

# WEBCAST – CONFERENCE CALL First Quarter 2016 Results

May 5th, 2016



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1. Progress of the Strategic Plan
2. Market Environment and operational highlights
3. Quarterly results
4. Conclusions





Progress of Strategic Plan

1

# Progress of Strategic Plan

## Update



- ✓ Challenging **macro scenario**
- ✓ **Integrated model** strength
- ✓ Strategic Plan 2016-2020: **Value and Resilience**
  - Capex Optimization
  - Efficiencies and synergies
    - Cash neutrality **break-even ~40\$** in 2016-2017
    - Preservation of **Net Debt** levels after paying dividends

# Progress of Strategic Plan

## Strategic Commitments Follow up



**Efficiency & Synergies Program**

	Target 2016	2016 Estimate
<b>Synergies</b>	<b>0.2</b>	<b>0.2</b>
<b>Efficiencies</b>	<b>0.9</b>	<b>1.0</b>
<b>Total [B€]</b>	<b>1.1</b>	<b>1.2</b>

**Capex Flexibility<sup>[3]</sup>**

	Target 16-17	Actual
<b>Repsol Capex [B€]</b>	<b>~3.9</b>	<b>0.8</b>

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

**Divestments & Management Portfolio**

	Target 16-17	Actual
<b>Divestments [B€]</b>	<b>3.1</b>	<b>2.8<sup>[1]</sup></b>
<b>Production [kboed]</b>	<b>706<sup>[2]</sup></b>	<b>714</b>

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

**Value & Resilience**

	Target	Actual
<b>CF Neutrality BE [\$ /boe]<sup>[4]</sup></b>	<b>~40</b>	<b>~40</b>
<b>E&amp;P FCF BE [\$ /boe]</b>	<b>~65</b>	<b>~65</b>

[4] FCF after interests and dividends (0.5€/share out of 0.8 €/share expected for this year)

**Finance Commitments**

	Target	Actual
<b>Investment Grade</b>	<b>Maintain</b>	<b>Maintain</b>

# Progress of Strategic Plan



Capex in 2016

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

€3.9Bn

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

€1.2Bn

Cash Neutrality  
break-even

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

~40\$/bbl

# Progress of Strategic Plan

## Divestment program



### Piped LPG

#### **Sale of another portion of the piped LPG business for 136 M€**

- Including September transaction → 800 M€ of proceeds (38M€ in this quarter)
- Will be cashed-in before the end of 2016



### Wind Power

#### **Sale of our offshore wind power business in the UK for 238 M€**

- Cash from this sale is expected to be received during 2Q 2016



### LPG Business

#### **Sale of LPG business in Ecuador and Peru for 335 M\$**

- A multiple of approximately 8 times EBITDA

**Repsol has confirmed transactions totaling  
€2.8 Bn, close to the target set in the Strategic Plan for 2016-2017**





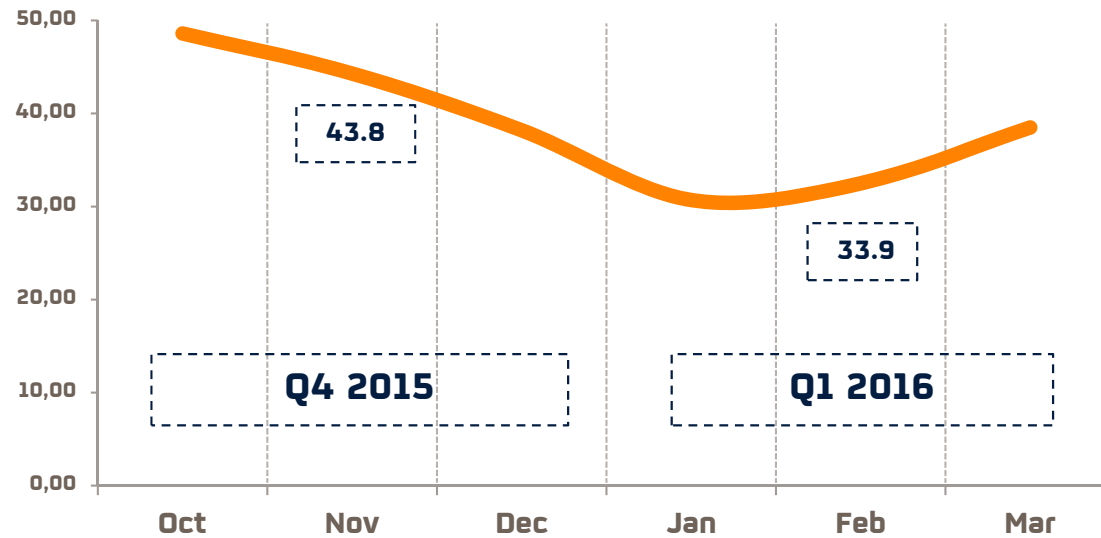
Market environment and  
operational activity

2

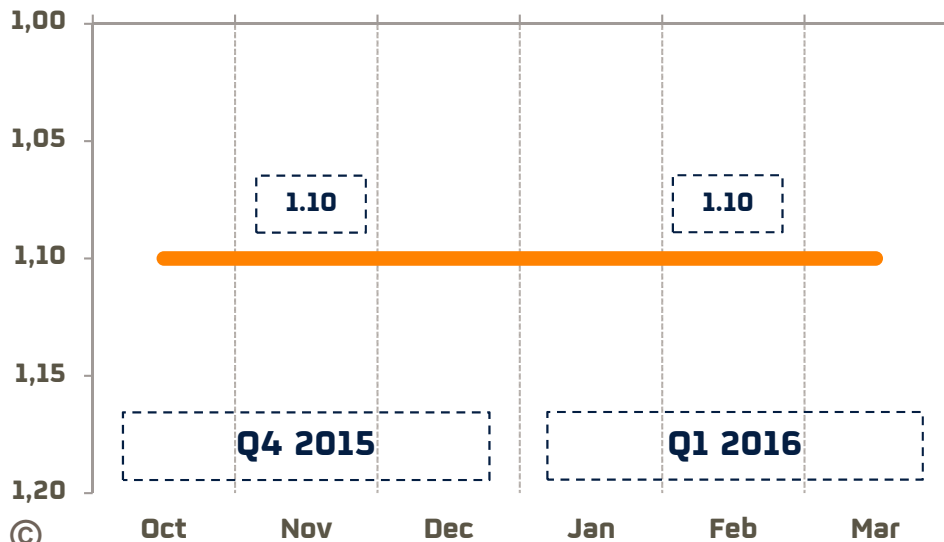
# Market environment



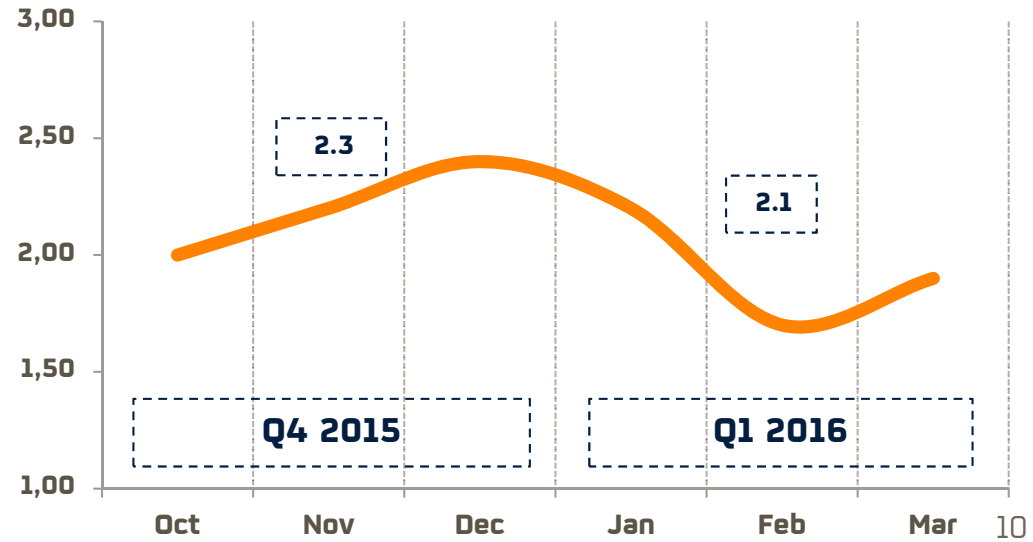
### Brent evolution - \$/boe



### Exchange Rate - \$/€

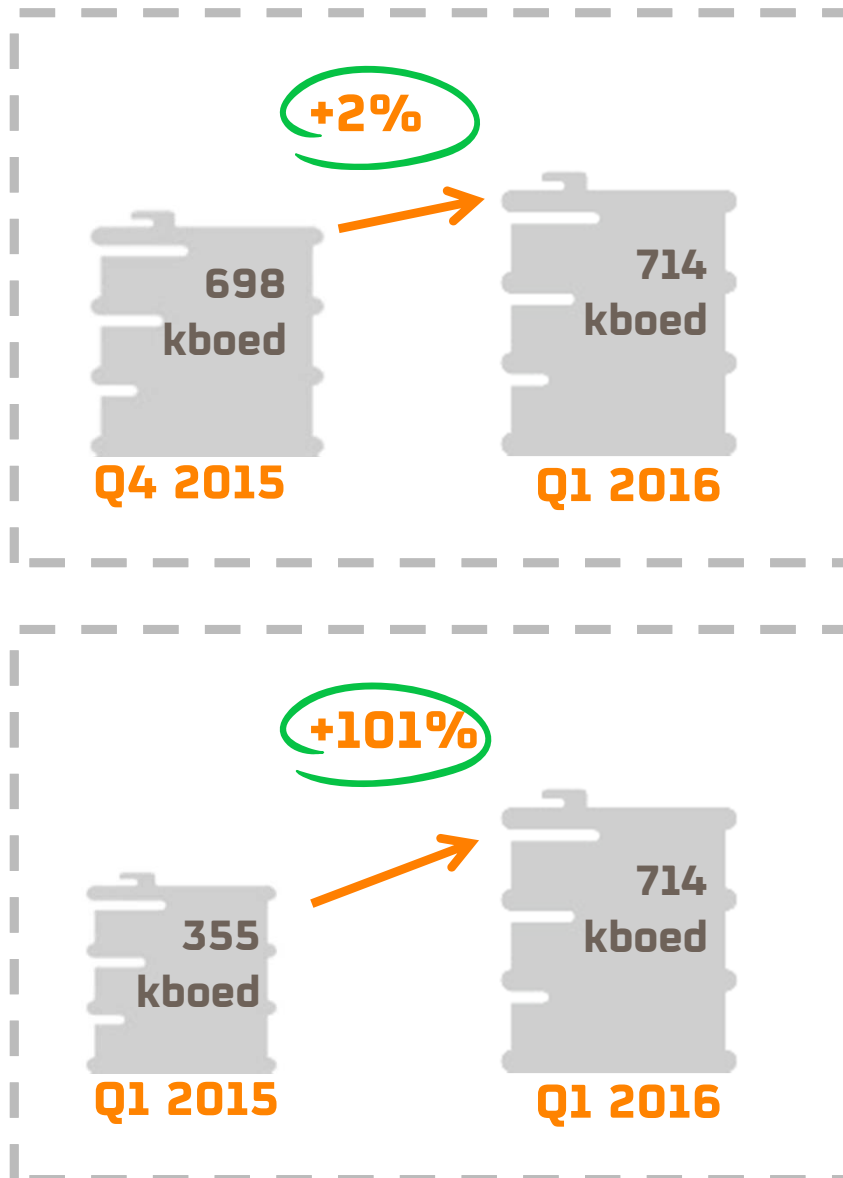


### Henry Hub - \$/Mbtu



# Operational Activity

## Production



- 
- Start-up Cardón IV (Venezuela)
  - Ramp-up of Sapinhoá (Brazil)
  - Consolidation of acquired assets
-



# Operational activity

## Development projects



Sapinhoá

Brazil

- Ramp-up of the second FPSO in Sapinhoá North was completed in April.
- The project has reached a plateau of 270 kboed gross (40Kboed for Repsol)

# Operational activity

## Development projects



**Mon-arb & Flyndre Cawdor** **UK**

- Focus on cost efficiency and capex optimization.
- First oil expected in 2017.



# Operational activity

## Development projects



### Alaska

- Armstrong exercised its option to acquire an additional 6% in the development area of the North Slope [assuming operationship]



# Operational activity

## Exploration



3 exploratory and 2 appraisal wells were completed (1 appraisal with positive results)

### IN APRIL:

#### **GAVEA A-1**

- ✓ 175m hydrocarbon column
- ✓ Successfully tested
- ✓ Producing:
  - 16 mscf of gas
  - 4 Kboes

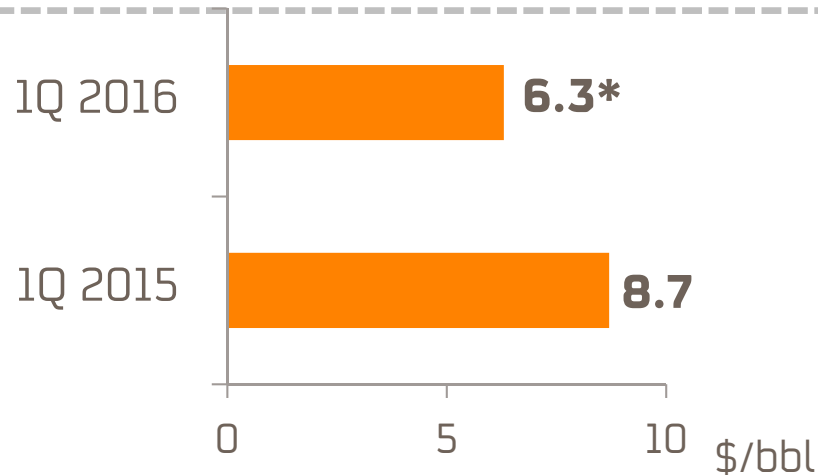


# Operational activity

## Downstream



### Refining Margin Indicator



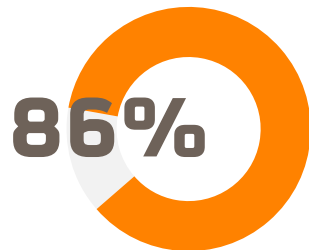
\* Actual Refining Margin: 7.3 \$/bbl

### Petrochemicals businesses

- High margins and volumes thanks to:
  - Operational improvements
  - Better environment

### Utilization rates

1Q 2016



Distillation utilization



Conversion units

### Gas & Power

- At break-even level

### Commercial businesses

- In line with Q1 15



Quarterly results

4



# First Quarter 2016 Results



## Q1 2016

	Q1 2015	Q1 2016	% Variation
<b>CCS Adjusted Net Income</b>	928	572	- 38%

Million €

	Q1 2015	Q1 2016	% Variation
<b>Net Income</b>	761	434	- 43%

Million €

**Price environment affects Upstream Results**

**Strong performance of the Downstream business specially in Chemicals and Refining**

**Q1 15 results benefited from exchange rate positions maintained as a result of the compensation received from Argentina**

# Upstream Results

## Adjusted Net Income



Q1 2015

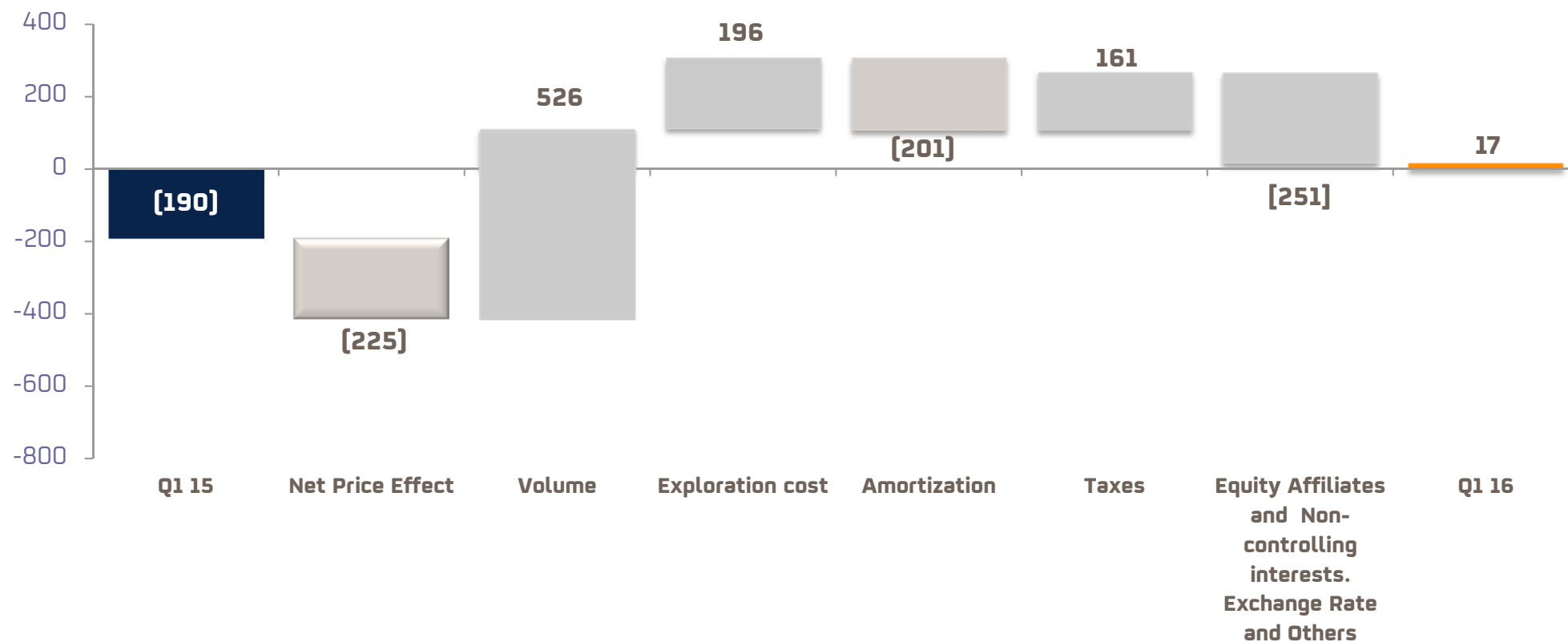
Q1 2016

**Adjusted Net Income**

**-190**

**17**

Million €



# Downstream Results

## Adjusted Net Income



Q1 2015

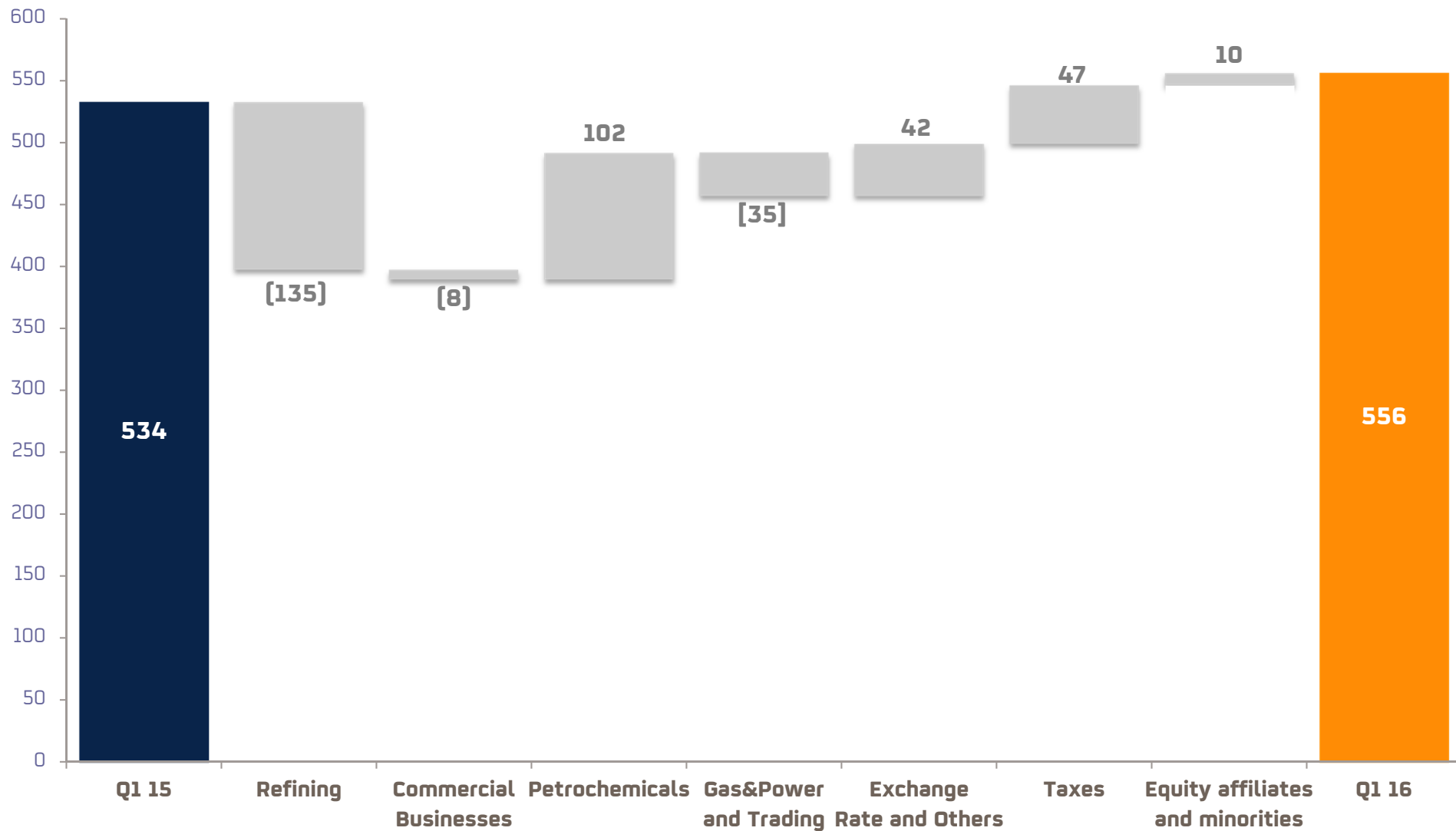
Q1 2016

**CCS Adjusted Net Income**

534

556

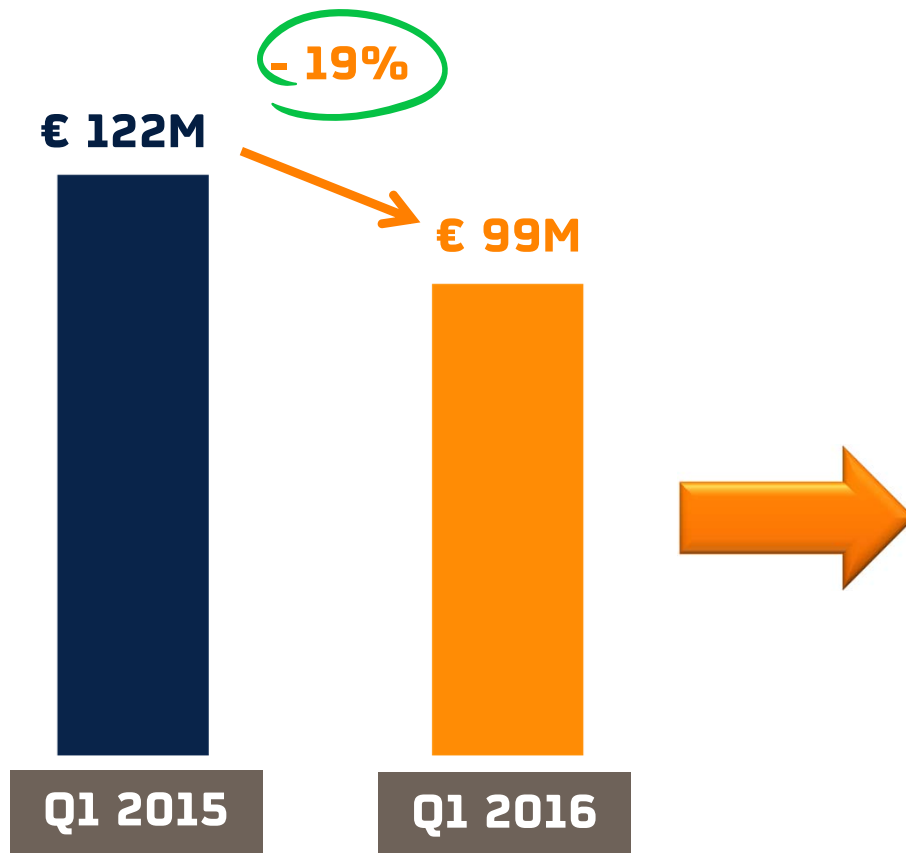
Million €





# Gas Natural Fenosa Results

Adjusted Net Income



- Lower results in the gas commercialization business

# Financial Aspects



Million €

Q1 2015

Q1 2016

## Net Financial Result

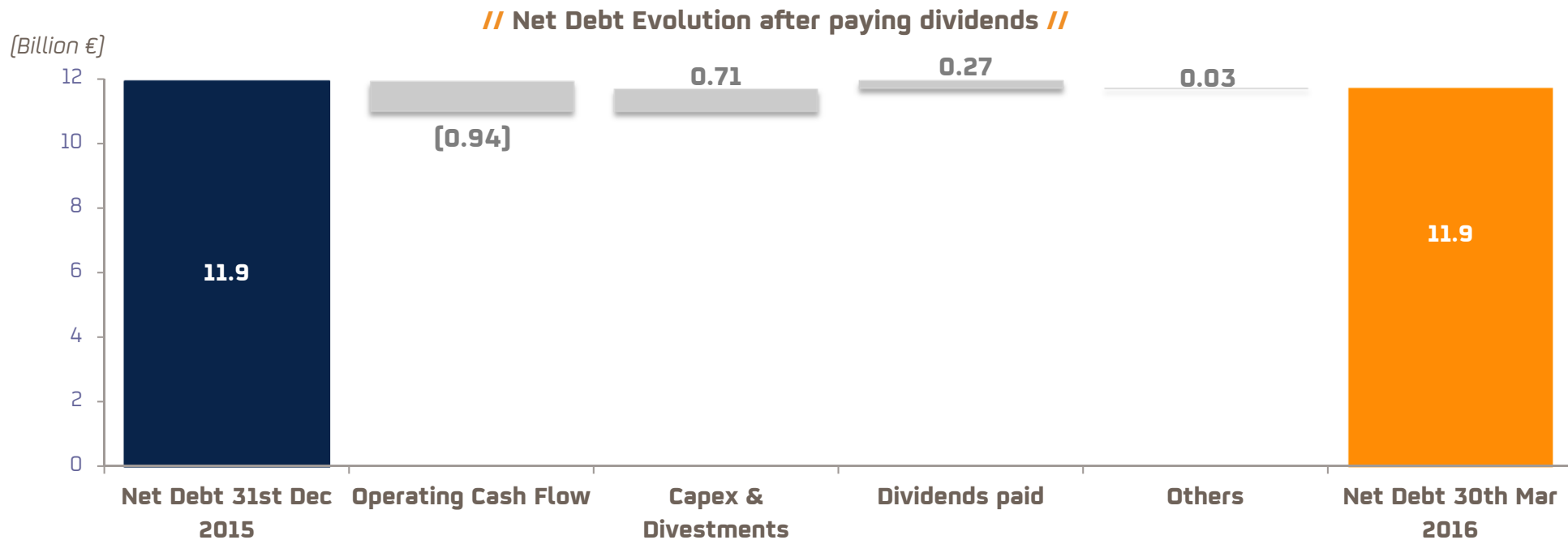
655

-77

- Positive results from **Exchange rate** positions in 1Q15

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





Conclusions

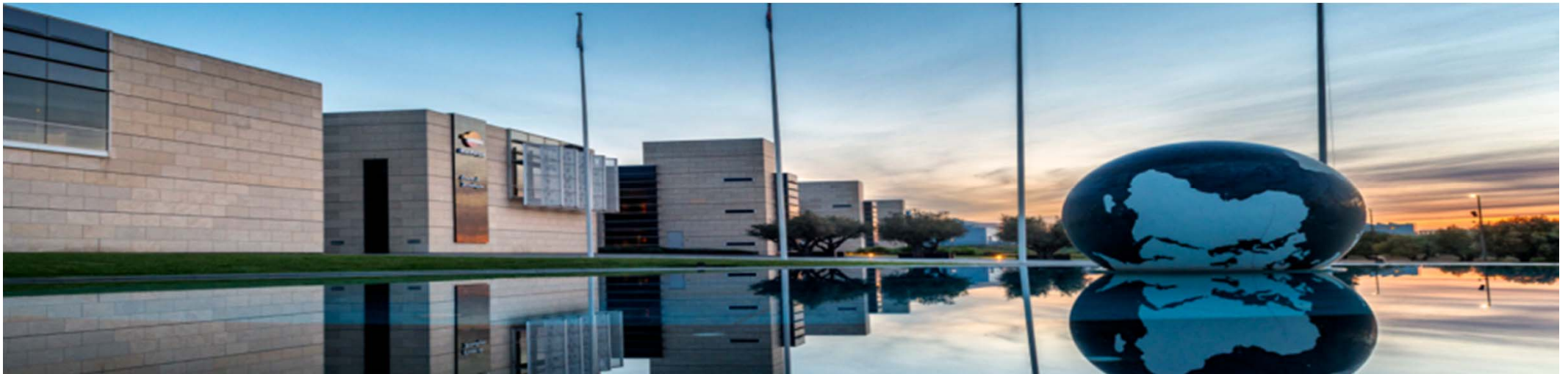
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# Conclusions



- ✓ **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



# Q&A Session

## First Quarter 2016 Results

Repsol Investor Relations

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# WEBCAST – CONFERENCE CALL

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May 5th, 2016

