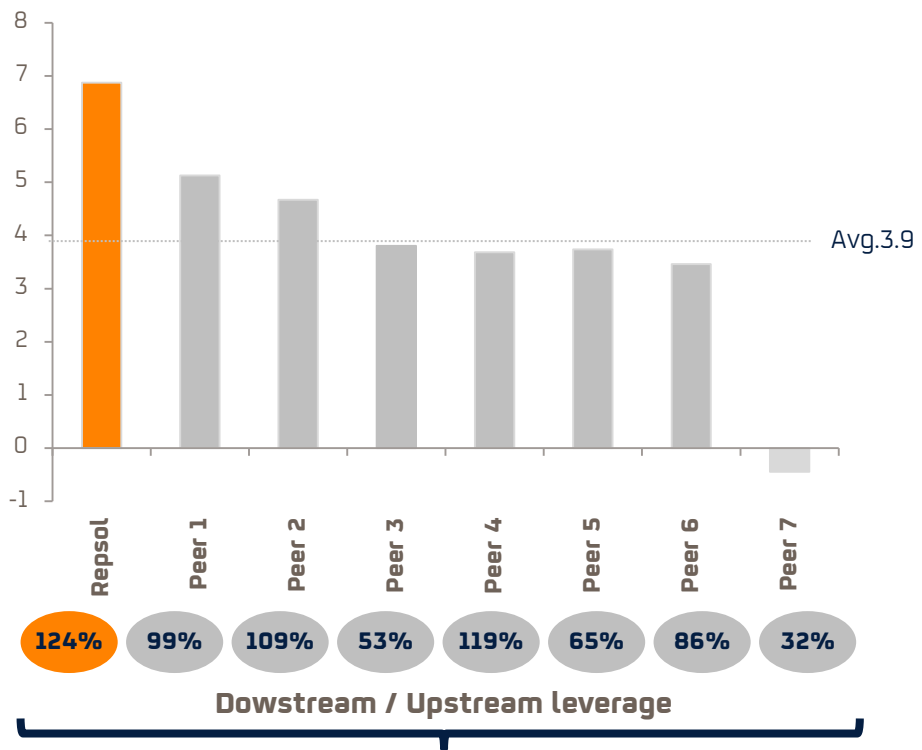
(*) Scenario used to estimate breakevens (Stress case): Brent price of 40 \$/bbl for 2016 – 2017, and 50 \$/bbl flat 2018 – 2020; HH price of \$2.6/Mbtu for 2016 – 2017, and 3.5 \$/Mbtu 2018 – 2020; Repsol refining margin indicator of 6.9 \$/bbl for 2016 and 6.4 \$/bbl from 2017 onwards. Breakeven does not include any proceeds from divestments, with the exception of the piped LPG sale already accomplished.

Repsol's Base case is: Brent price of 40, 55, 65, 75 and 85 \$/bbl from 2016 to 2020 respectively, HH price of 2.6, 3.2, 3.7, 4.2, 4.8 \$/Mbtu from 2016 to 2020 respectively and Repsol refining margin indicator of 6.9 \$/bbl for 2016 and 6.4 \$/bbl from 2017 onwards.

Key strategic lines 2016-2020

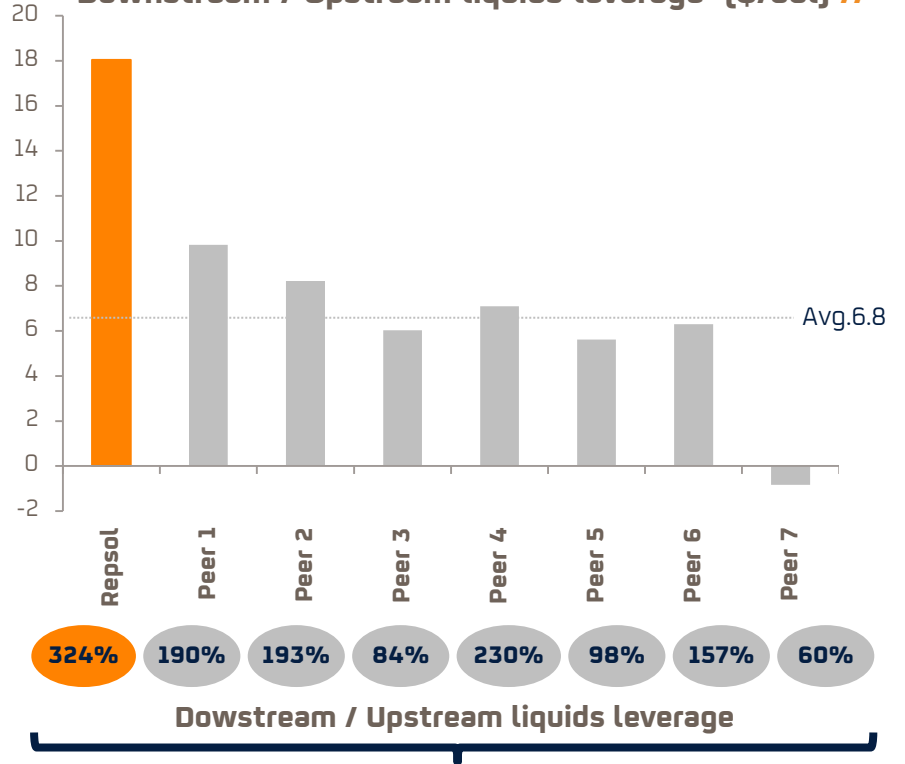
Repsol profits from a high Downstream/Upstream leverage

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



2015E Refining distillation / Upstream total production [%]

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



2015E Refining distillation / Total Liquids production [%]

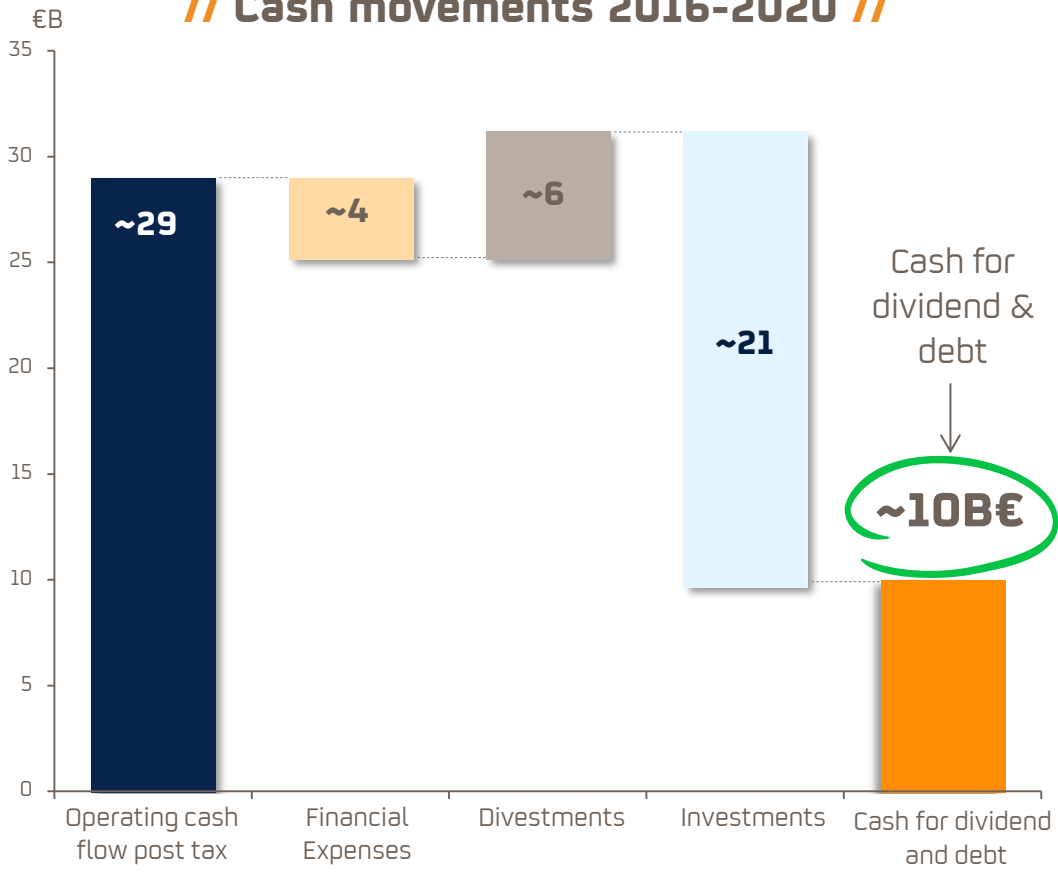
⁽¹⁾ Figures based on 3Q15 reported information. R&M operating profit is a proxy of the impact in FCF breakeven under the assumption that Investments=Depreciation. Integrated R&M margin calculated as CCS/LIFO-Adjusted operating profit from the R&M segment divided by the total volume of crude processed (excludes petrochemicals business). Source: company filings

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

Key strategic lines 2016-2020

Self-financed Strategic Plan even under the stress scenario

// Cash movements 2016-2020 //



- Reduction of our capex budget in 2016 below €4B
- Investment reduction for 2016 and 2017 around €1.8B
- Acceleration of efficiency and synergy target in 2016 → €1.1B
- 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 Strategic Plan

3

Strategic Commitments Follow up

Capex in 2016

- ✓ **↓ Exploration**
- ✓ Deferral of **non-critical investments**
- ✓ Capture of sector wide **deflation**
- ✓ **Re-visit on-going development** projects

€3.9B

Efficiency & Synergies

- ✓ Target represents more than half of the 2018 objective
- ✓ **Upstream:**
 - ✓ **2016 Opex per barrel: 13%**
- ✓ **Downstream:** in line with our targets
- ✓ **Corporation:** in line with our targets

€1.2B [*]

Cash Neutrality break-even

- ✓ **Capex reduction**
- ✓ **Opex efficiency targets**
- ✓ **Synergies capture**

~40\$/bbl

Progress of Strategic Plan



Strategic Commitments Follow up

Efficiency & Synergies Program



	Target 2016	2016 Estimate
Synergies	0.2	0.2
Efficiencies	0.9	1.0
Total [B€]	1.1	1.2

Capex Flexibility^[3]



	Target 16-17	1Q2016
Repsol Capex [B€]	~3.9	0.8

[3] Target excluding G&G and G&A.

Divestments & Management Portfolio



	Target 16-17	1Q2016
Divestments [B€]	3.1	2.8 ^[1]
Production [kboed]	706 ^[2]	714

[1] Includes projected proceed on agreed transactions and other operations.
 [2] 2016 Annual Budget.

Value & Resilience



	Target	Actual
CF Neutrality BE [\$ /boe] ^[4]	~40	~40
E&P FCF BE [\$ /boe]	~65	~65

[4] FCF after interests and dividends [0.5 €/share paid in 1Q16 and 0.3 €/share to be paid as complementary dividend in 2016]

Finance Commitments



	Target	1Q2016
Investment Grade	Maintain	Maintain

Portfolio management



Wind Power

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

- After tax capital gain of 109M€
- Cash from this sale is expected to be received during 2Q 2016



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



Peru & Ecuador LPG

Sale LPG businesses in Peru and Ecuador

- Agreement with Abastible company totalling 335 million dollars transaction
- A multiple of approximately 8 times EBITDA



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 >80M\$/year

- Repsol amortizes TLM bonds in the amount of approximately 2.7 billion dollars
- Total capital gain of approximately 300 M\$ pre tax

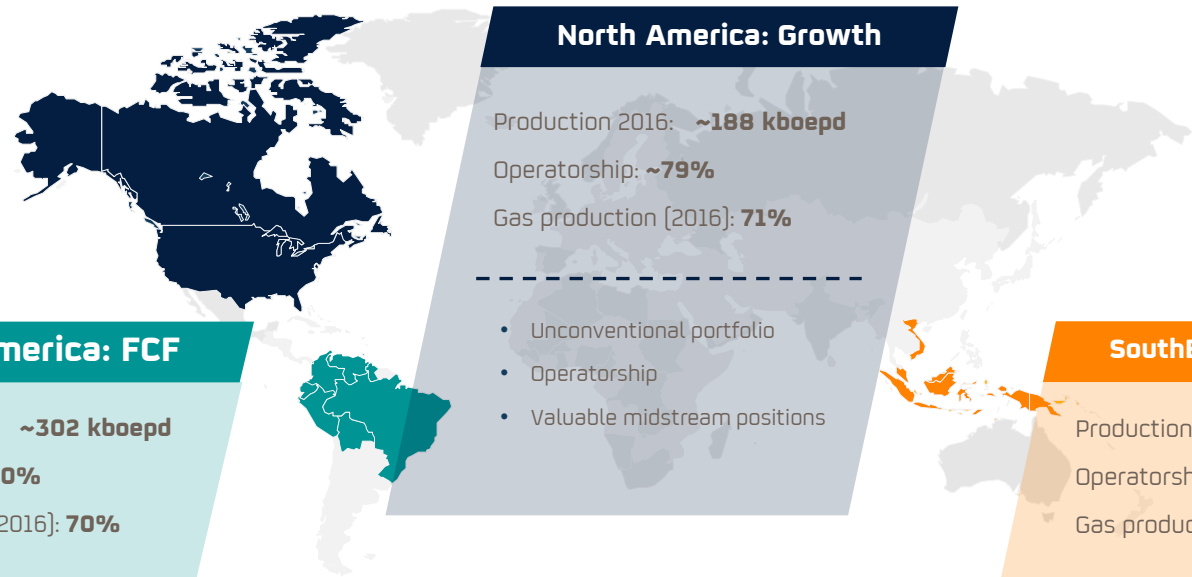


Upstream

4

UPSTREAM

3 core regions in the portfolio



Latin America: FCF

Production 2016: **~302 kboepd**
 Operatorship: **~20%**
 Gas production (2016): **70%**

- Regional scale
- Exploration track record
- Cultural fit

North America: Growth

Production 2016: **~188 kboepd**
 Operatorship: **~79%**
 Gas production (2016): **71%**

- Unconventional portfolio
- Operatorship
- Valuable midstream positions

SouthEast Asia: FCF & Growth

Production 2016: **~109 kboepd**
 Operatorship: **~37%**
 Gas production (2016): **77%**

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

Main Figures

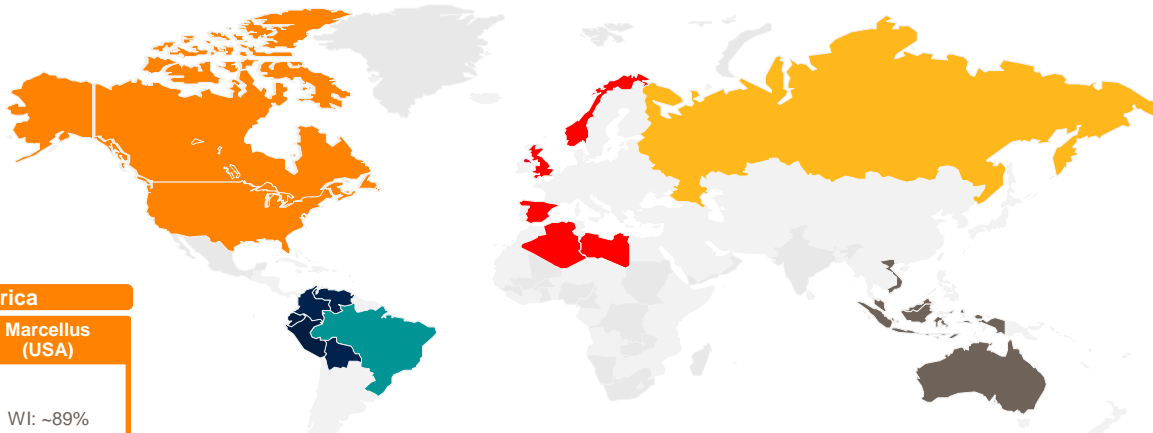
- **Current Production** **>700 Kboed**
- **1P Reserves (*)** **2,373 MMboed**

NOTE: Europe, Africa & Brazil ~ 116 kboe/day
 [*] As at 31/12/2015

UPSTREAM



An extensive pipeline of organic opportunities



North America

Eagle Ford (USA)	Marcellus (USA)
WI: ~31% in basin and 37% in JV	WI: ~89%

Duvernay (Canada)	GoM / Mid-continent (USA)
WI: 100%	WI: 28%/~11%

Brazil

Sapinhoa (former Guara)	Lapa (former Carioca)
WI: 15%	WI: 15%

Latin America

M. - Huacaya (Bolivia)	Carabobo – AEP (Venezuela)	Cardon IV (Venezuela)	Kinteroni + Sagari (Peru)	Akacias (Colombia)
WI: 37.5%	WI: 11%	WI: 50%	WI: 53.8%	WI: 45%

Africa & Europe

Reggane (Algeria)	MonArb / Flyndre Cawdor (UK)
WI: 29.25%	WI: 30% Redevelopment

SouthEast Asia

PM3, Kinabalu (Malaysia)	C. & J. Merang (Indonesia)	Red Emperor (Vietnam)
WI: 41.4% PM3* WI: 60% K	WI: 36% C / 25% JM	WI: 46.8%

// Exploration //

Contingent resources

- Unconventional North America
- Brazil: Campos-33, Sagitario
- Russia: Karabashky
- Colombia: CP09 & Niscota
- Alaska: Colville High
- GOM: Leon
- Indonesia: Sakakemang
- Vietnam: Red Emperor extension
- Kurdistan
- PNG: PDL10

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

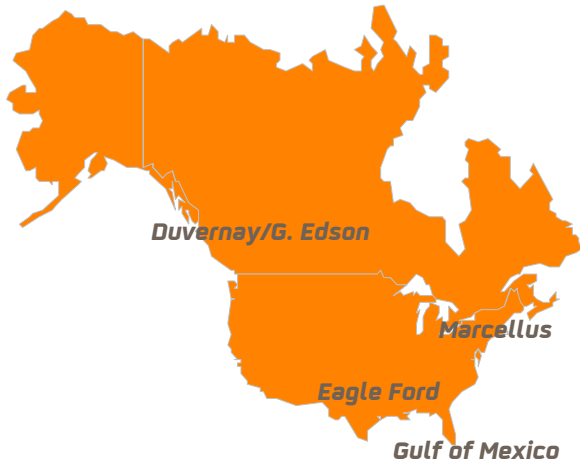
[*] The PM3 PSC extension agreement was signed on the 6th April, 2016. Repsol equity interest in PM3 is going to be 35%

UPSTREAM



Projects activity in 2016

NORTH AMERICA



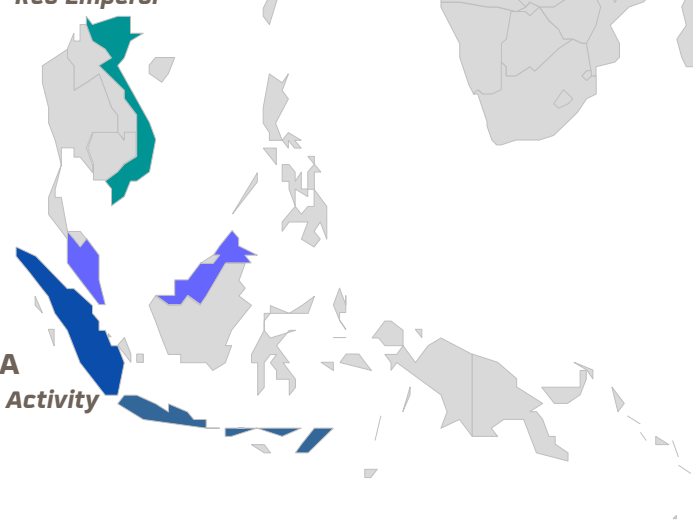
ALGERIA

Reganne & Sud-Est-Illizi



VIETNAM

Red Emperor



MALAYSIA

Redevelopment Kinabalu and Bunga Pakma

INDONESIA

Exploration Activity

COLOMBIA

Akacias



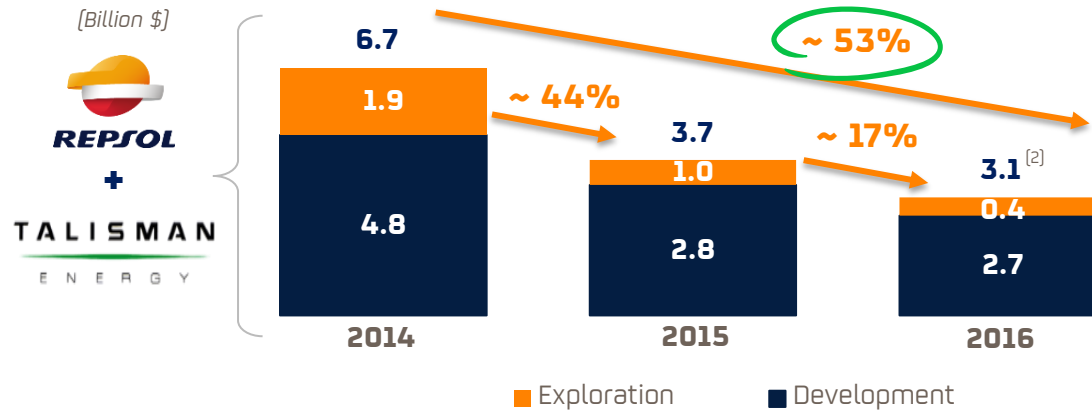
BRAZIL

Plateau Sapinhoá
First Oil Lapa
Appraisals

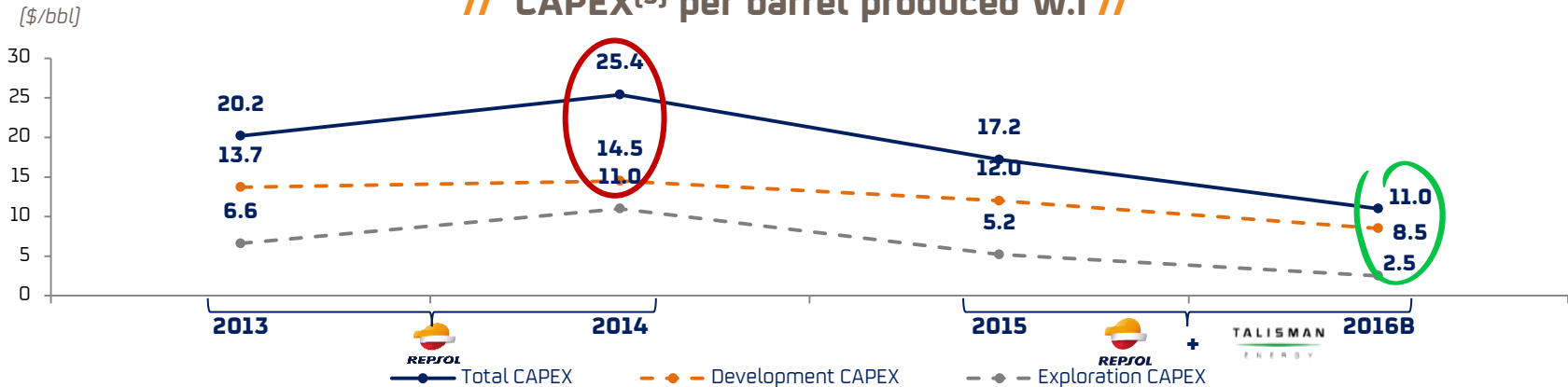
* Additional exploration activity in Angola, Romania, Bulgaria and PNG.

Portfolio management: Flexibility to optimize capital allocation

// Upstream Investments^[1] //



// CAPEX^[3] per barrel produced W.I //

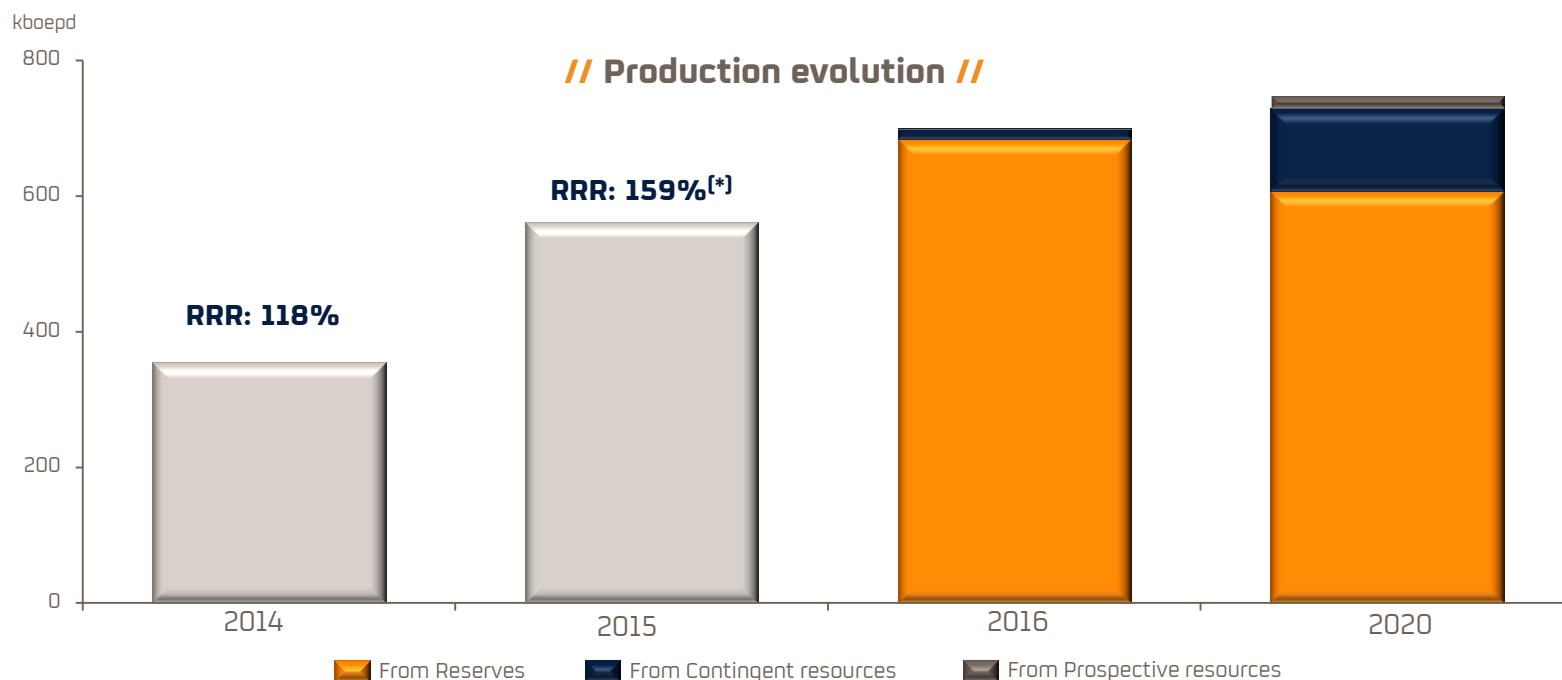


[1] CAPEX excluding G&G and G&A from exploration and including efficiencies
 [2] 2016 CAPEX € 2.9 Bn [exchange rate 1.07 \$/€]

[3] CAPEX including G&G and G&A from exploration and including efficiencies

Portfolio management: Capex

“Capex optimization has no impact on production because we are benefiting from the end of the previous investment cycle from Repsol's legacy assets [Average RRR 2011-2013: 214 %]”



Production delivered from current reserves and resources

[*] Organic Reserve ratio excluding the acquisition of Talisman and other inorganic transactions (RRR 500% inorganic)

UPSTREAM

E&P Cost Efficiency Program

// Levers //

**Business units
(Opex & Operational
Capex)**

- Technical standardization
- Operational uptime increase
- Procurement & logistics optimization
- Organizational right-sizing

**€1.1 B/y
savings
by 2018**

Large capital projects

- Post -FID projects: Efficiency gains, scope challenge
- Pre-FID projects: Lean and cost-efficient engineering and supply chain design, collaborative approach with contractors, integrated project execution, ...

**~€0.6 B/y
Capex**

**Exploration
& drilling**

- Simplification of geological targets, coring, testing
- Well design standardization
- Planning and execution efficiencies
- Procurement & logistics optimization
- Organizational right-sizing

+

**~€0.5 B/y
Opex**

**Support
functions**

- Ongoing analysis of added value for every task
- Organization right-sizing
- Optimize support functions

**More than 50% of the efficiency target in 2018 to be achieved in 2016
~€0.6 B/y savings by 2016.**

Examples of improvements in Talisman legacy assets

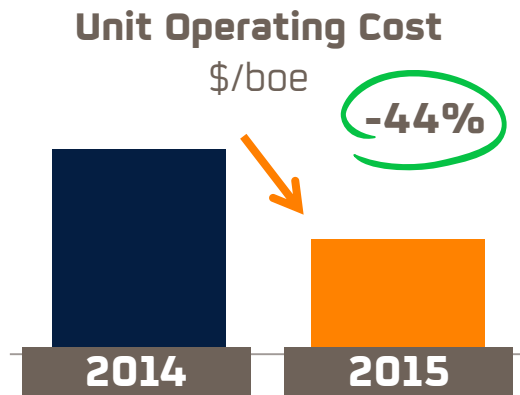
UK

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.

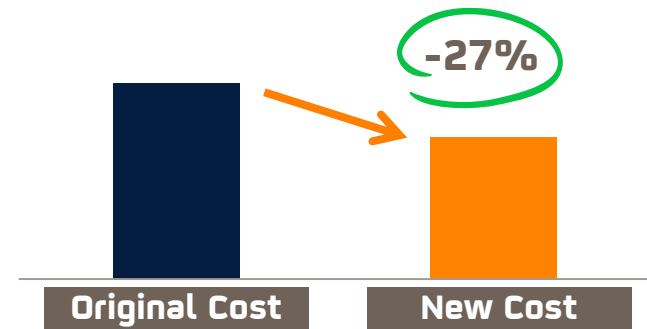


MARCELLUS

Marcellus Fracking pricing:

Marcellus frac cost per stage

USD Thousands/year



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

5

DOWNSTREAM



Downstream to provide sustainable value

Maximize
performance

- Taking advantage of the integration between refining and marketing businesses with focus on reliability

Capital discipline

- Discipline in capital allocation
- Divestments of non-core assets for value creation

Margin improvement
&
Efficiency Program

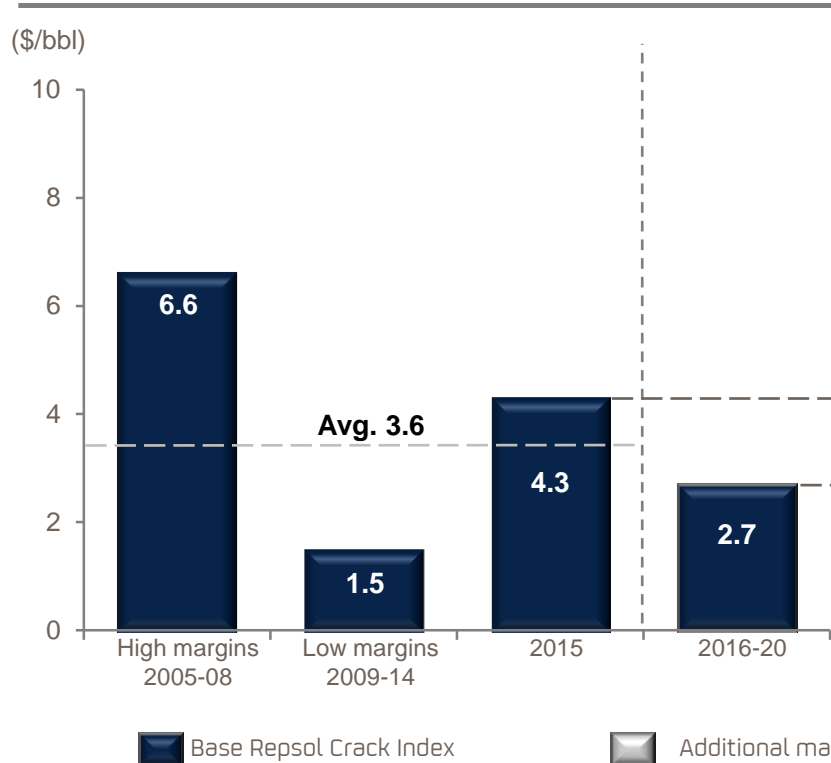
- Optimizing integrated margin across businesses
- Strong focus on reducing energy cost and CO₂ emissions

Objective to generate FCF ~ €1.7 B/y (average 2016-2020)

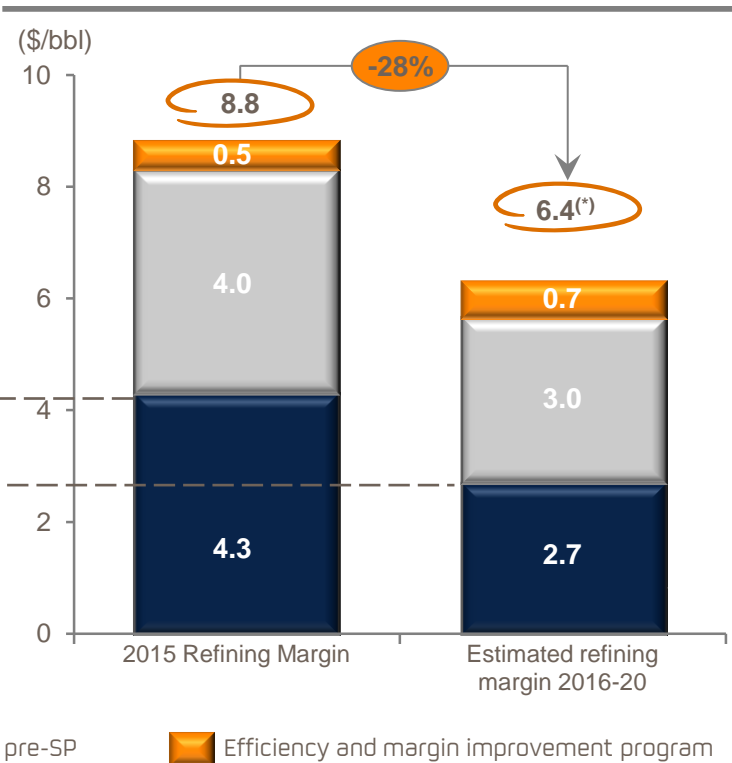
Repsol's refining margin indicator evolution

Margins back to a mid cycle scenario

Base Repsol Crack Index¹ 2005-2020



Repsol Refining margin index evolution



¹ Without taking into account margin from projects and efficiency improvement program

Note: Since the start up of the Bilbao and Cartagena projects, the premium went up from 1.6\$/bbl in 2012 to 2.8\$/bbl in 2014 and 4.3\$/bbl in the first three quarters of 2015

[*] 2016 Budget assumption : 6.9 \$/bbl

DOWNSTREAM

Fundamentals support sustained Repsol refining margins

Lower Opex	<ul style="list-style-type: none"> ✓ Lower oil and gas prices
Growing refined products demand	<ul style="list-style-type: none"> ✓ Average demand growth of 1.2% for 2016-2020 on top of strong 2015 demand ✓ Spain fuels demand growth at 4% in 2015
European refineries at high utilization of effective capacity	<ul style="list-style-type: none"> ✓ Lower EU effective capacity due to low maintenance activity in recent years ✓ Low Brent-WTI and NBP-HH gaps and low \$/€ exchange rate
Restarts unlikely in EU	<ul style="list-style-type: none"> ✓ Restarts unlikely due to required investment in working capital and fixed costs with long-term uncertainties remaining for less competitive refineries in EU
Refining project delays and cancellations	<ul style="list-style-type: none"> ✓ Capacity-addition delays and cancellations due to stressed cash position of integrated companies and NOCs
Demand vs. effective capacity tighter than previous years	<ul style="list-style-type: none"> ✓ Capacity additions offset by growing demand
Light-Heavy differentials	<ul style="list-style-type: none"> ✓ Marpol ⁽¹⁾ increases diesel demand, while lowering fuel oil demand and price ✓ Large increase in production of heavy crudes

¹ Marpol: International convention for the prevention of pollution from ships.

Downstream efficiency and margin improvement program

~€0.5 B/y from Downstream efficiency improvement in 2018

// Projects //

// Levers //

// EBIT increase by 2018 //

Refining

- Energy cost reduction
- Improved planning to increase crude supply flexibility
- Operations optimization including fixed-cost reductions
- Increased asphalt production in Peru

~€250 M/y

Integrated margin

- Optimization of integrated margin across the value chain with: optimization of crackers supply, processing challenging crude...

~€100 M/y

Commercial businesses

- Network structure optimization
- Logistics and planning improvements

~€100 M/y

Chemicals

- Operational improvement focused on raw material flexibility and facilities reliability
- Optimization of pricing strategy

~€50 M/y

Total target of ~€0.5 B/y

Downstream efficiency program on track: ~€0.2 B/y savings by 2016

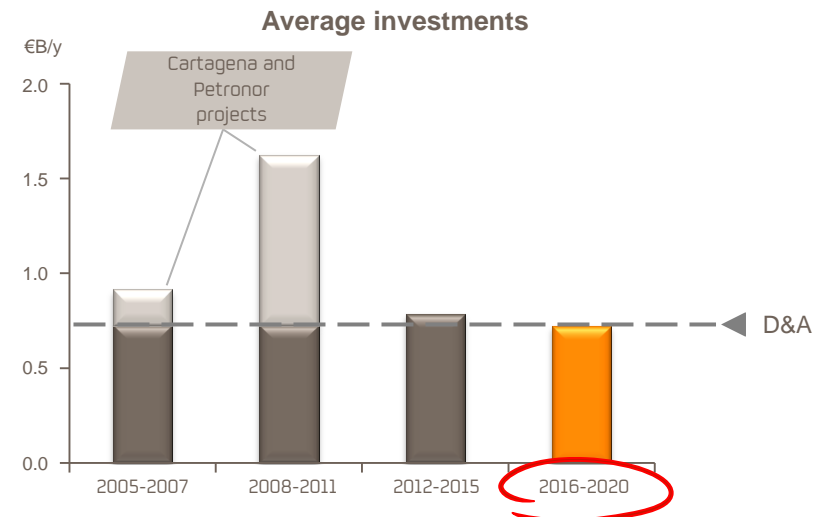
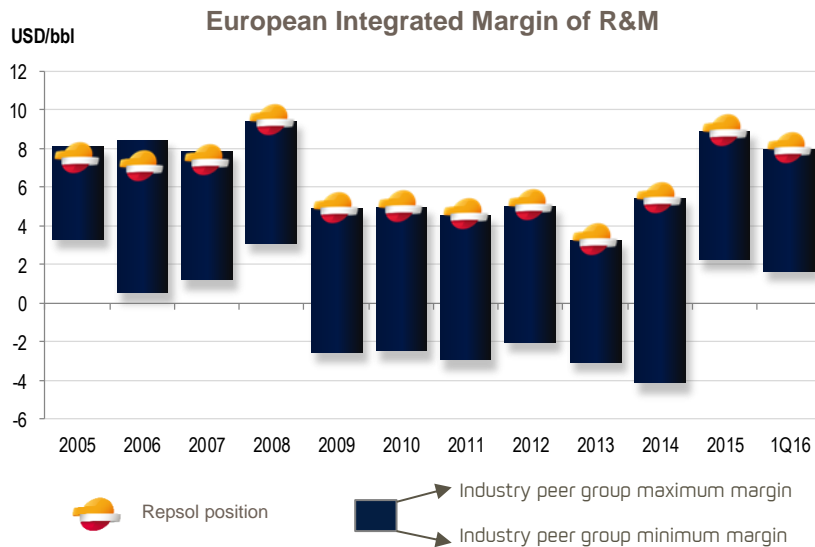
2016-2020 Downstream strategy

Maximizing value and cash generation leveraged on fully invested assets

// Sustainable value from quality assets //

Repsol in leading position among european peers

// Investment discipline //



Downstream resilience reinforced by commercial business integration with 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 9-member peer group.

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

Peers: 2015: Eni, Total, Cepsa, Galp, Saras, OMV, MOL, Neste Oil, Hellenic // 2014 and previous: Eni, Total, Cepsa, Galp, Saras, OMV, MOL, PKN Orlen, Hellenic.

gasNatural
fenosa



Gas Natural Fenosa

6

Strong profitability with long term strategic vision

30% of valuable stake in a leading gas & power company

Stable dividend with growth potential (*)

**Strong profitability performance
(well above wacc and not linked to oil price)**

Group's renewables platform

**Provides strategic optionality for a stronger role of gas
in energy mix**

Liquid investment that provides financial optionality

[*] Dividends received in 2012-2015 period ~ € 1.1 b



Financial outlook

7

**Sound track record
in managing adverse
conditions**

**Resilient Plan with
stronger business profile**

**Conservative
financial policy**

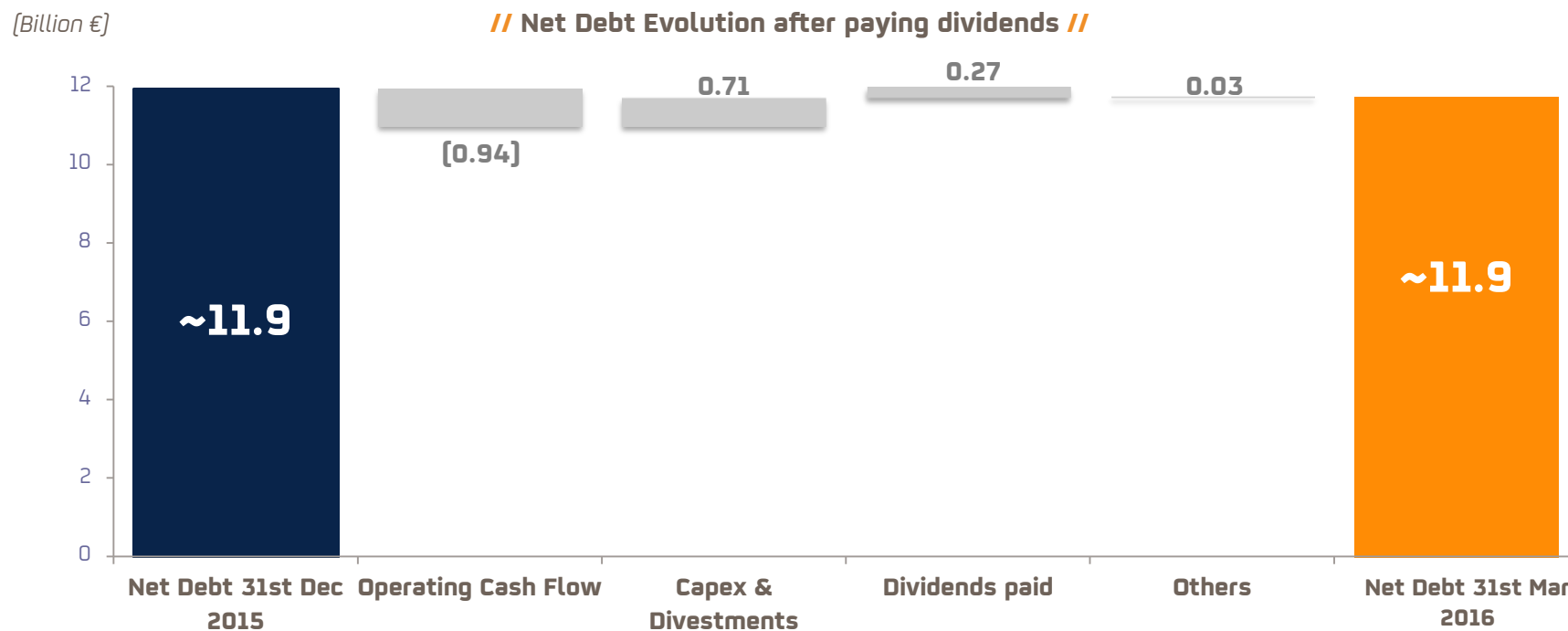


Commitment to reduce debt

The three Rating Agencies, Standard & Poor's, Moody's and Fitch, confirmed and maintained our previous ratings, BBB-, Baa2 and BBB respectively.

**Commitment to maintain shareholder compensation
in line with current company level**

1Q2016 Net Debt evolution



- **Fitch, Standard and Poor's and Moodys confirmed Repsol Investment Grade.**
- **S&P revised its assessment on Repsol's 2Bn€ hybrids bonds and restored the "intermediate equity" content.**



2016 Outlook

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- ✓ In July Repsol will pay a complementary dividend of **€0.30** gross per share.
- ✓ 2016 **Downstream** business expected free cash flow **~€3 billion**.
- ✓ Keep our production level at around **700,000 barrels per day** in 2016.
- ✓ **Capex and Opex optimization** to protect Free Cash Flow from our businesses.
- ✓ Progress in our **divestment program** always with the principle of **protecting the value** of every asset of the company.
- ✓ **Efficiency targets**. Anticipating delivery of our key strategic targets and materially reducing our breakevens.
 - ✓ Material progress: In the first quarter 2016 projects have commenced that will secure 62% of the 2016 annual target and by quarter end 22% of the full year target had already been realized and booked.
- ✓ Exploration program will focus mainly on **appraisals** and **lower risk** prospects.
- ✓ In our industrial businesses, **enhance and increase the reliability** of our plants.