

# Investor Update

Strategic Plan 2012-2016



**REPSOL**



**“Growing from our strengths”**

February 2015

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# Company Overview

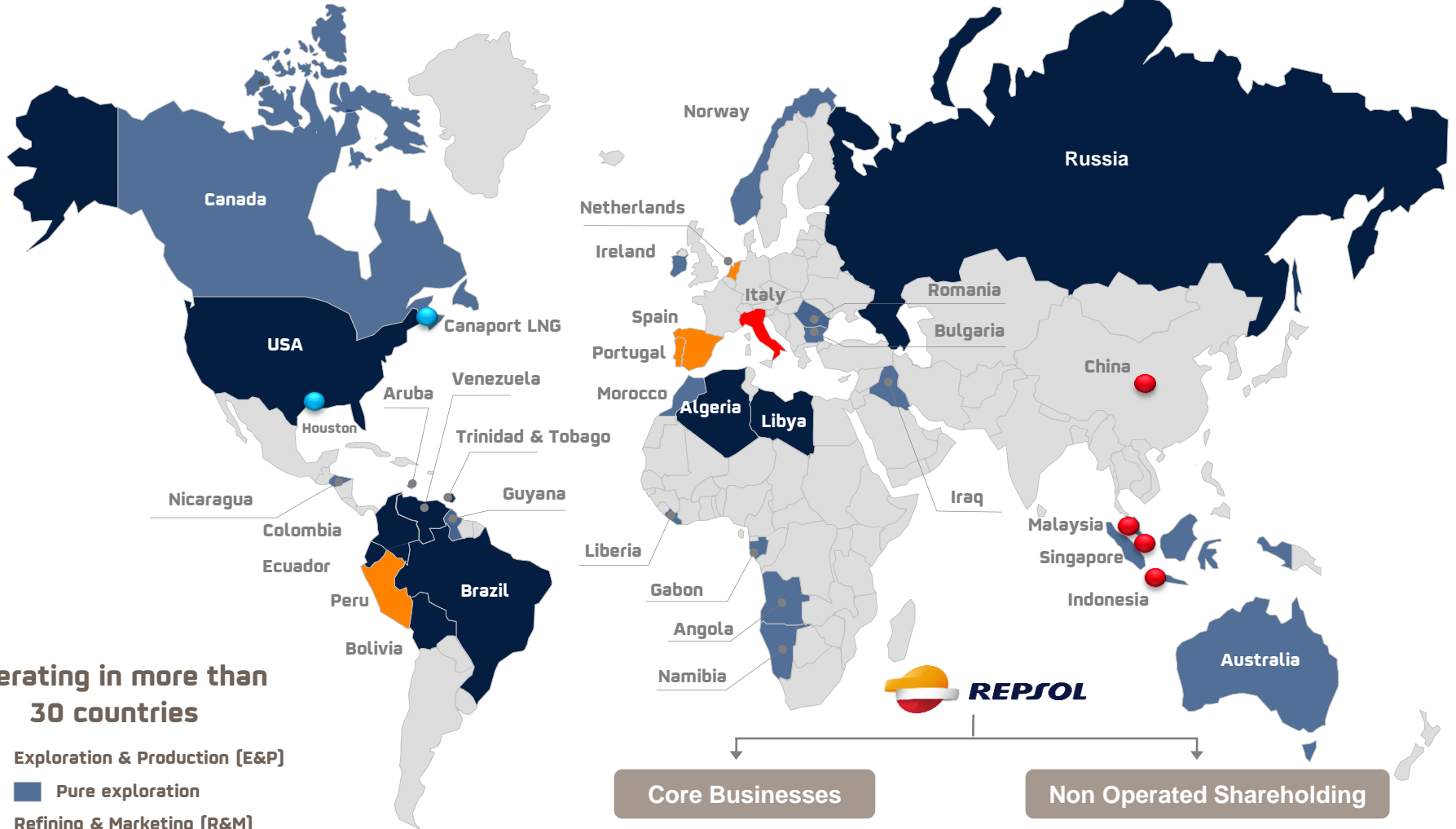
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REPSOL

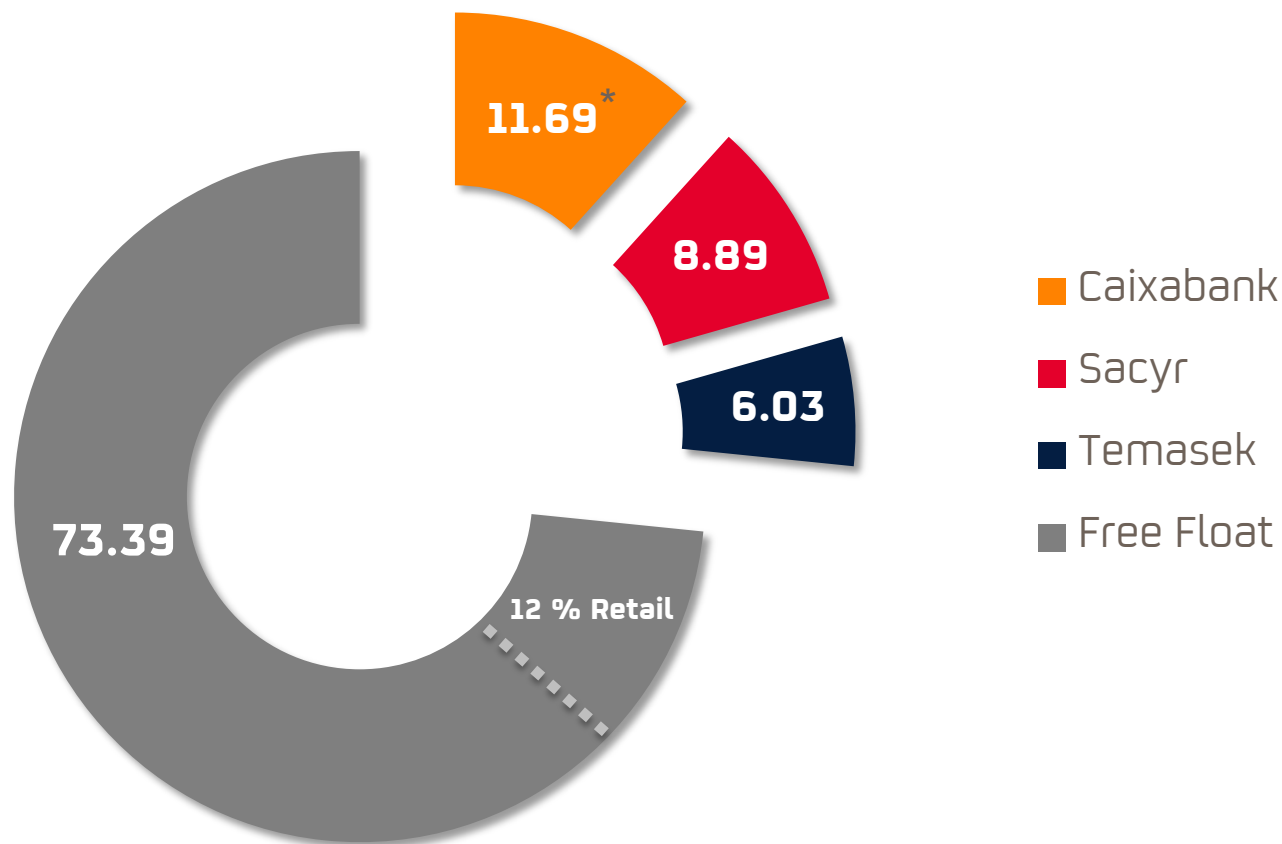
# Repsol today

## Company Overview



# Repsol's Shareholders

## Company Overview



**Total number of shares as of February 2015: 1,374.69 million**

\* On 11<sup>th</sup> November 2013 CaixaBank launched a €594m 3-year Mandatory Exchangeable Bond into Repsol shares (2.5% of share capital)



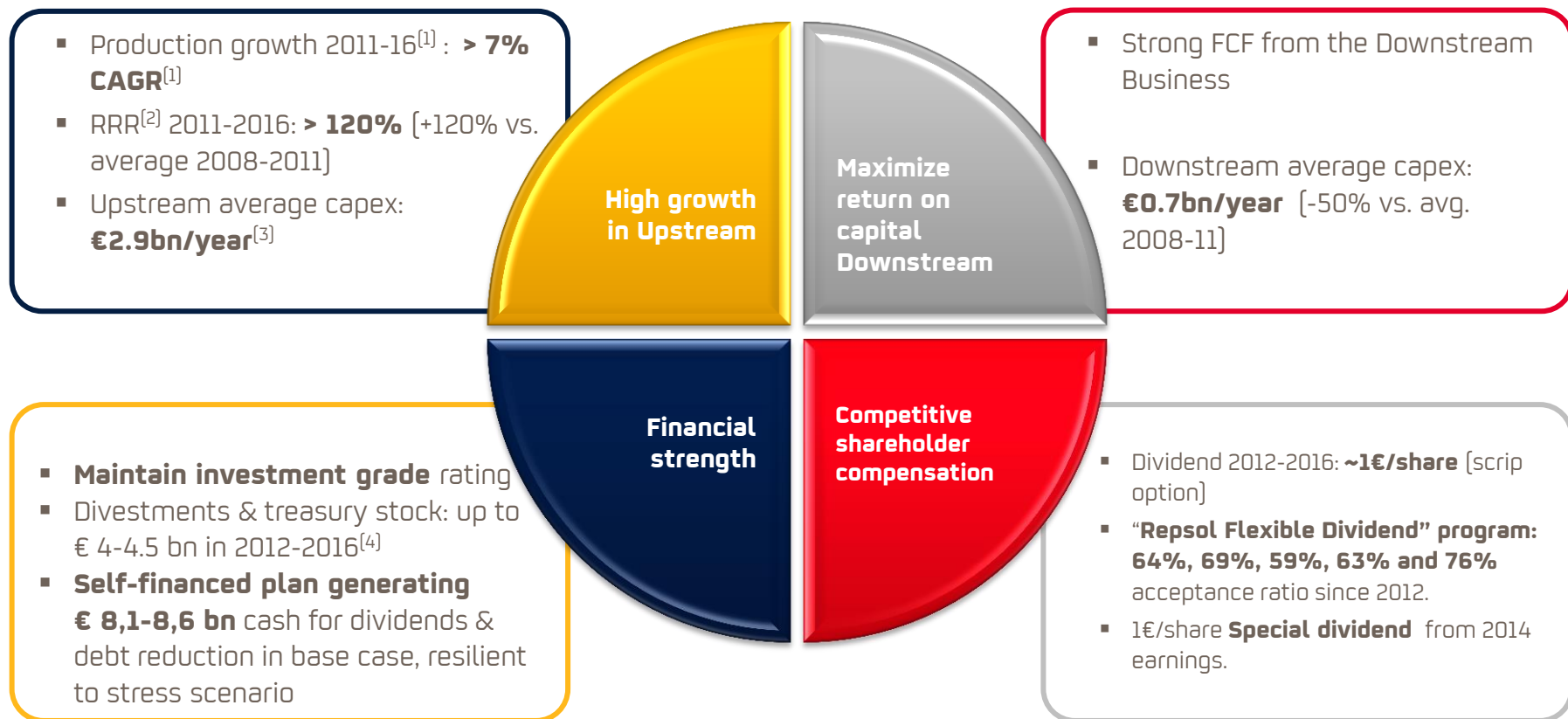
# Repsol:

## A Transformation Story

2

# 2012-2016 Key strategic targets

## Repsol: A Transformation Story



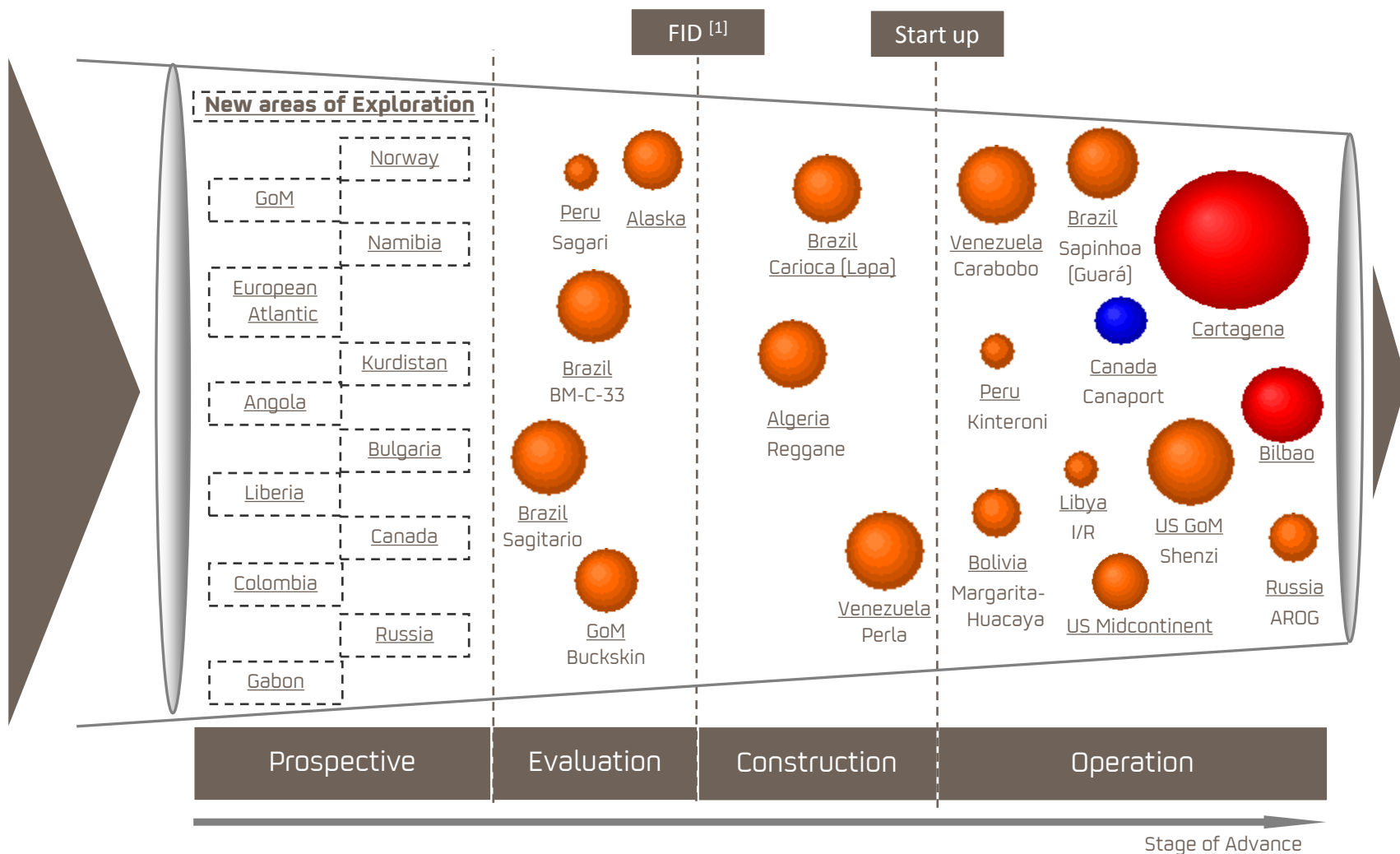
1. Compound annual growth rate. 2. Average Reserve Replacement Ratio 2011-2016. 3. Net Capex. excluding G&G and G&A

4. Targets in 2012. Target more than achieved after LNG disposal. Up to date divestments: 10% of treasury stock (€2.4bn); LPG Chile & Amodaimi (€0.6bn); LNG business (€4.4bn) and 10% stake in TPG (219 M\$)



# Turnaround plan

## Repsol: A transformation story





# Acquisition of Talisman Energy

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# Talisman:

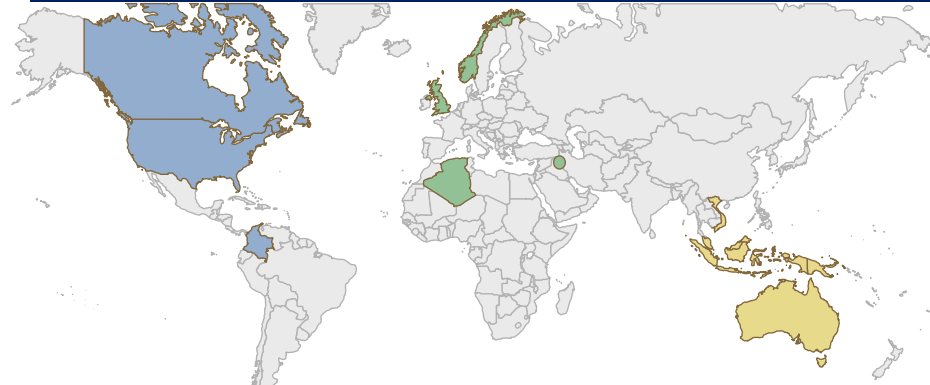
A major Canadian listed upstream company with a globally diversified portfolio



## 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]

## Diversified asset portfolio



### Americas

- 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 unconventional
- Upside emerging in Colombia (heavy oil)

### EMEA

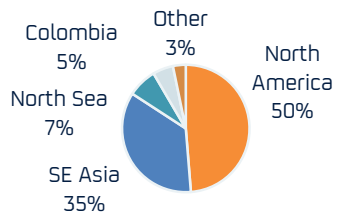
- JV with Sinopec in UK
- Offshore operator in North Sea (UK and Norway), mainly oil production
- Algeria free cash flow

### Asia-Pacific

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

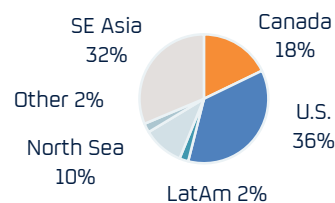
2014E Production:  
280-290 Kboepd<sup>1</sup>

After contract and royalties



2P Net reserves:  
1,243 Mmboe<sup>2</sup>

Year End 2013



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)

# Transaction Overview



## 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<sup>1</sup>**
- **Total enterprise value of US\$12.9 billion, assuming US\$4.7 billion in Talisman net debt as of September 30<sup>th</sup>, 2014**
- Immediately accretive to operating cash flow per share, EPS neutral for 2016 and accretive from 2017<sup>2</sup>

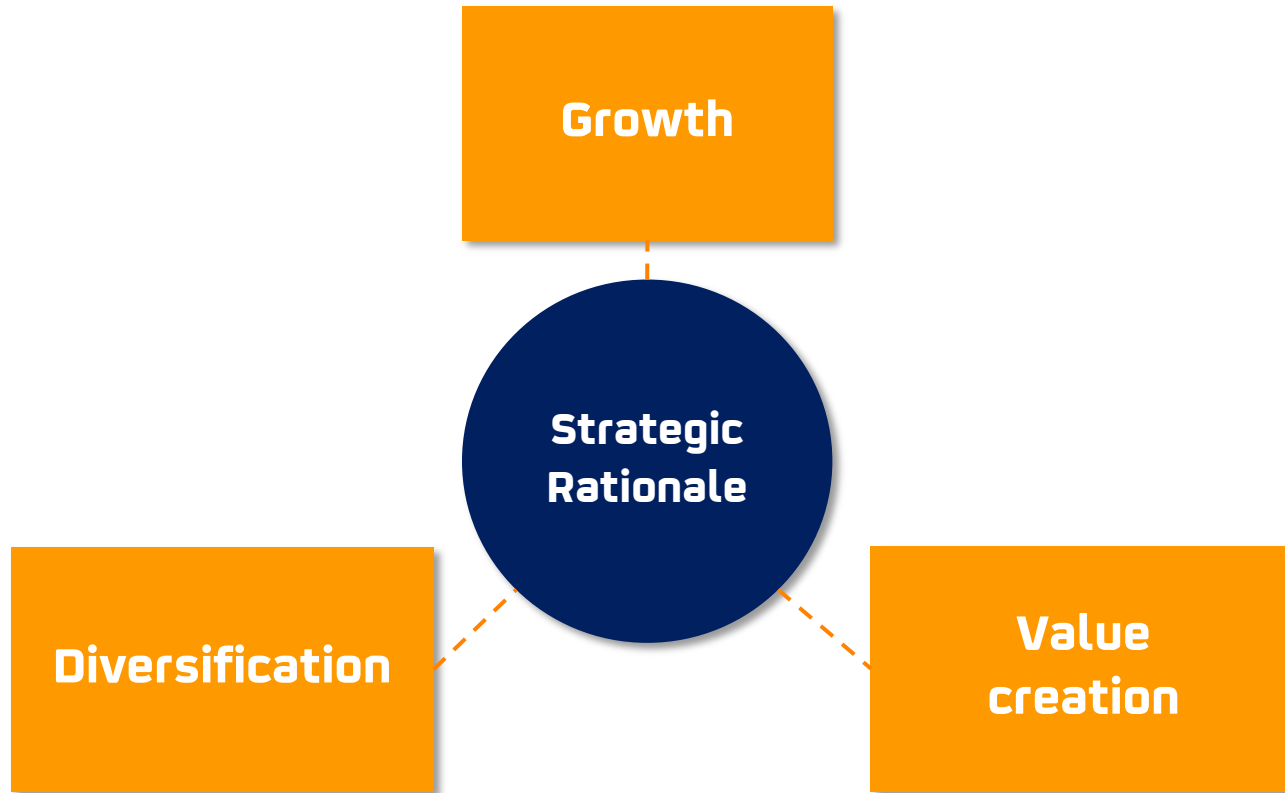
## Financing

- 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

# Strategic Rationale

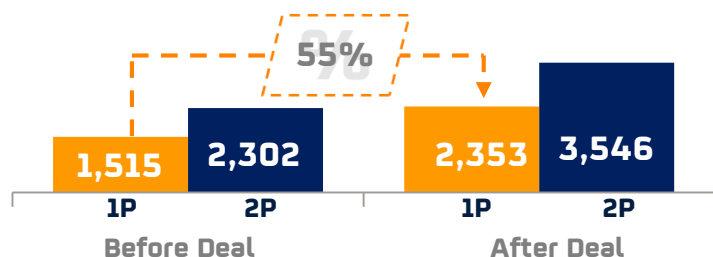


**Transformational deal, upgrading Repsol's portfolio and competitive advantage** achieving global **scale** and **diversification**, greater **exposure to Upstream**, leading **growth platforms** and **enhanced capabilities to create value**

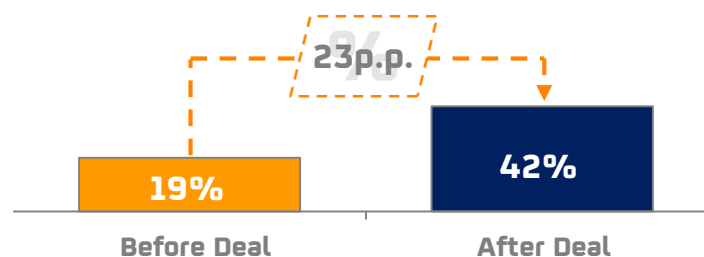
# Production, Reserves, Operatorship, OECD production



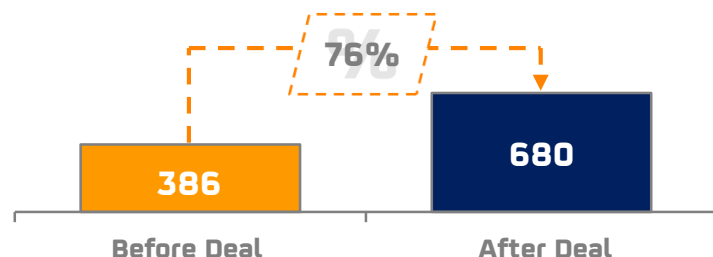
**Reserves 1P/2P [MBoe]**



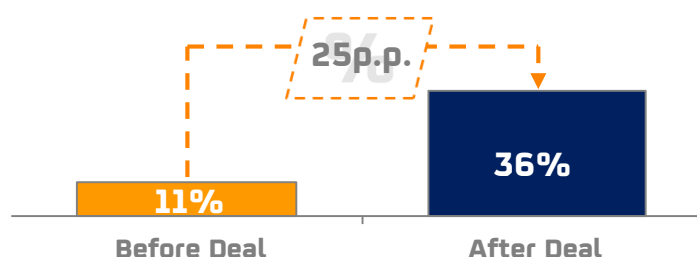
**Operated production [%]<sup>1</sup>**



**Production 2014E [Kboepd]**



**OECD production [%]**



1. Without Libya

Note: Considering net reserves (after royalties) and net production (after royalties). Asset sales considered

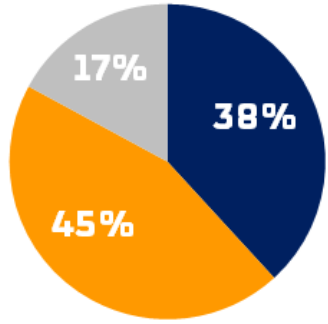
Note: If not specified 2013 data

Source: Rystad; Repsol internal information; Talisman Annual Report

# Significant enhancement of Repsol's upstream business geographic diversification

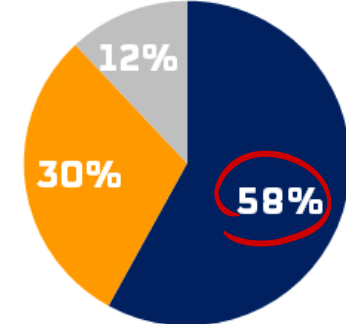


Whole Company



CE: ~36 B\$

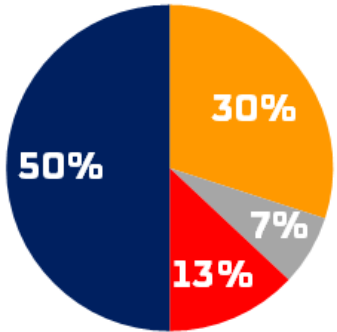
Upstream Downstream GNF



CE: ~52 B\$

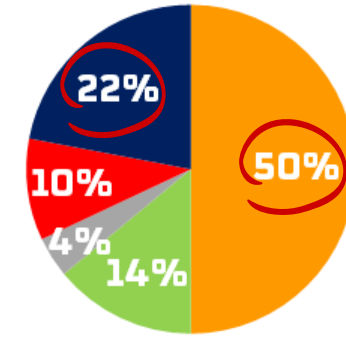
Capital Employed in Upstream from 38% to 58%

Upstream Division



CE Ups: ~ 14 B\$<sup>1</sup>

North America SEA Europe Other Latam



CE Ups: ~ 30 B\$<sup>2</sup>

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



**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**



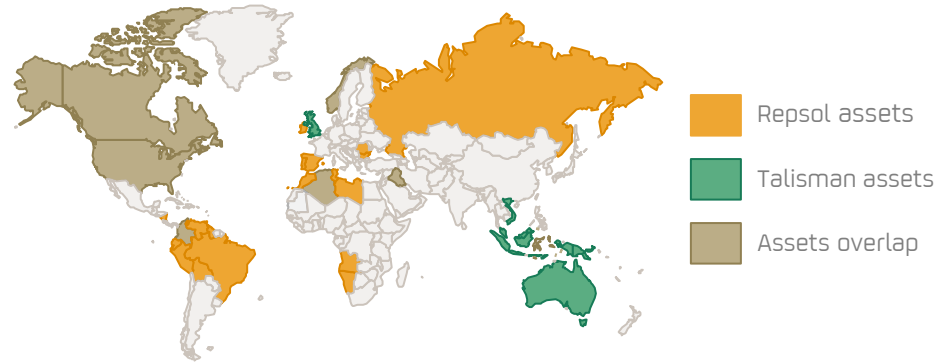
# Portfolio management: Opportunities to optimize capital allocation



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



## Talisman transaction would generate synergies of ~220 M U\$/year<sup>1</sup>

|                       |                           |  |
|-----------------------|---------------------------|--|
| Cost Synergies        | Commercial                | <ul style="list-style-type: none"> <li>• Enhanced gas, NGLs and oil marketing and trading in North America</li> <li>• Growth in N. America gas, NGLs and oil commercial and midstream portfolio size and diversity</li> </ul>            |
|                       | Capex costs               | <ul style="list-style-type: none"> <li>• Leverage scale in procurement in categories with global or regional markets</li> <li>• Best practice sharing in Capex and project management</li> </ul>   |
|                       | G&A costs                 | <ul style="list-style-type: none"> <li>• Optimization and integration of corporate functions</li> <li>• Integration of regional and country HQ where overlapped</li> <li>• IT expenditure optimization and scale</li> </ul>              |
| Operational Synergies | Exploration effectiveness | <ul style="list-style-type: none"> <li>• Application of Repsol exploration technology on new portfolio</li> <li>• Exploration teams integration and best practice transfer</li> <li>• Global exploration portfolio management</li> </ul> |

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



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**

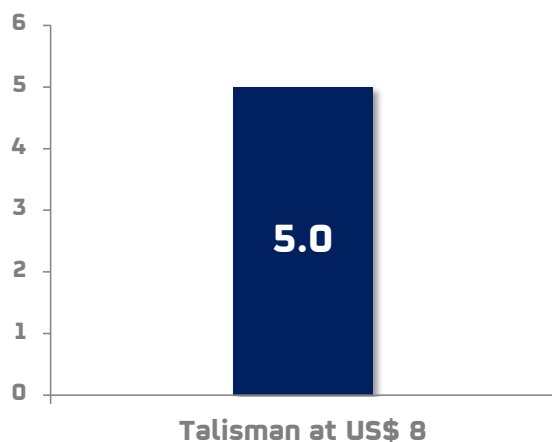


**Commitment to maintain competitive dividend**

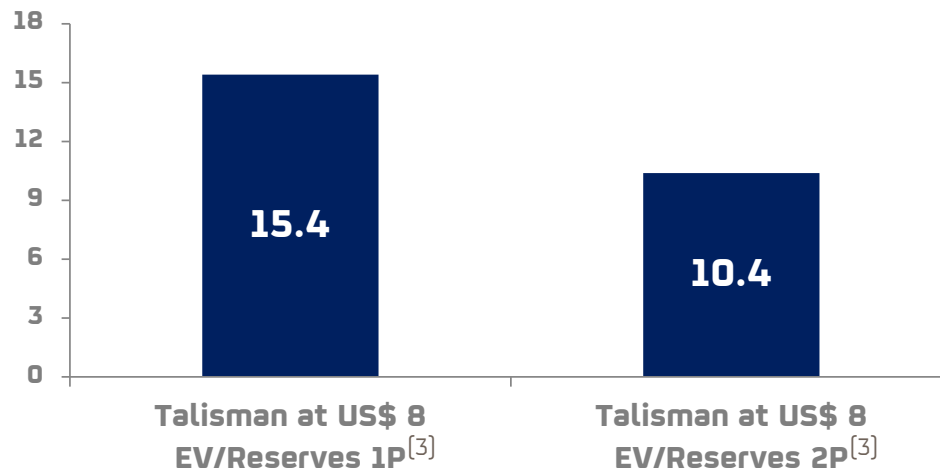
# Price and Trading Multiples

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

**EV/EBITDA 2015E (x) <sup>1</sup>**



**EV/2013 1P & 2P reserves (\$/boe) <sup>2</sup>**



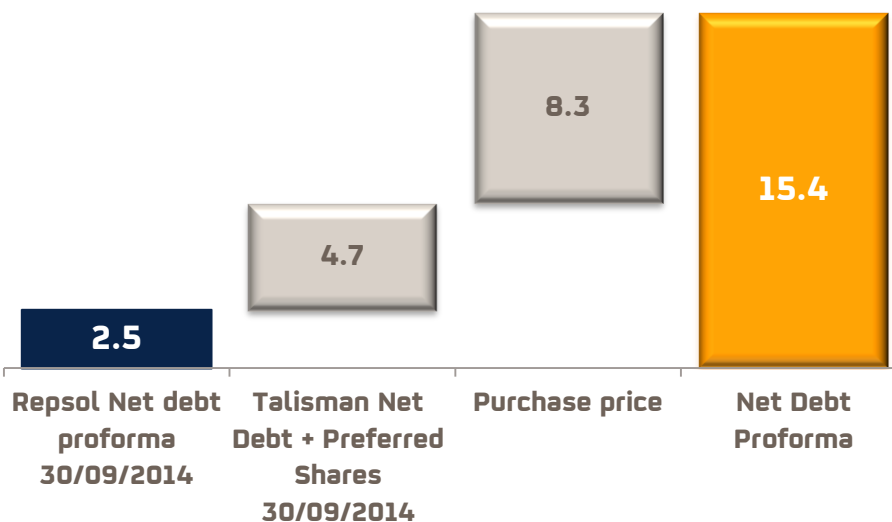
**Premium of 24% over last 3-month average share price and 14% premium over last 3-month average Enterprise Value<sup>4</sup>**

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 11<sup>th</sup>, 2014

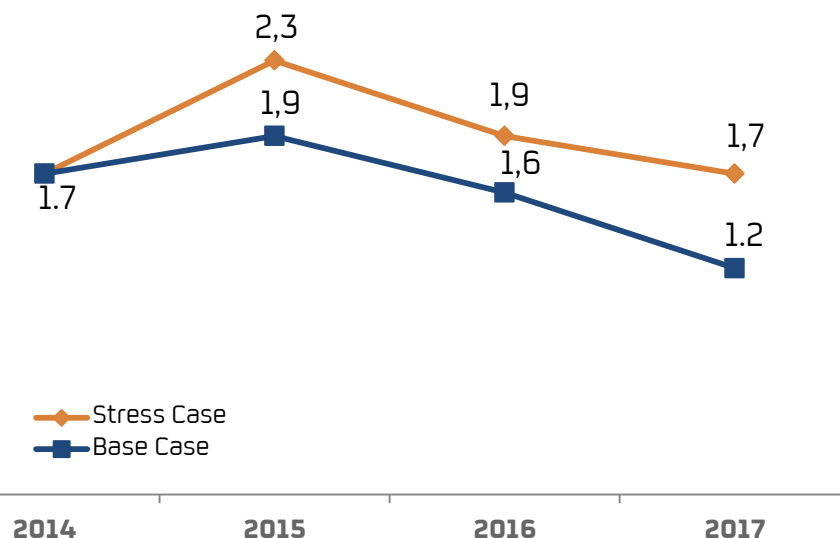
# Net debt proforma post Talisman deal

## Resilient credit metrics under stress scenarios

### Net debt proforma post deal (BUS\$)



### Net Debt <sup>[1]</sup> / EBITDA (x) <sup>[2]</sup> <sup>[3]</sup>



## 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]



# Upstream

Our businesses strategy

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# Setting the basis for the new waves of growth

## Focus on Exploration

### Reserve Replacement Ratio

|      |       |
|------|-------|
| 2010 | 131 % |
| 2011 | 162 % |
| 2012 | 204 % |
| 2013 | 275 % |

RRR<sup>(2)</sup> > 110-120%

**Exploration Capex:**  
**USD 1.0bn/year**  
 Including drilling, G&A and G&G

2013: U\$ 1.1 bn  
 2014[E] U\$ 1.3 bn

**Additions to Proven Reserves:**  
**+200/250 Mboe**

**# Wells/year: 25-30**  
 75% focused on liquids

2013: 24  
 2014[E]: 31

Contract application and movements of  
 resources to reserves

**Contingent resources/year**  
 [risky]:  
**+300/350 Mboe**

**WI prospective resources**  
 evaluated/year [unrisky]:  
**+1,500 Mboe**

**Success ratio:**  
**20-25%<sup>(1)</sup>**

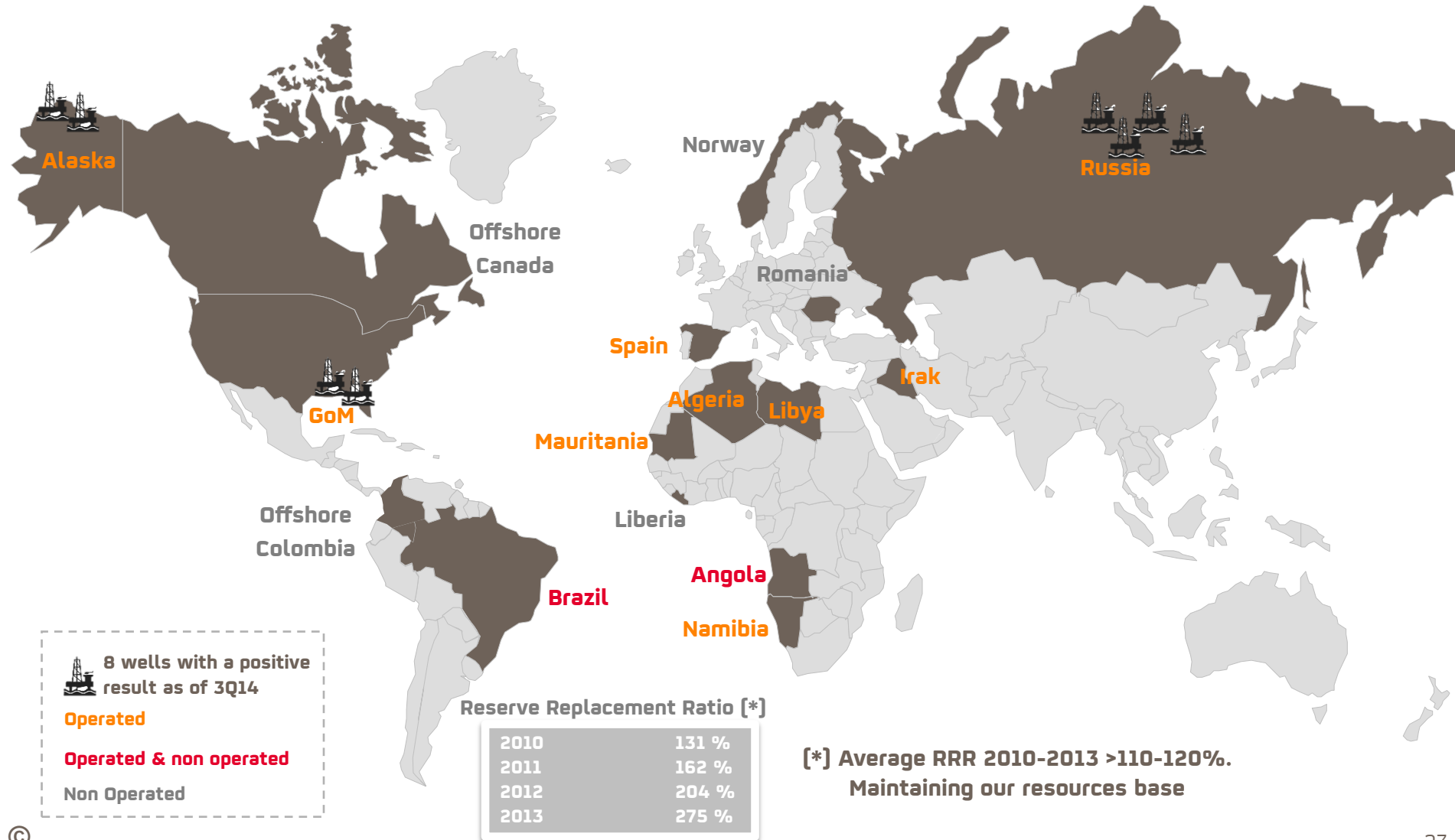


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# Countries with drilling activity during 2014

## 27 wells finalized in 2014

2015 exploration strategy to be reviewed after the closing of Talisman transaction

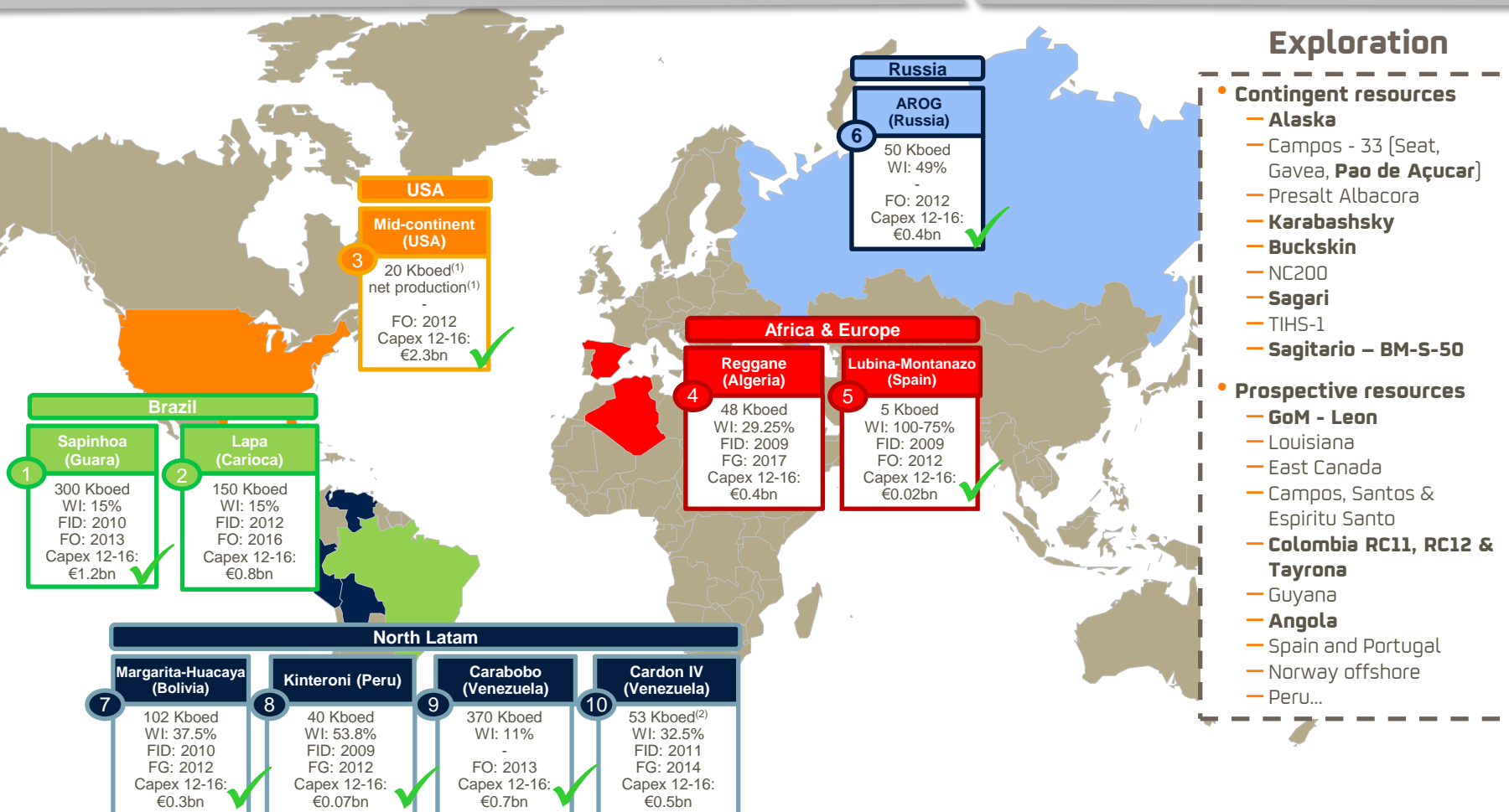


# 10 key growth projects in 2012-2016

## Delivering Growth

Low risk of delivery: 7 projects already producing

Post 2016: Next wave of growth



**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. Average Repsol net production post royalties 2. Phase I gross production



# Targets

## Delivering Growth

**CAGR<sup>[1]</sup> >7%**



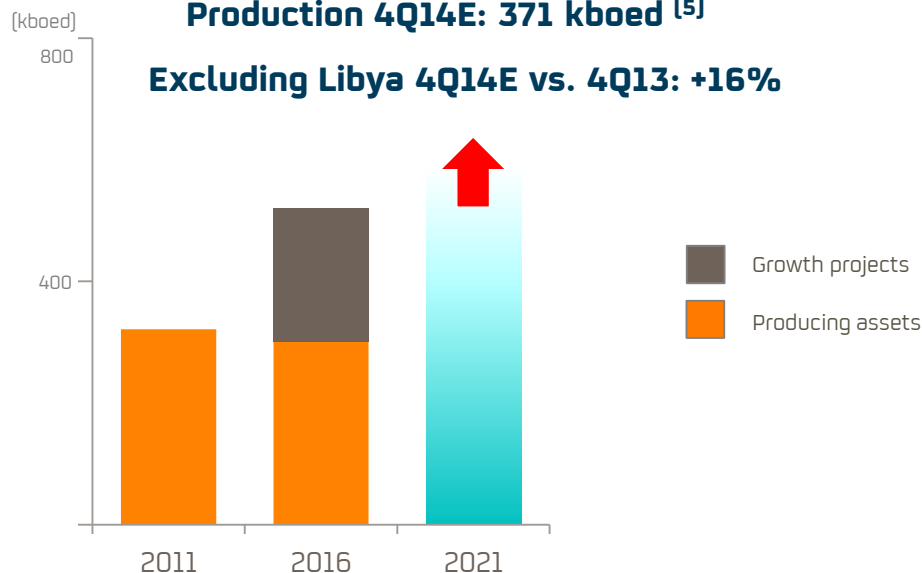
in production

2012: 332 kboed

2013: 346 kboed

**Production 4Q14E: 371 kboed <sup>[5]</sup>**

**Excluding Libya 4Q14E vs. 4Q13: +16%**



**Production 2012-2016 entirely based on current assets + growth projects**

2016 production target not built neither on contingent nor prospective resources from exploration

**2012-2016 Reserve Replacement Ratio<sup>[3]</sup>**

**RRR 2013**

**275%**

**Reserves 2013**

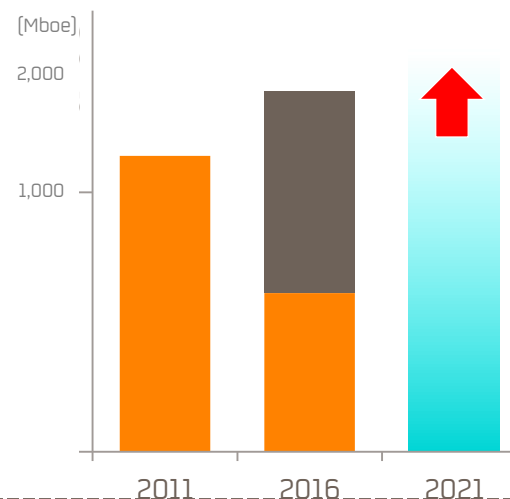
1,515 Mboe

**Contingent Resources 2012**

2.1 Bn boe

**Contingent Resources 2013**

2.1 Bn boe



**Annual addition of contingent resources through exploration: +300/350 Mboe<sup>[4]</sup>**

With a notable improvement in reserve replacement, without exhausting contingent resources bank

1. Compound annual growth rate. Expecting production growth in 2014 of around 7% excluding Libya. [Excluding the contribution of Libya in both years (2013 & 2014)]  
 2. Excluding Libya in both years growth should have been 9% 3. Cumulative contingent resources 4. Risked resources. 5. Source: Trading Statement



# Downstream

Our businesses strategy

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# Improve profitability on operational excellence and efficiency

## Maximize return on investment and cash generation

### Refining

- Reduce energy costs
  - Fuel consumption & losses down by 6% at 2016
- Reduce CO<sub>2</sub> emissions by 15% at 2016
- Operational excellence program in refineries

### Petrochemicals

- Maximize value of integration with refining
- Competitive Plan:
  - Higher-value applications
  - Efficiency program
- Continue cost reduction program

### Marketing

- Maximize value of marketing assets and competitive position
- Optimize retail asset portfolio
- Increase non-oil margins
- Increase international margin from lubricants and specialties

### LPG

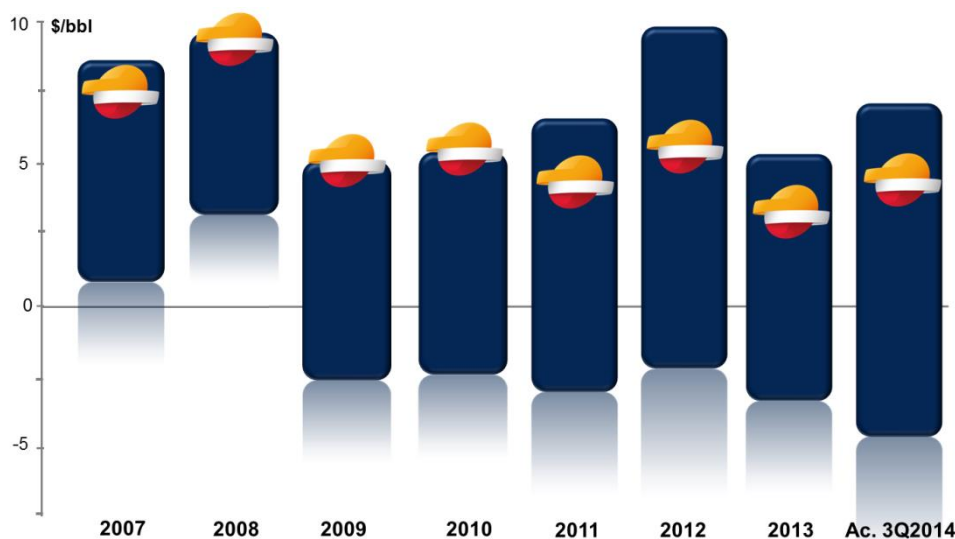
- Adequate production and commercial capacity to market conditions in Spain
- Optimize portfolio

# Downstream strategy 2010-2014:

## Increased competitiveness of Downstream business



### Competitive Downstream business, linked to quality assets and geographical situation

Integrated R&M margin (Repsol vs. Sector)



- Presence in a premium market for refining
- Completion of expansion and conversion projects
- Integrated refining portfolio, working as a unique system
- Efficient integration between the refining and marketing businesses

 Repsol margins

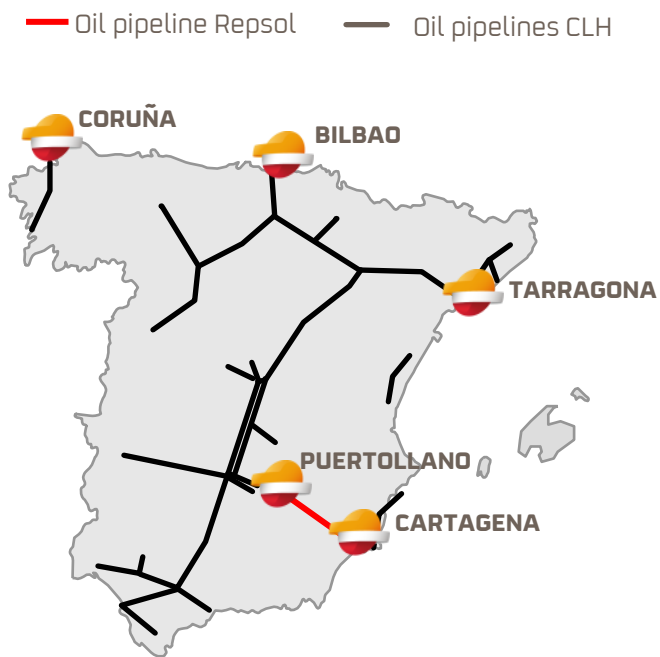
 Industry peer group maximum margin  
 Industry peer group minimum margin

**Note:** Integrated R&M margin calculated as CCS/LIFO-Adjusted operating profit of the R&M Segment divided by the total volume of crude processed (excludes petrochemical business) of a 14-peer-group. Based on annual reports and Repsol's estimates. Source: Company filings

# Downstream strategy 2010-2014:

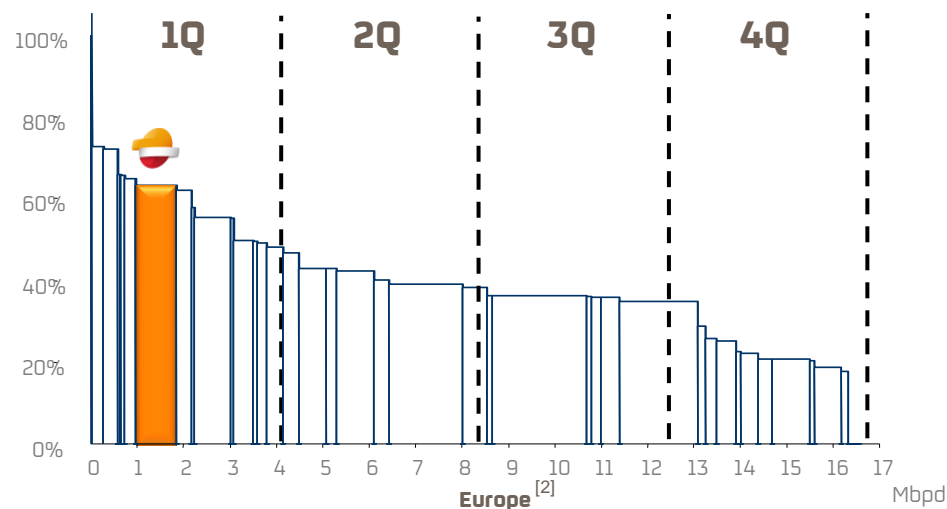
## Increased competitiveness of Downstream business

### Improved competitiveness of refining assets

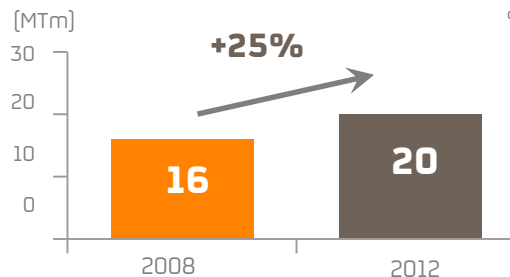


- Increased competitiveness of refining assets
- Top quartile position among European peers along the cycle
- Divested non-core / low return assets (€1.4bn) <sup>[1]</sup>

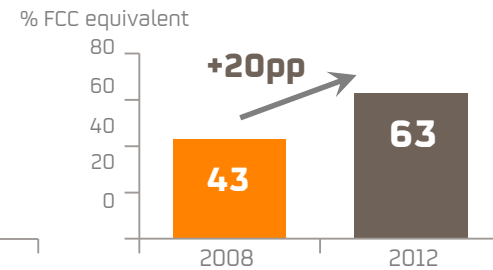
#### % FCC equivalent



#### Middle distillates production



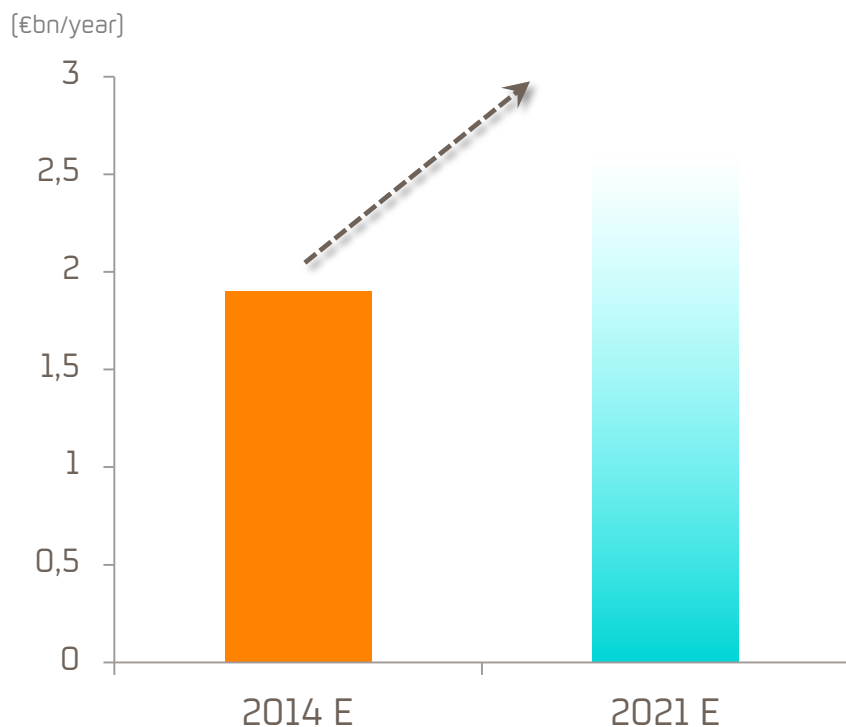
#### Conversion



<sup>1</sup>. Includes sale of 15% of CLH, non-integrated Downstream in LatAm (Chile, Brazil and Ecuador), PMMA Petrochemicals, Refap in Brazil and LPG France, some of them executed in Dec. 2007 <sup>2</sup>. Data source: WoodMackenzie

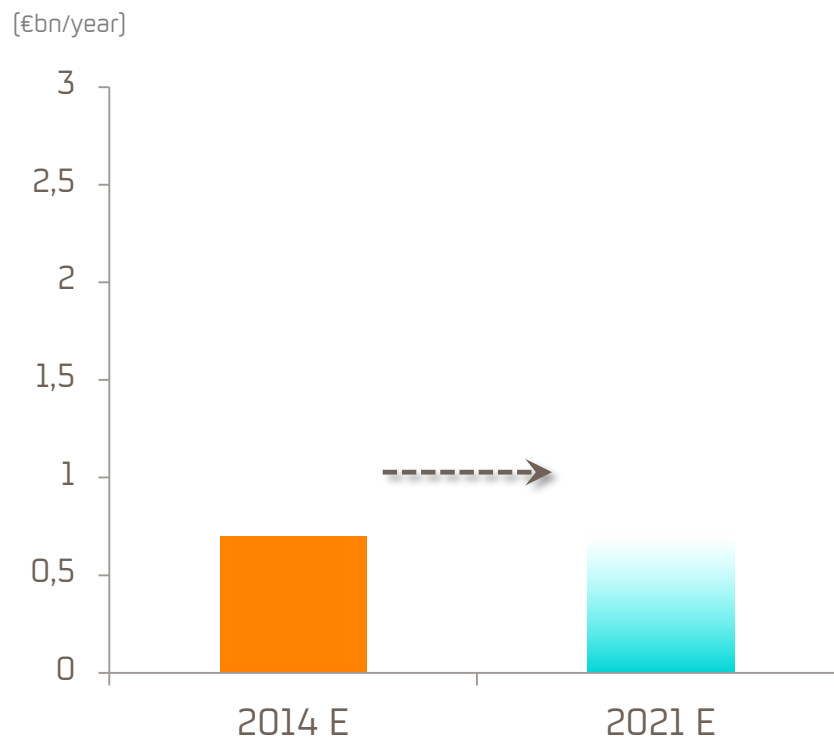
# Maximizing returns from the business and capital discipline

R&M EBITDA



Higher margins largely derived from expansion and conversion projects

R&M CAPEX



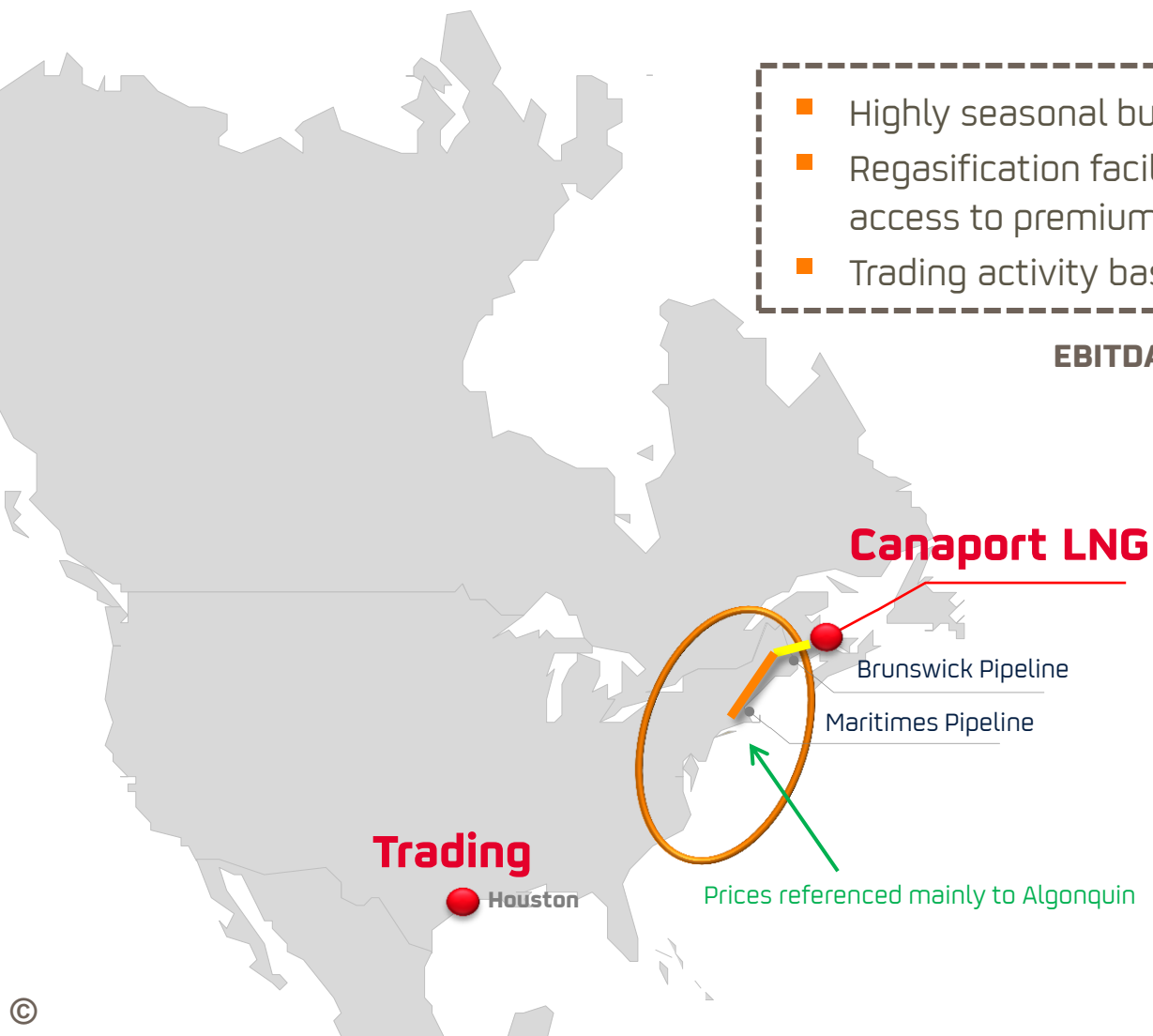
Downstream investment cycle already finalized

# Gas & Power

Access to premium markets in North America

- Highly seasonal business
- Regasification facility and midstream assets with access to premium markets in North East USA
- Trading activity based in our Houston headquarters

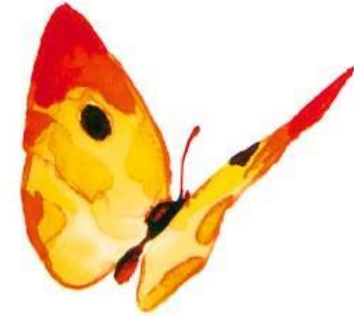
**EBITDA 9M14:** 238 M€



## Regasification plant

Total capacity: 10 bcm/year  
 Partners: Repsol [75%],  
 Irving Oil [25%]  
 Regasification capacity: 100% Repsol

# gasNatural fenosa



## Gas Natural Fenosa

Our businesses strategy

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# **GAS NATURAL FENOSA**

A liquid asset, with growth capabilities and a strong cash flow generator

## **Strong LatAm footprint, growth and strong cash generation**

### **Leading Utility**

**An European leading utility company with a strong footprint and growth in Latin America**

### **Dividend Yield**

**Strong cash stream for Repsol via Dividend**

### **A Good option**

**A financial investment that could be used after the LNG sale is completed and if a good opportunity in the upstream business arises**

### **Recent Developments**

**GNF reached an agreement to purchase CGE. With this acquisition GNF maintains its commitment of a 62% payout ratio in cash**



# Financial Position

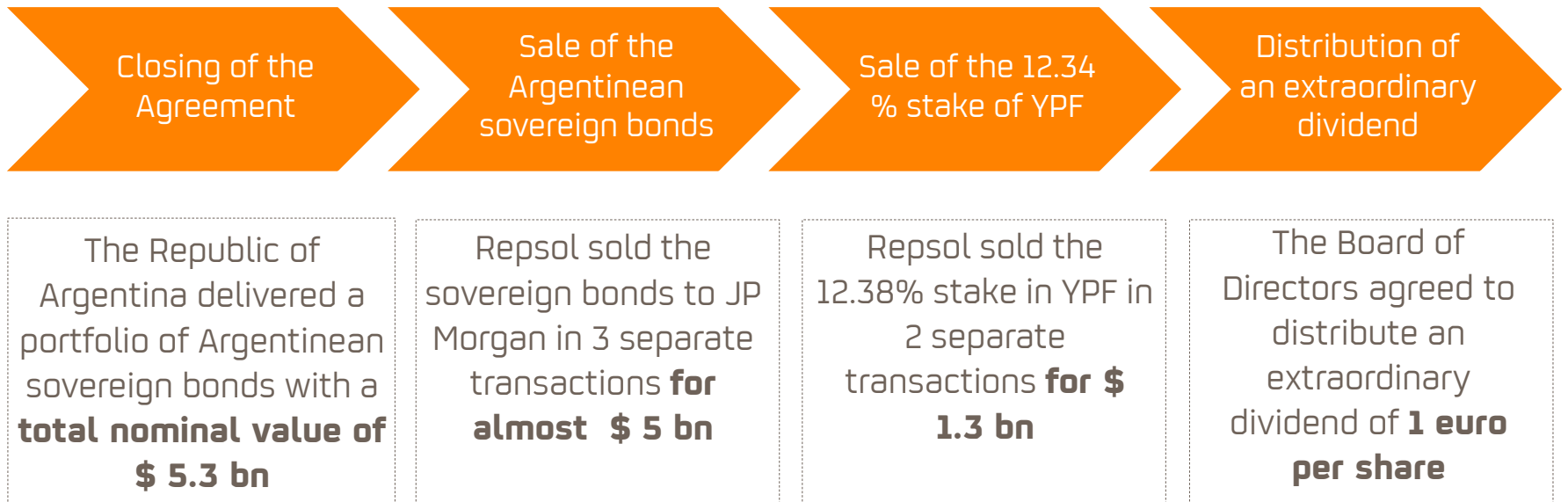
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# Financial Position

## YPF Monetization



## As of today Repsol has no exposure to Argentina

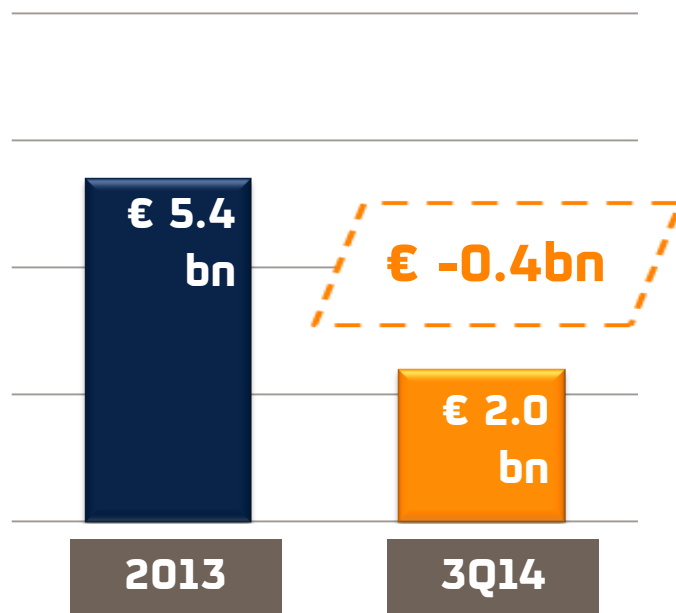


# Financial Position

## Financial Discipline: self-financed strategic plan

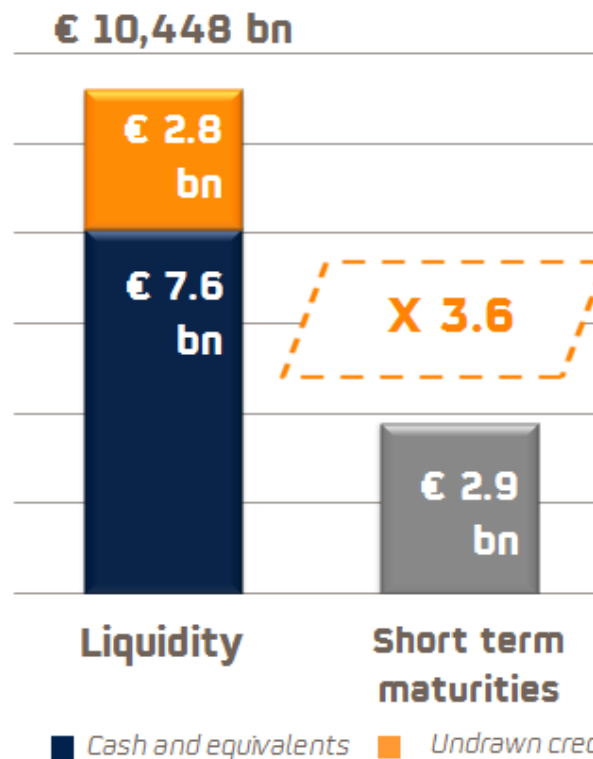
### Net Debt

High Liquidity



### Liquidity Position

Sound Financial Position



Note: liquidity position as of September 30<sup>th</sup> 2014.

# Credit Rating Agencies

## Repsol's rating

**Rating Agencies underline benefits from upstream portfolio diversification and Repsol's flexibility to maintain target leverage ratios after acquisition of Talisman Energy**



Moody's

Moody's affirms Repsol's long-term rating at **Baa2** while changing outlook to "Negative" from "Stable". 19 December 2014

**Baa2 [Negative]**



Fitch ratings

Fitch affirms Repsol's long-term rating at **BBB** while revising outlook to "Stable" from "Positive". 22 December 2014

**BBB [Stable]**



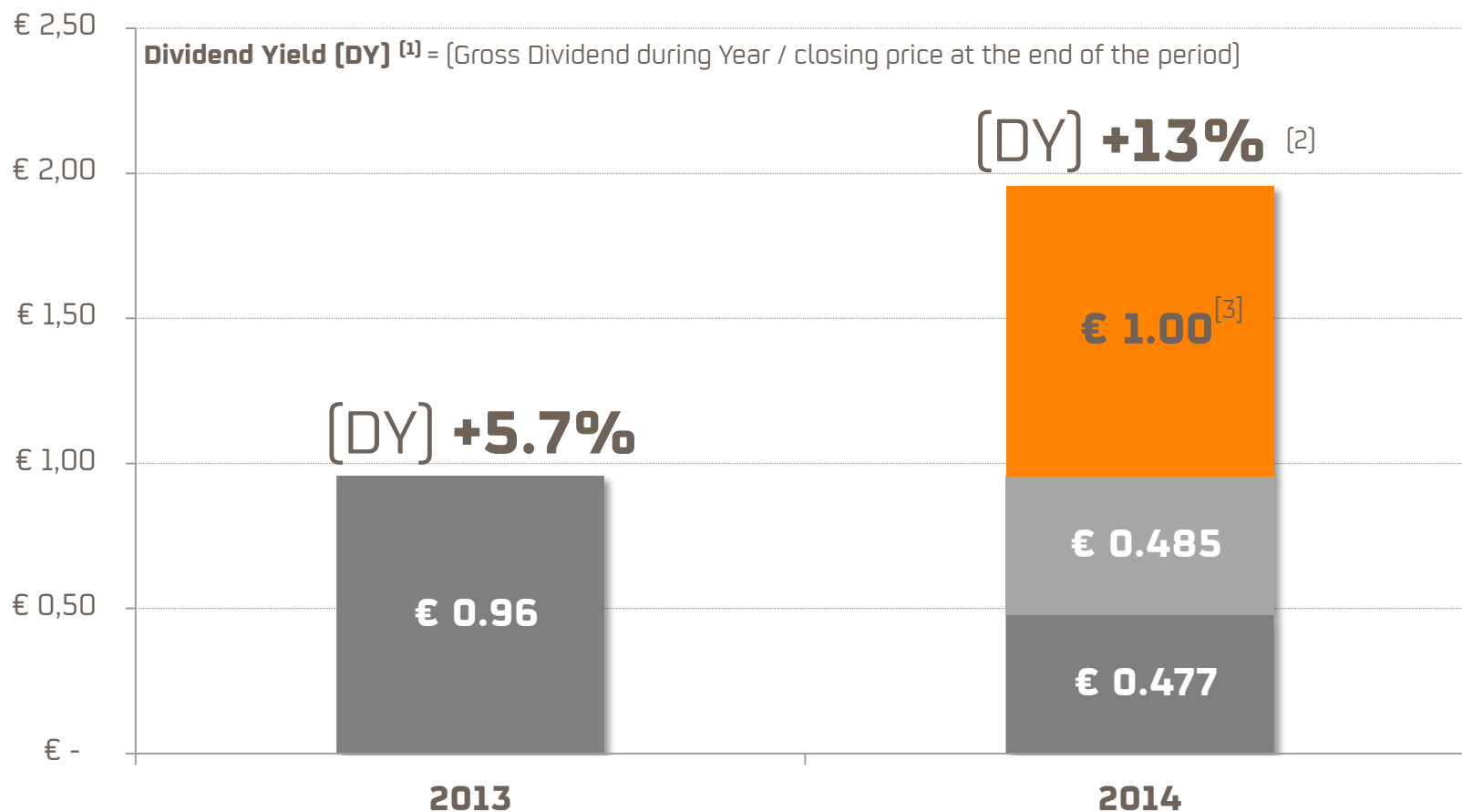
Standards  
& Poors

Standard & Poor's affirms rating at **BBB-** while revising outlook to "Stable" from "Positive". 18 December 2014

**BBB- [Stable]**

# Repsol in figures

## Shareholder remuneration



1. For the scrip dividend assumes the guaranteed fixed price offered for the free-of-charge allocation rights.

2. Dividend yield calculated with December 31<sup>st</sup> 2014 closing Price.

3. On May 28th, 2014, The Board of Directors agreed to distribute an extraordinary dividend of one euro per share from 2014 earnings, with payment day on June 6th, 2014.

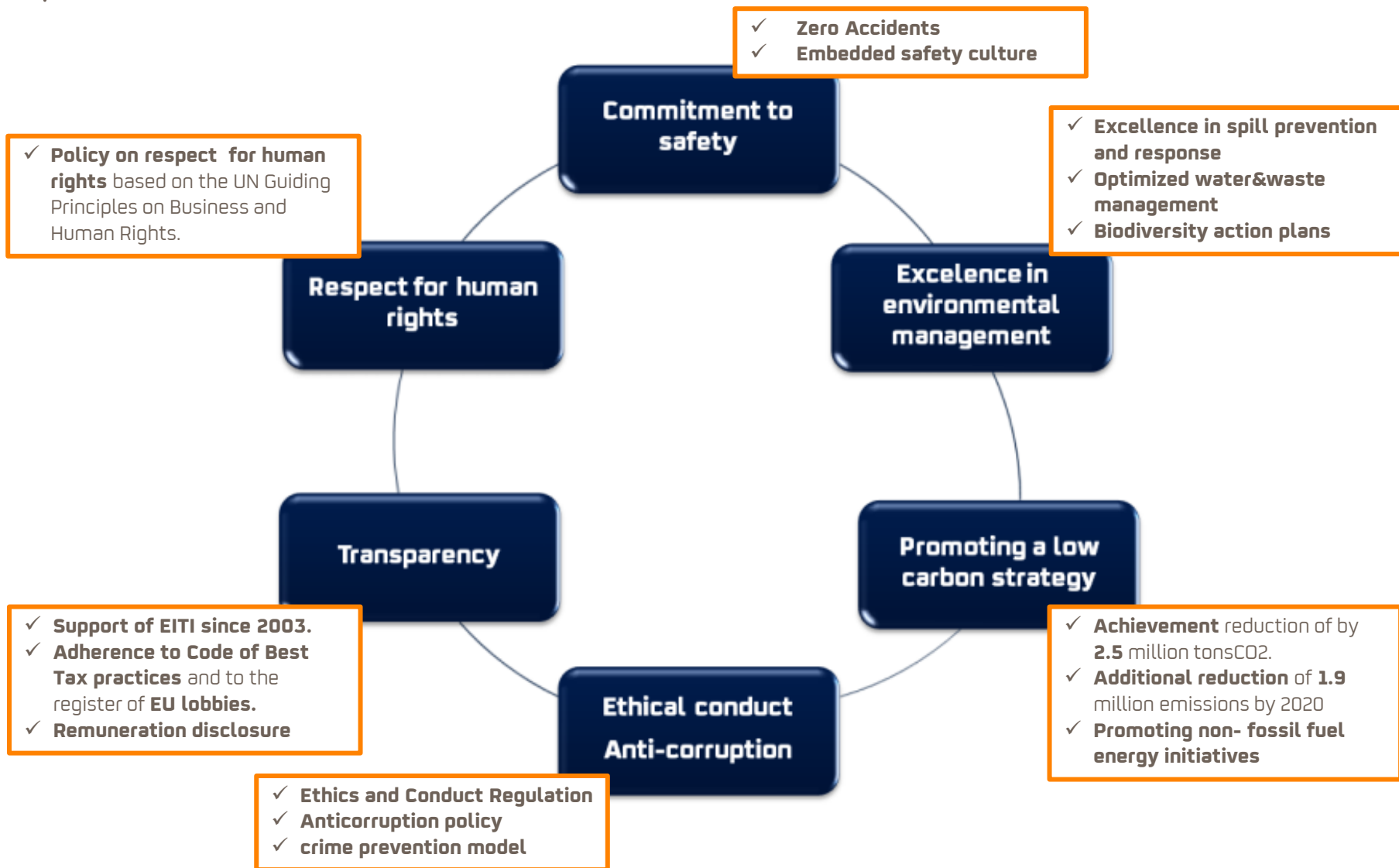


# **Environmental, Social & Governance**

**8**

# Corporate Responsibility Model

## Our commitments





# Monitoring and control of the sustainability indexes

The consistency and commitment of our work has led to recognition of the company's firm commitment to continually improving its performance.



Our Company has won recognition for its energy efficiency and carbon management for the third time in the last five years

Climate Disclosure Leadership Index (CDLI)

|   | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|------|------|------|------|------|
| Maximum Energy sector score   | 88   | 90   | 92   | 98   | 98   |
| Minimum score for Energy sector companies to be eligible for the CDLI | 79   | 88   | 90   | 95   | 97   |
| Repsol's score  | 75   | 88   | 89   | 98   | 98   |

Our Company has won recognition for its energy efficiency and carbon management for the third time in the last five years



# SUMMARY

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# Summary

**Repsol has achieved all 2012-2016 strategic goals. YPF's monetization allows Repsol to inorganically accelerate further growth in the upstream, further diversification in the asset base and further shareholder value.**

## Positioned for growth

- Upstream as growth engine
- Focus on exploration
- Delivery based on projects in development phase

## Diversification

- Balancing our capital employed:
  - More OECD/non-OECD.
  - More Oil vs Gas

## Profitability

- Maximize return on investment
- Operational excellence
- Fully invested assets in Downstream

## Sound financial position

- Self-financed strategic plan, resilient to stress scenarios
- Commitment to maintain investment grade
- Competitive dividend pay-out



**ANNEX**

**10**

# Repsol in figures



| Results (€ Million)                 | 3Q 2013    | 2Q 2014    | 3Q 2014    | % Change<br>3Q14/3Q13 | January -<br>September<br>2013 | January -<br>September<br>2014 | % Change<br>2014/2013 |
|-------------------------------------|------------|------------|------------|-----------------------|--------------------------------|--------------------------------|-----------------------|
| Upstream                            | 184        | 145        | 185        | 0.5                   | 818                            | 585                            | (28.5)                |
| Downstream                          | 108        | 162        | 190        | 76.6                  | 458                            | 642                            | 40.2                  |
| Gas Natural Fenosa                  | 106        | 159        | 92         | (13.2)                | 359                            | 374                            | 4.2                   |
| Corporate and others                | (103)      | (76)       | (52)       | 49.5                  | (415)                          | (264)                          | 36.4                  |
| <b>ADJUSTED NET INCOME</b>          | <b>295</b> | <b>390</b> | <b>415</b> | <b>40.9</b>           | <b>1,220</b>                   | <b>1,337</b>                   | <b>9.6</b>            |
| Inventory effect                    | 30         | 5          | (63)       | -                     | (123)                          | (117)                          | 4.9                   |
| Non-recurring income                | (34)       | 156        | (32)       | 5.9                   | (121)                          | 159                            | -                     |
| Income from discontinued operations | 95         | (31)       | (1)        | -                     | 311                            | 267                            | (14.1)                |
| <b>NET INCOME</b>                   | <b>386</b> | <b>520</b> | <b>319</b> | <b>(17.3)</b>         | <b>1,287</b>                   | <b>1,646</b>                   | <b>27.9</b>           |

**Note:** Repsol Group made the decision in 2014, prompted by the business reality and in order to make its disclosures more comparable with those in the sector, to disclose as a measure of the result of each segment the recurring net operating profit at current cost of supply (CCS) after tax of continuing operations (“Adjusted Net Income”), which excludes both non-recurring net income and the inventory effect.

For more information please refer to section “Basis of preparation of the financial information” of the 3rd Quarter 2014 earnings release.

# Repsol in figures



| Economic data (€ Million) | 3Q 2013 | 2Q 2014 | 3Q 2014 | % Change<br>3Q14/3Q13 | January -<br>September<br>2013 | January -<br>September<br>2014 | % Change<br>2014/2013 |
|---------------------------|---------|---------|---------|-----------------------|--------------------------------|--------------------------------|-----------------------|
| EBITDA                    | 1,026   | 1,025   | 1,047   | 2.0                   | 3,241                          | 3,249                          | 0.2                   |
| CAPITAL EXPENDITURES      | 716     | 860     | 961     | 34.2                  | 2,112                          | 2,549                          | 20.7                  |
| NET DEBT                  | 7,117   | 2,392   | 1,998   | (71.9)                | 7,117                          | 1,998                          | (71.9)                |
| EBITDA / NET DEBT (x)     | -       | -       | 2.10    | -                     | -                              | 2.17                           | -                     |

As of September 30th 2014

MARKET CAPITALIZATION

25,385

| Operational data                              | 3Q 2013 | 2Q 2014 | 3Q 2014 | % Change<br>3Q14/3Q13 | January -<br>September<br>2013 | January -<br>September<br>2014 | % Change<br>2014/2013 |
|---|---------|---------|---------|-----------------------|--------------------------------|--------------------------------|-----------------------|
| LIQUIDS PRODUCTION (Thousands of bbl/d)       | 135     | 122     | 141     | 4.7                   | 145                            | 131                            | (9.3)                 |
| GAS PRODUCTION (*) (Millions of scf/d)        | 1,172   | 1,216   | 1,261   | 7.6                   | 1,176                          | 1,221                          | 3.8                   |
| TOTAL PRODUCTION (Thousands of boe/d)         | 344     | 338     | 366     | 6.4                   | 354                            | 349                            | (1.5)                 |
| CRUDE OIL REALIZATION PRICE (\$/Bbl)          | 89.0    | 87.8    | 84.3    | (5.3)                 | 89.7                           | 85.9                           | (4.2)                 |
| GAS REALIZATION PRICE (\$/Thousands scf)      | 3.8     | 4.0     | 3.6     | (5.3)                 | 4.0                            | 3.9                            | (1.1)                 |
| DISTILLATION UTILIZATION Spanish Refining (%) | 80.9    | 83.5    | 84.8    | 4.8                   | 80.3                           | 81.0                           | 0.9                   |
| CONVERSION UTILIZATION Spanish Refining (%)   | 101.1   | 100.6   | 106.6   | 5.4                   | 100.1                          | 101.4                          | 1.3                   |
| REFINING MARGIN INDICATOR IN SPAIN (\$/Bbl)   | 2.6     | 3.1     | 3.9     | 50.0                  | 3.0                            | 3.6                            | 20.0                  |

(\*) 1,000 Mcf/d = 28.32 Mm<sup>3</sup>/d = 0.178 Mboe/d

# Investor Update

Strategic Plan 2012-2016



**REPSOL**



**“Growing from our strengths”**

February 2015