

# WEBCAST – CONFERENCE CALL

## Second Quarter 2016 Results

July 28th, 2016



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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 Q2 2016 Webcast Presentation are included in Appendix I "Alternative Performance Measures" of the Interim Management Report*

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



# Progress of Strategic Plan

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# Progress of Strategic Plan

## Update



✓ Challenging **macro scenario**

✓ **Results in line with strategy**

✓ **UPSTREAM**

- Lower commodity prices compared to 2Q15
- Increase in production volumes
- Lower exploration expenses

✓ **DOWNSTREAM**

- Maintenance at Cartagena and Tarragona refineries →  **Capacity Utilization**
- Strong Chemical business
- Higher contribution from Commercial businesses

# 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

### Investment Flexibility



	Target 16-17	1H16
Repsol Investment [B€]	~3.9	1.6

### Divestments & Management Portfolio



	Target 16-17	1H16
Divestments [B€]	3.1	2.8 <sup>[1]</sup>
Production [kboed]	706 <sup>[2]</sup>	705

### Value & Resilience



	Target	1H16
CF Neutrality BE [\$ /boe] <sup>[3]</sup>	~40	~40
E&P FCF BE [\$ /boe]	~65	~65

[1] Includes projected proceed on agreed transactions and other operations.

[2] 2016 Annual Budget.

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

### Finance Commitments



	Target	Actual
Investment Grade	Maintain	Maintain



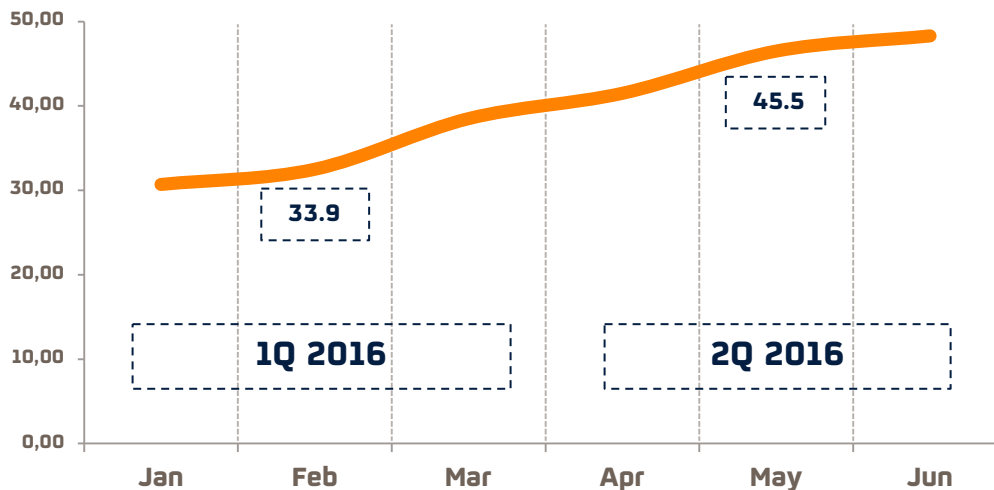
Market environment and  
operational activity

2

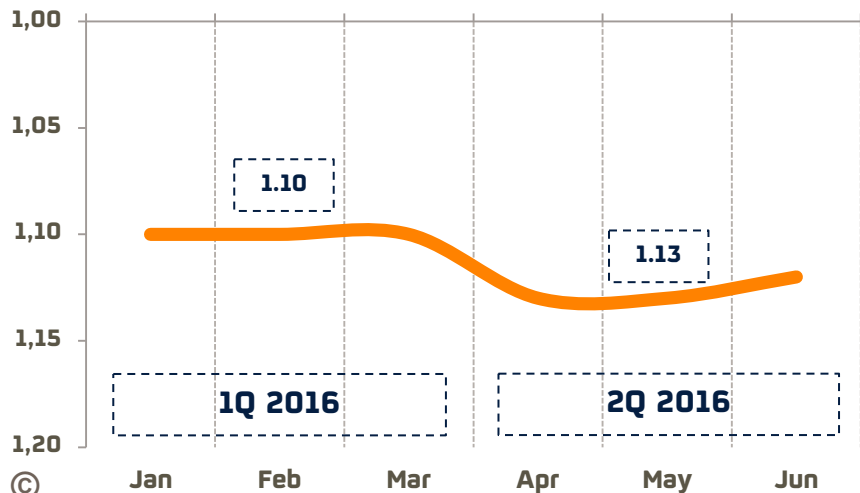
# Market environment



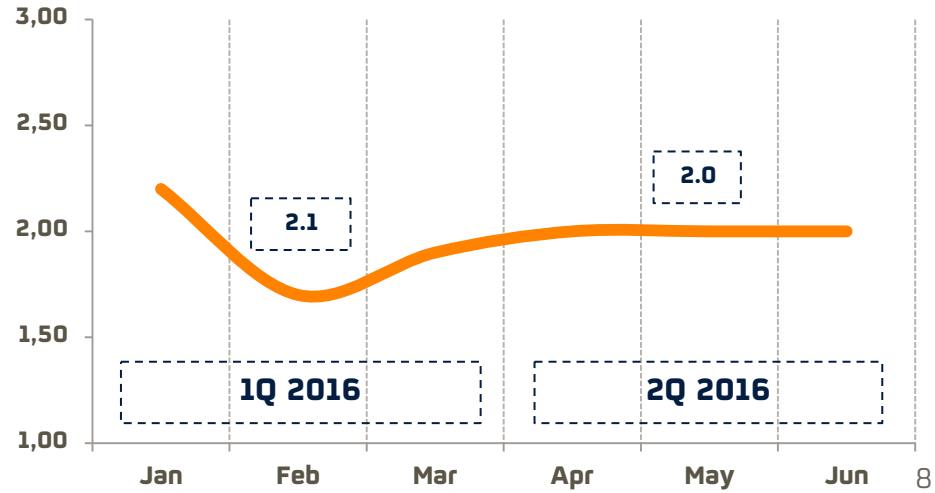
## Brent - \$/boe



## Exchange Rate - \$/€



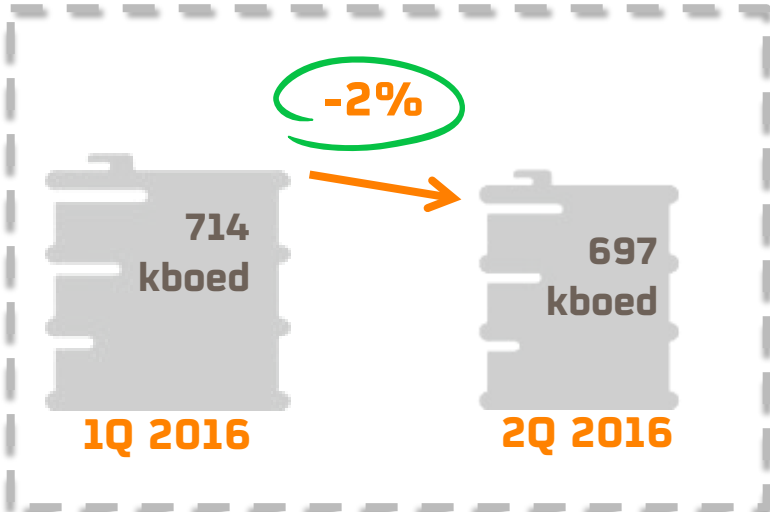
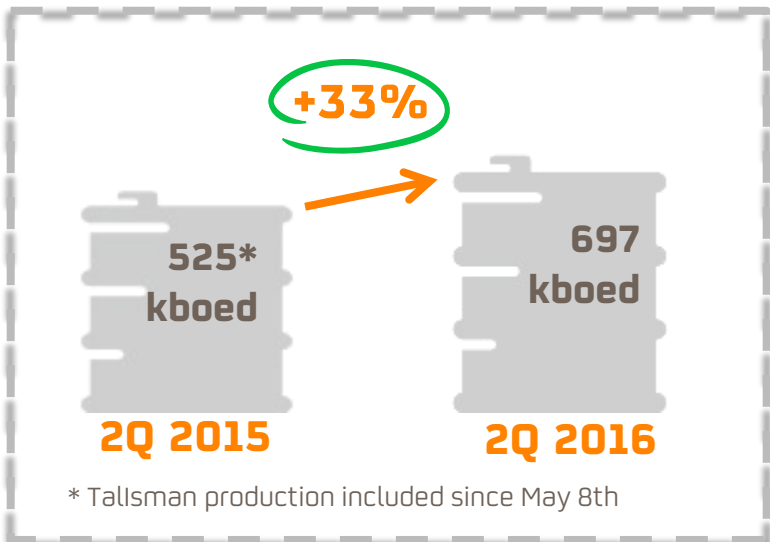
## Henry Hub - \$/Mbtu





# Operational Activity

## Production



### (+) Ramps-ups of:

- Cardon IV (Venezuela)
- Sapinhoa (Brazil)

(+) Higher contribution from Gudrun (Norway)

(+) Higher production in Peru

### Partially offset by:

(-) Shut-down of the Varg field (Norway)

(-) Maintenance work in T&T

(-) Increased royalties do to higher prices in South East Asia PSCs

# Operational activity

## Development projects



**Sapinhoá & Lapa** **Brazil**

- **Sapinhoá:** Ramp-up of the second FPSO is expected in second half of 2016
- **Lapa:** First oil is expected in 3Q16 [ahead of schedule].

# Operational activity

## Development projects



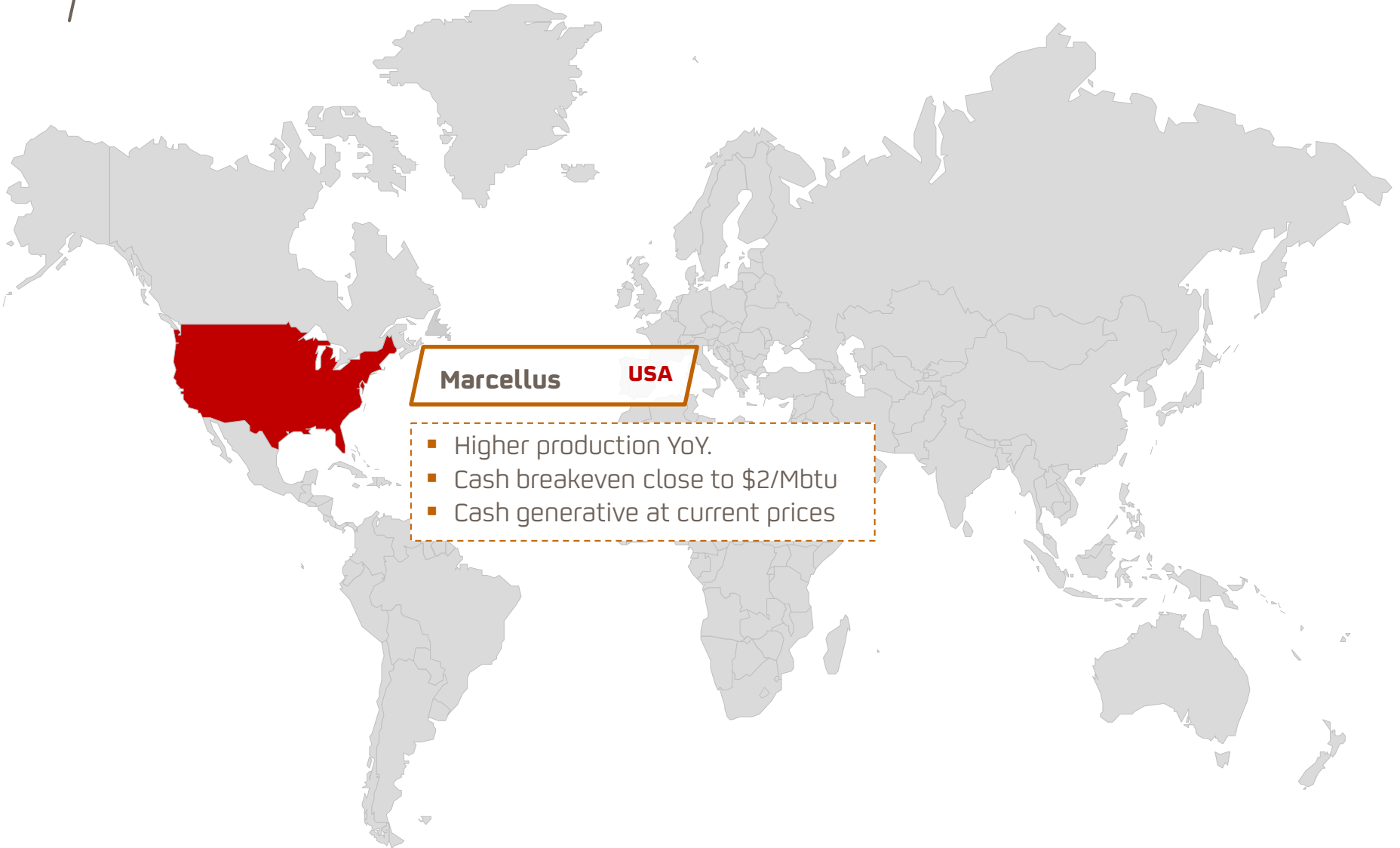
**MonArb & Flyndre/Cawdor**

**UK**

- First oil expected in the first half of 2017

# Operational activity

## Development projects

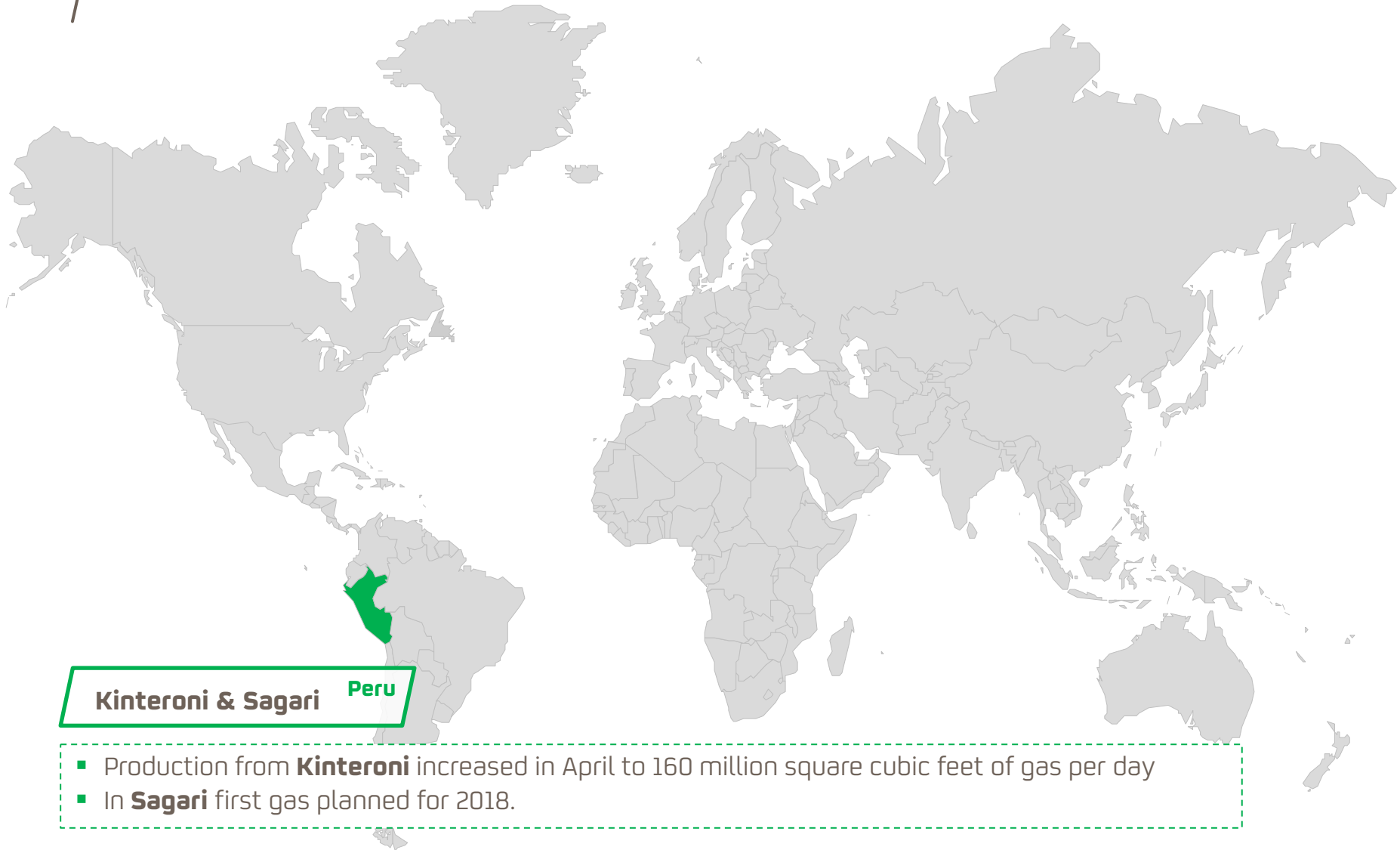


**Marcellus** **USA**

- Higher production YoY.
- Cash breakeven close to \$2/Mbtu
- Cash generative at current prices

# Operational activity

## Development projects



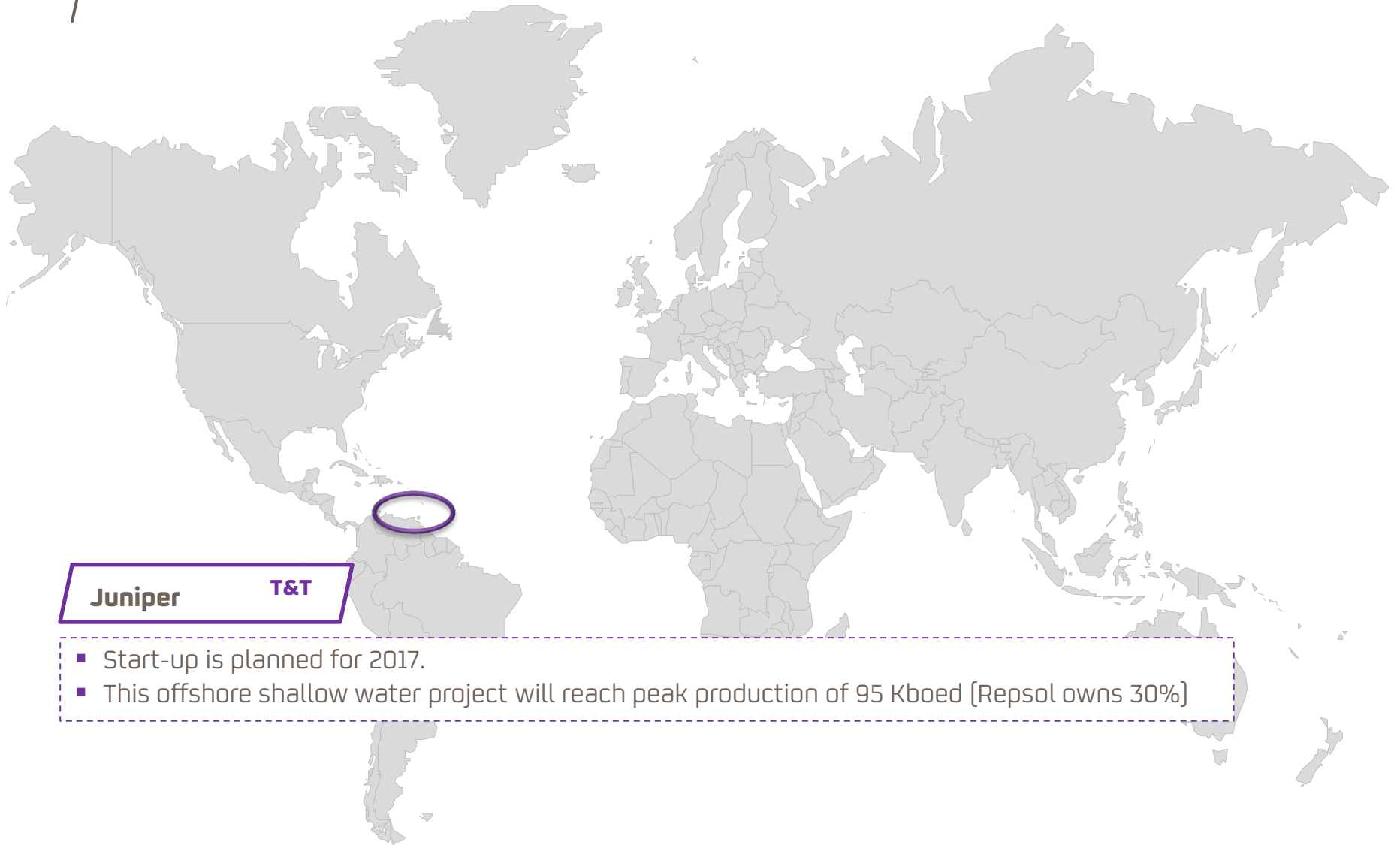
**Kinteroni & Sagari** Peru

- Production from **Kinteroni** increased in April to 160 million square cubic feet of gas per day
- In **Sagari** first gas planned for 2018.



# Operational activity

## Development projects



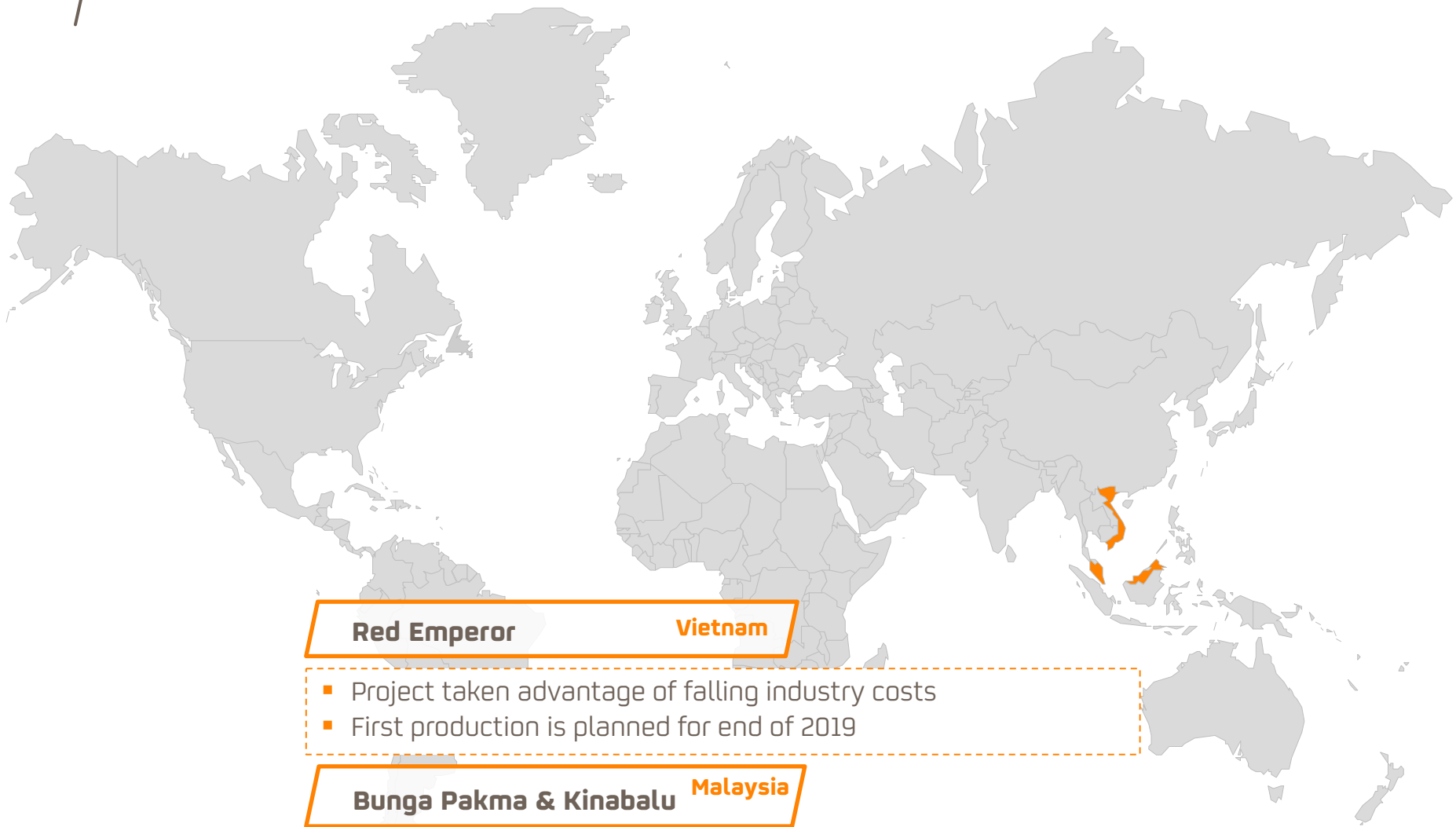
**Juniper**

**T&T**

- Start-up is planned for 2017.
- This offshore shallow water project will reach peak production of 95 Kboed [Repsol owns 30%]

# Operational activity

## Development projects



### Red Emperor

Vietnam

- Project taken advantage of falling industry costs
- First production is planned for end of 2019

### Bunga Pakma & Kinabalu

Malaysia

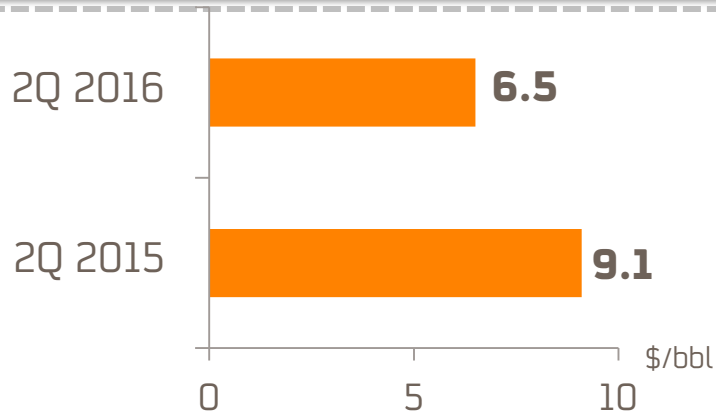
- First production projected for 2018 and 2019 respectively

# Operational activity\*

## Downstream



### Refining Margin Indicator

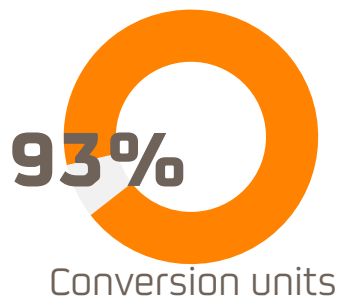
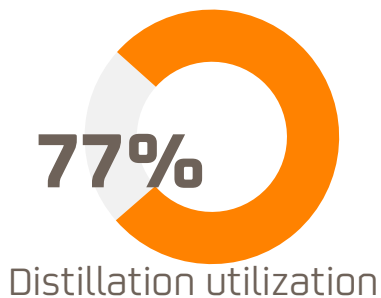


### Petrochemicals businesses

- Strong performance thanks to:
  - Steady sales
  - Strong margins
  - Efficient processes

### Utilization rates

2Q 2016



### Commercial businesses

- **LPG** benefited from price adjustments of previous periods
- **Sales** in Service Stations increased due to seasonality

\* Operational activity in refining during the quarter was affected by scheduled maintenance stoppages at Cartagena and Tarragona



Quarterly results

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# Second Quarter 2016 Results



2Q	2Q 2016	2Q 2015	% Variation
<b>CCS Adjusted Net Income</b>	345	312	+ 11%

Million €

	2Q 2016	2Q 2015	% Variation
<b>Net Income</b>	205	292	- 30%

Million €

1H	1H 2016	1H 2015	% Variation
<b>CCS Adjusted Net Income</b>	917	1,240	- 26%

Million €

	1H 2016	1H 2015	% Variation
<b>Net Income</b>	639	1,053	- 39%

Million €



# Upstream Results

## Adjusted Net Income



2Q 2016

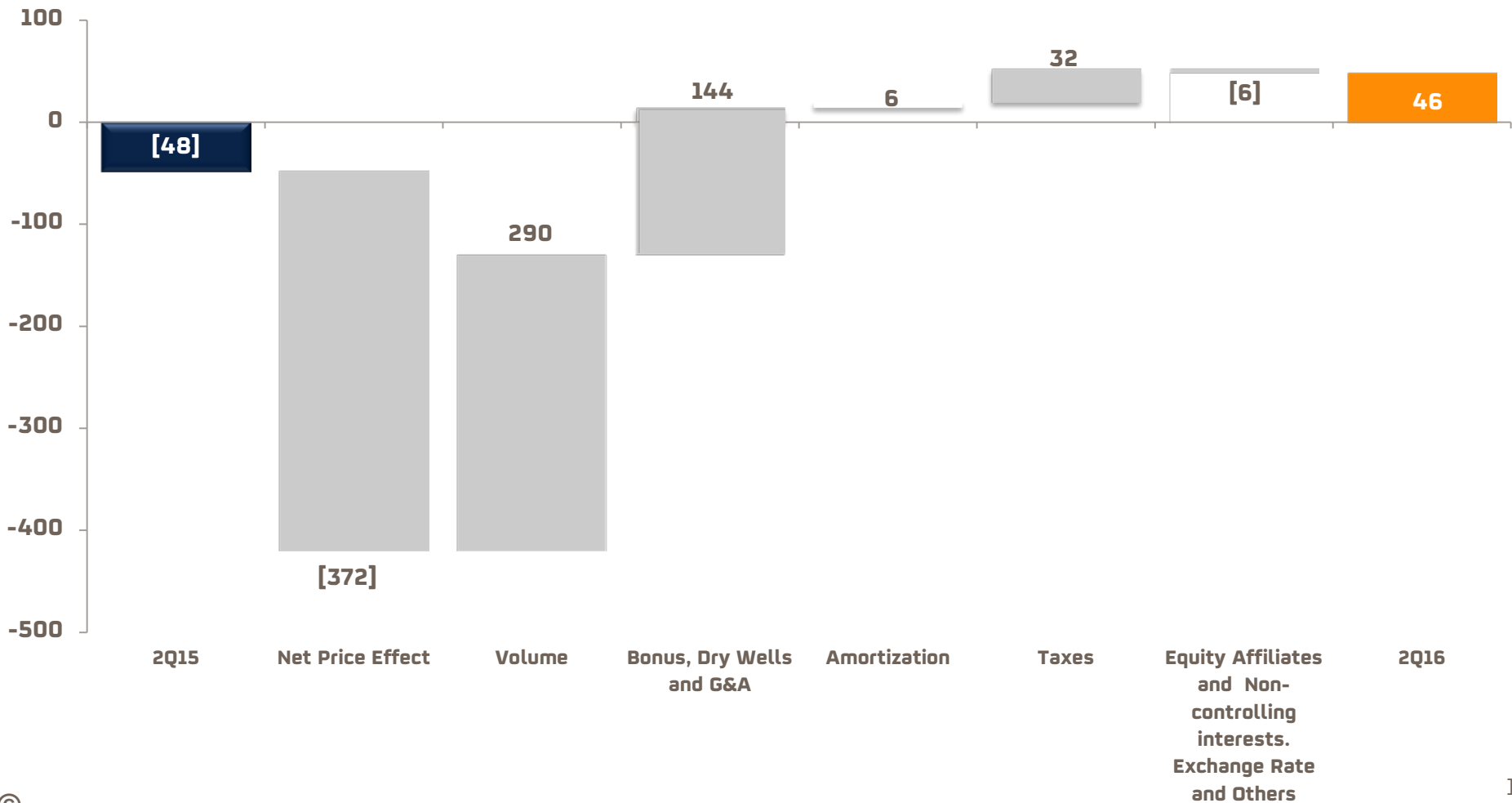
2Q 2015

**Adjusted Net Income**

46

-48

Million €



# Downstream Results

## Adjusted Net Income



2Q 2016

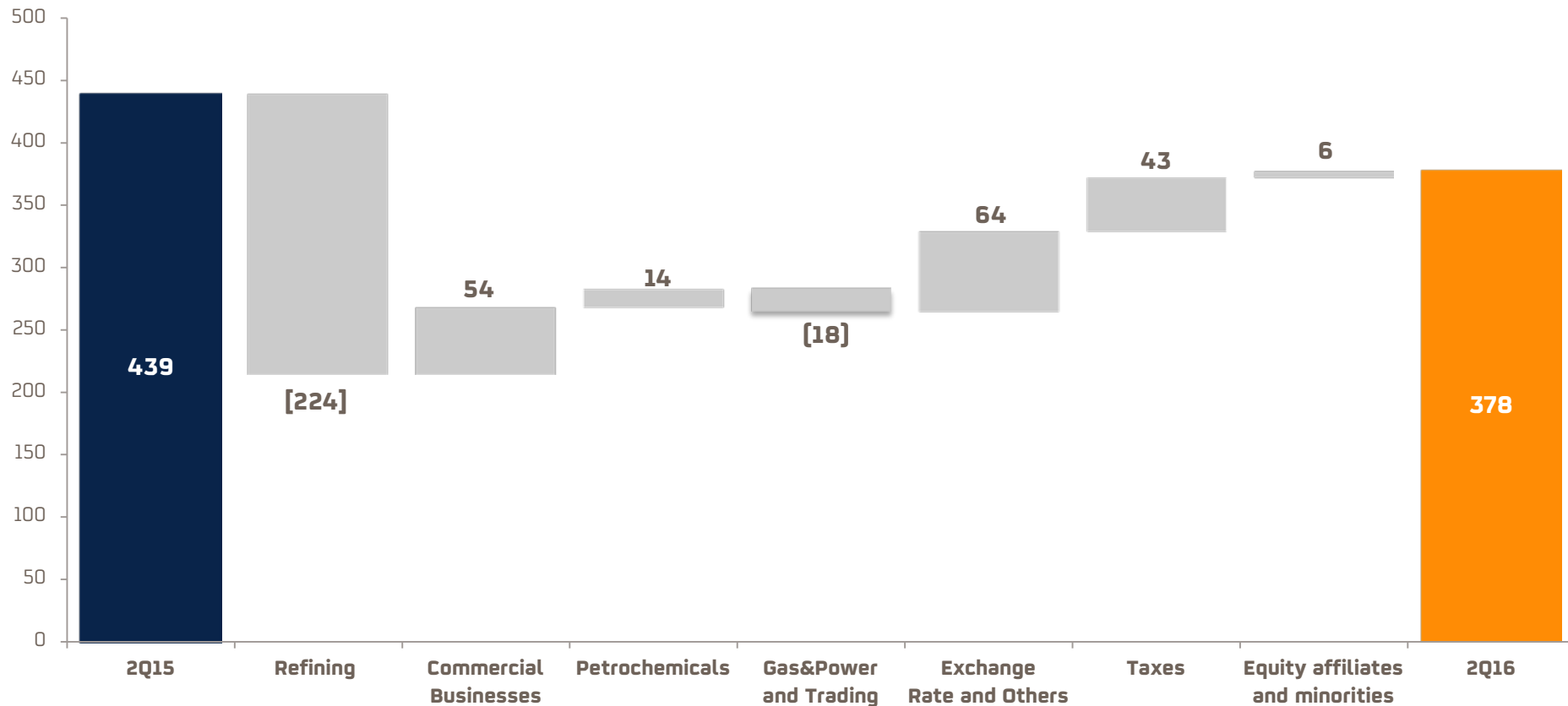
2Q 2015

**CCS Adjusted Net Income**

378

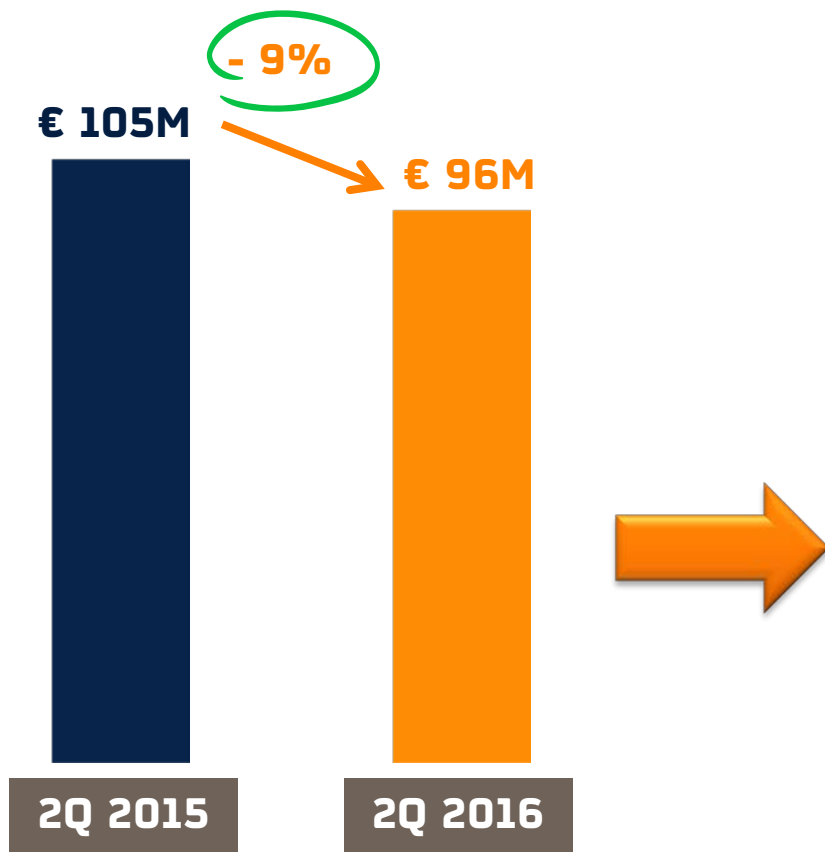
439

Million €



# Gas Natural Fenosa Results

Adjusted Net Income



- Lower results from gas commercialization business

# Financial Aspects



Million €

2Q 2016

2Q 2015

**Net Financial Result**

-185

-199

➤ Lower **interest payments** thanks to the repurchase of Talisman bonds

Million €

1Q 2016

2Q 2016

**Net Financial Debt**

11,978

11,709

**Liquidity**

~€6.7Bn



**Covers 1.8 times our short term debt**



Conclusions

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✓ Driving for **Cash Flow breakeven** neutrality at **\$40**

## ✓ **UPSTREAM**

- **Above breakeven** at the Adj. Net Income level at current prices
- Production **in line** with the Strategic Plan
- Opex and capex optimization → **Upstream FCF breakeven \$60 objective**

## ✓ **DOWNSTREAM**

- Major **maintenance** completed in our refineries will allow us to **capture all the potential** from our refining **conversion capacity** for the rest of the year

## ✓ **DIVESTMENTS**

- **Programme on track**, continuing to evaluate portfolio options

# Q&A Session

## Second Quarter 2016 Results

Repsol Investor Relations

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