

Acquisition of Talisman Energy

December 16th, 2014



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- 1.** *TRANSACTION OVERVIEW*
- 2.** *STRATEGIC RATIONALE*
- 3.** *ECONOMICS*
- 4.** *SUMMARY*
- 5.** *ANNEX*

Talisman Energy Acquisition



- **Key transformational deal**
- **More focused E&P company**
- **Production doubled**
- **Fully financed**
- **Sound liquidity after transaction**
- **Value creation**

- **Right Deal at the Right Time**
- **Strategic goals achieved**
- **Repsol's track record in executing**
 - **Upstream turnaround**
 - **World class explorers and production growth**
 - **Downstream: best in class strong cash flow generating assets**
 - **Brazil/LNG: Value crystallization**
 - **Resolution of YPF expropriation**

A unique opportunity to accelerate Repsol's strategic agenda

- **15 months of analysis**
- **Various small transactions**
 - **Competitive environment**
 - **No synergies**
 - **Multiple assets and companies**
- **Large transactions (above US\$ 10 billion)**
 - **Few potential buyers**
 - **Fewer targets**
 - **Just companies**
- **Recent drop in Oil Prices especially affecting companies with balance sheets concerns**
- **Repsol less exposed, more resilient**
- **Right Deal at the Right Time: Financial markets disconnection versus value of the assets**

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 billion¹**
- **Total enterprise value of US\$12.9 billion, assuming US\$4.7 billion in Talisman net debt as of September 30th, 2014**
- *Immediately accretive to operating cash flow per share, EPS neutral for 2016 and accretive from 2017²*

Financing

- *Liquidity on hand*
- *Designed to secure the Investment Grade rating*
- *Maintenance of current competitive dividend*

Certainty & timing

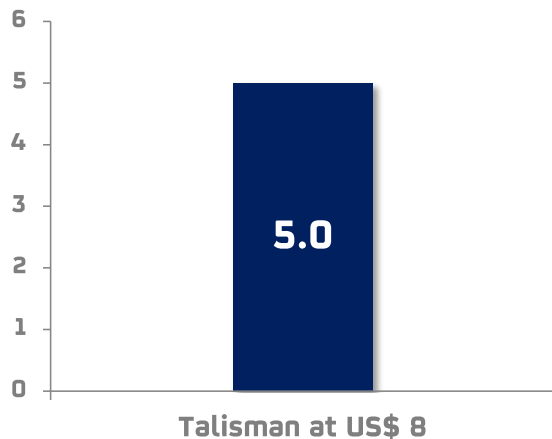
- *Offer unanimously approved by Repsol and Talisman Boards of Directors*
- *Subject to the approval of Talisman shareholders*
- *Subject to customary Governmental regulatory approvals, including Investment Canada, and third party consents*
- *Closing estimated by mid-year 2015*

Price and Trading Multiples

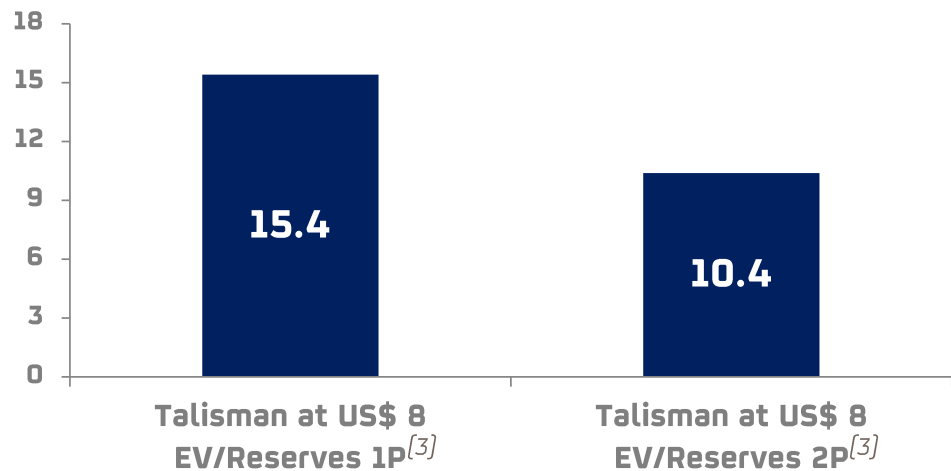
The transaction offers competitive multiples for Repsol, especially considering the long term value of the asset



EV/EBITDA 2015E (x) ¹



EV/2013 1P & 2P reserves (\$/boe) ²



Premium of 24% over last 3-month average share price and 14% premium over last 3-month average Enterprise Value⁴

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 11th, 2014

Talisman:

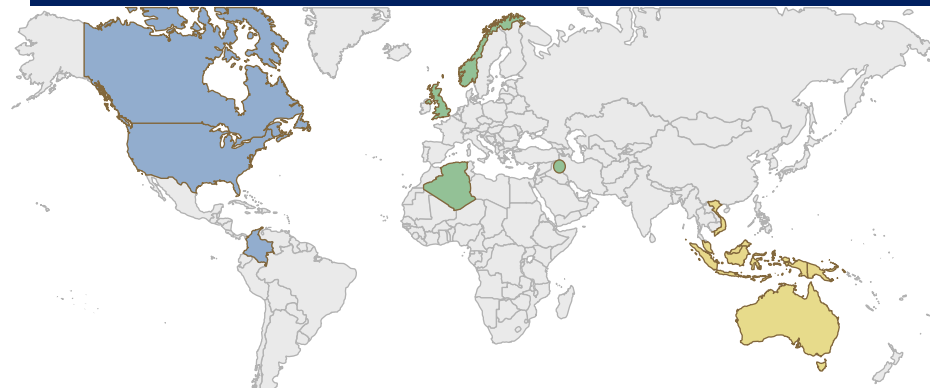
A major Canadian listed upstream company with a globally diversified portfolio



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

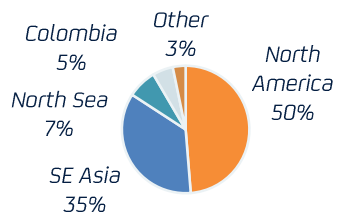
- JV with Sinopec in UK
- Offshore operator in North Sea (UK and Norway), mainly oil production
- Algeria free cash flow

Asia-Pacific

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

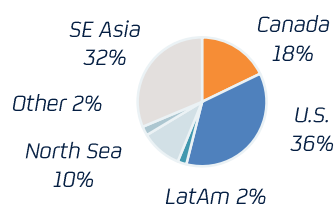
2014E Production:
280-290 Kboepd¹

After contract and royalties



2P Net reserves:
1,243 Mmboe²

Year End 2013



Source: Company filings, presentation, equity research

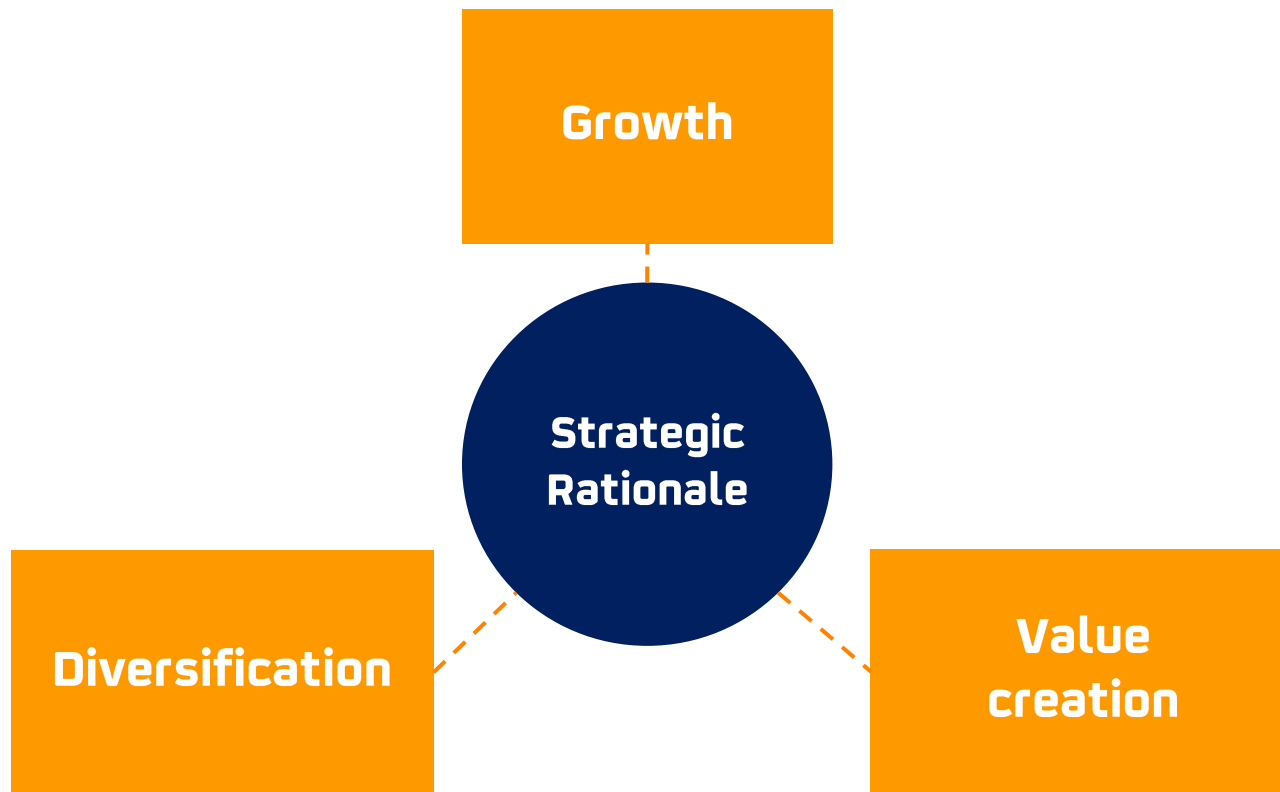
Note: All figures shown gross of royalties and in U.S. dollars, unless otherwise noted, includes equity investments

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)

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Strategic Rationale

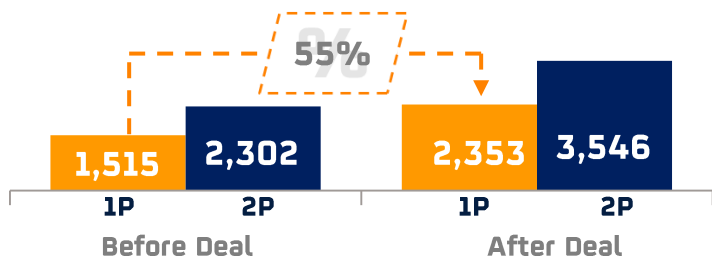


Transformational deal, upgrading Repsol's portfolio *and* competitive advantage *achieving global scale and diversification, greater exposure to Upstream, leading growth platforms and enhanced capabilities to create value*

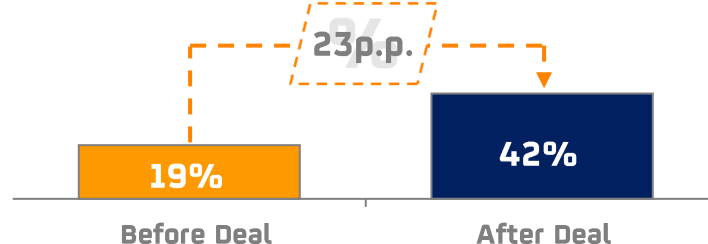
Production, Reserves, Operatorship, OECD production



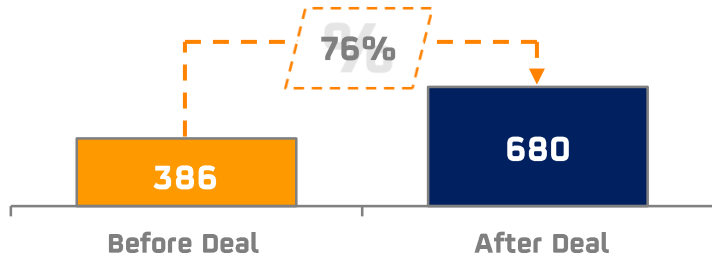
Reserves 1P/2P [MBoe]



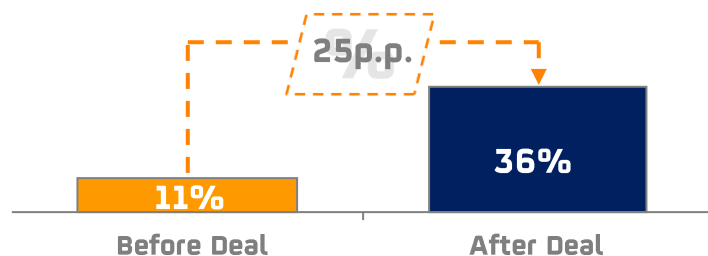
Operated production [%]¹



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

Enhanced portfolio with new production areas and strengthened exploration opportunities



2012-2016

Post 2016
Next wave of growth

North America

Eagle Ford
[USA]

27 Kboed
WI: 50%
FO: 2011



Marcellus³
[USA]

84 Kboed
WI: 85%
FG: 2014



Mid-continent
[USA]

26 Kboed
net production
FO: 2012



Brazil

Sapinhoa
[Guara]

300 Kboed
WI: 15%
FO: 2013



Lapa

72 Kboed
WI: 15%
FO: 2016



North Latam

Margarita-Huacaya
[Bolivia]

138 Kboed
WI: 37.5%
FG: 2012



Carabobo – AEP^[1]
[Venezuela]

90 Kboed
WI: 11%
FO: 2012



Cardon IV
[Venezuela]

159 Kboed^[2]
WI: 32.5%
FG: 2015



Kinteroni + Sagari
[Peru]

46 Kboed
WI: 53.8%
FG: 2014



Akacias
[Colombia]

42 Kboed
WI: 45%
FO: 2014



Africa & Europe

Reggane
[Algeria]

48 Kboed
WI: 29.25%
FG: 2017



Monarb
[UK]

11 Kboed
WI: 30%
FO: 2017



Russia

SANECO/TNO/SK

50 Kboed
WI: 49%
FO: 2012



SEA

Kinabalu
[Malaysia]

12 Kboed
WI: 60%
FO: 2014



Jambi Merang^[3]
Phase 2
[Indonesia]

12 Kboed
WI: 25%
FG: 2016



HST/HSD
[Vietnam]

13 Kboed
WI: 60%
FO: 2013



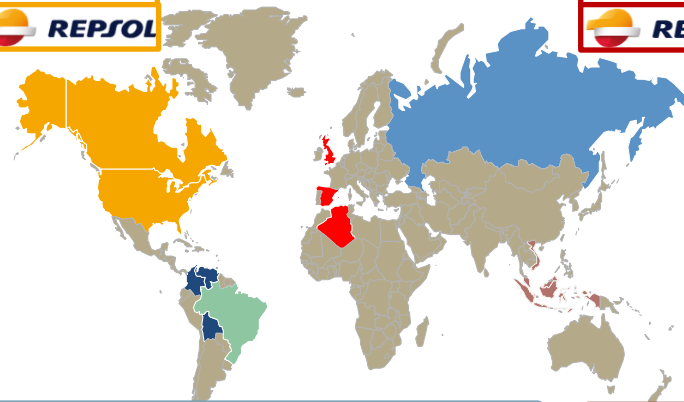
Exploration

Contingent resources

- Repsol
 - Alaska
 - C-33 (Seat, Gavea, Pao de Açúcar)
 - Presalt Albacora
 - Karabashsky
 - Buckskin
 - NC200
 - THIS-1
 - Sagitario (BMS-50)
- Talisman:
 - Duvernay
 - North America
 - SE Asia
 - Kurdistan
 - Colombia (CP-6)

Prospective resources

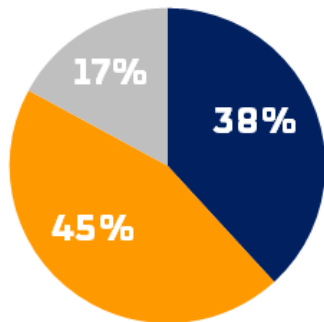
- Talisman
 - North America
 - SE Asia
 - Colombia
- Repsol
 - GoM - Leon
 - Louisiana
 - East Canada
 - Campos, Santos & Espirito Santo
 - Colombia RC11, RC12 & Tayrona
 - Guyana
 - Spain and Portugal
 - Norway offshore
 - Peru



Significant enhancement of Repsol's upstream business geographic diversification

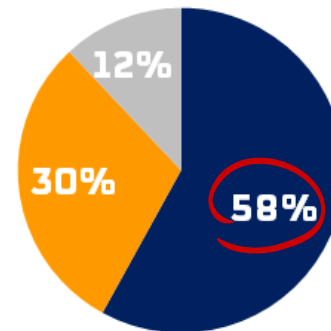


Whole Company



CE: ~36 B\$

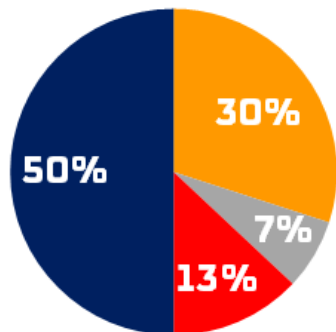
Upstream Downstream GNF



CE: ~52 B\$

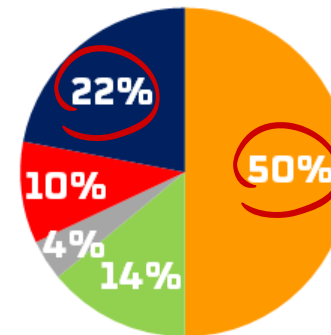
Capital Employed in Upstream from 38% to 58%

Upstream Division



CE Ups: ~ 14 B\$¹

North America SEA Europe Other Latam



CE Ups: ~ 30 B\$²

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



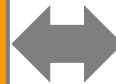
TALISMAN
ENERGY

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

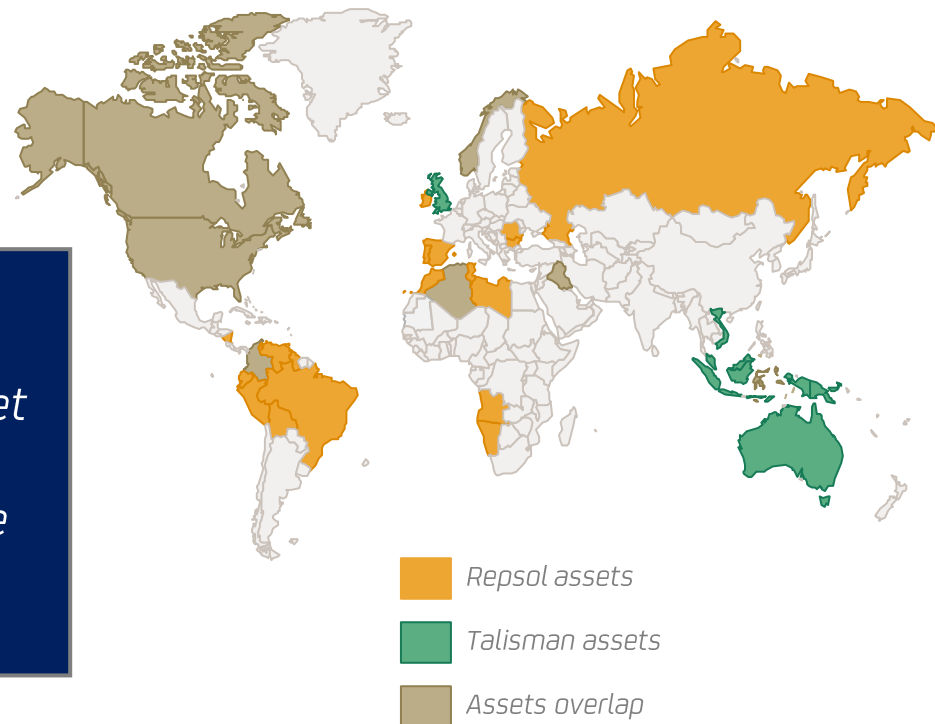
With this transaction, Repsol gains a significant competitive edge becoming a much stronger and balanced E&P player

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*



Synergies. Focus on efficiency



Opportunities

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

The transaction would generate synergies of ~220 M U\$/year¹

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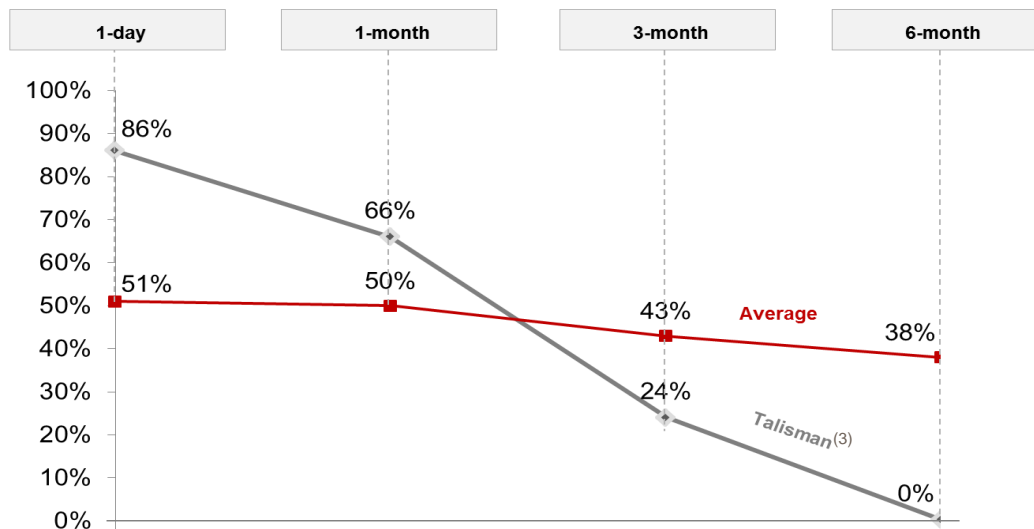
Price Analysis



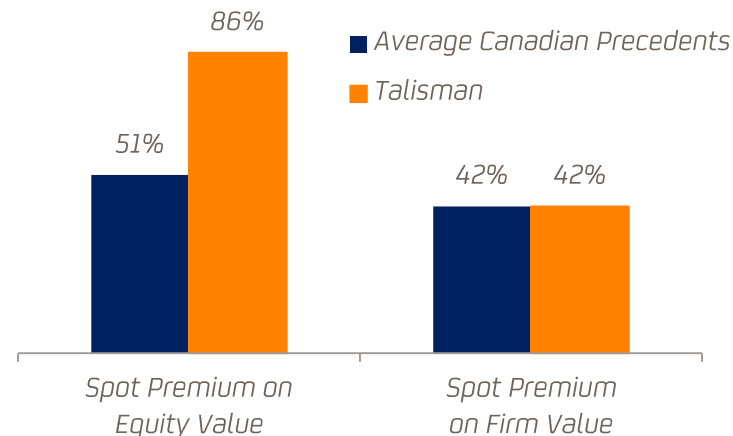
Canadian Oil&Gas precedent transactions¹

	Spot premium to Equity Value	Spot premium to Enterprise Value ²
	37%	13%
	46%	70%
	4%	0%
	120%	68%
	32%	26%
	90%	88%
	48%	35%
	61%	48%
	35%	35%
	38%	32%
Average	51%	42%
TALISMAN³	86%	42%

Premium comparing different terms



Spot Premiums Talisman³ vs Canadian Precedents



1. Based on Canadian transactions in the O&G sector above 1 Bn\$ in the last five years. Source: company filings, Factset, Bloomberg

2. Firm Value is calculated based on offered price and net debt of the quarter prior to the transaction

3. At December 12th, 2014

Short Term Financing

- **Liquidity exceeds the cash-out for the transaction:**
 - *Cash and Equivalents: €6.4Bn*
 - *Long term Credit Lines: €2.6Bn*
 - *Additional Short term financial alternatives*

Long Term Capital Structure defined to secure Investment Grade Rating

- **Issuance of up to € 5 billion of hybrid bonds, non-dilutive to shareholders**
- **Active global hybrid markets with favorable issuance conditions**
- **US\$ 1 billion in synergies and US\$ 1 billion in divestments¹**

Financing from existing resources and hybrid bond to secure to investment grade rating

Key Financial and Operating Metrics



9M 2014	<u>REPSOL</u>	<u>TALISMAN</u>
<i>Net Income (BUS\$) ^[1]</i>	2.2	0.7
<i>Operating Cash Flow (BUS\$) ^[1]</i>	3.5	1.3
<i>Net Debt (BUS\$) ^{[2] [3]}</i>	2.5	4.7
<i>Net liquids production (Kboepd)</i>	131	107
<i>Net gas Production (Mscfpd)</i>	1,222	1,099

- **Strong financial position**
- **Accretive to production growth and operating cash flow**
- **Accretive to earnings per share from 2017^[3]**

1. Average exchange rate US\$/€ 9M2014 = 1.35

2. Exchange rate US\$/€ as of 30/09/2014 = 1.26

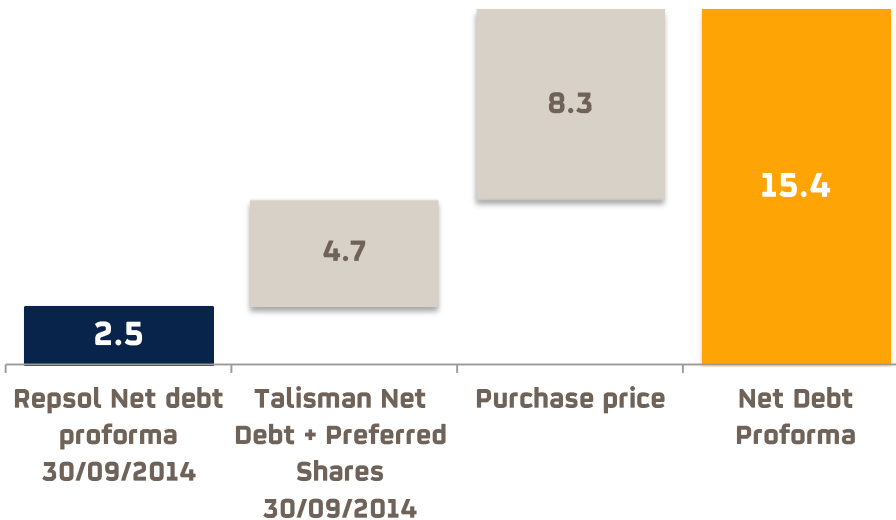
3. Using the scenario of prices: forward curve first 3 years and then Repsol price deck

Net debt proforma post deal

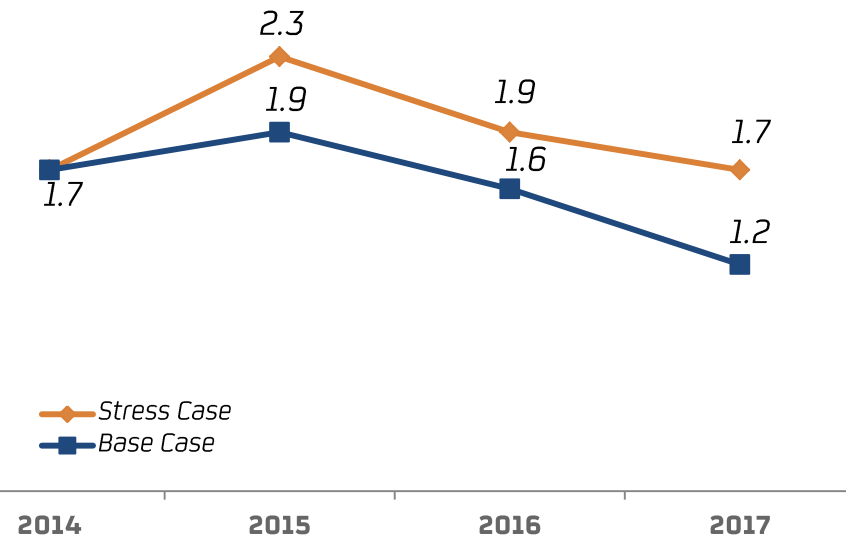
Resilient credit metrics under stress scenarios



Net debt proforma post deal (BUS\$)



Net Debt ^[1] / EBITDA _[x] ^[2] ^[3]



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)

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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**

Q&A Session

Acquisition of Talisman

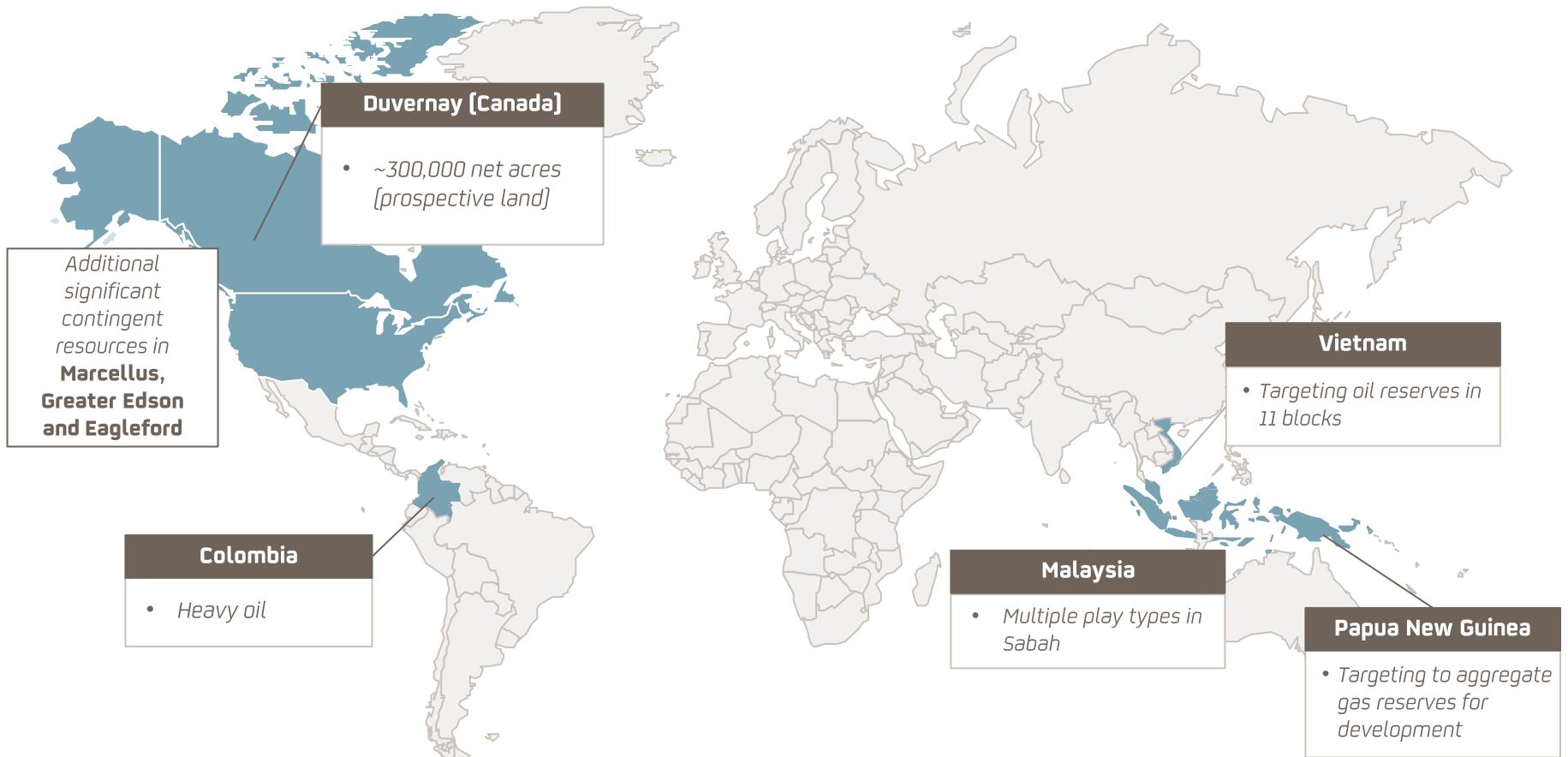


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Exploration: strengthened with highly attractive new positions

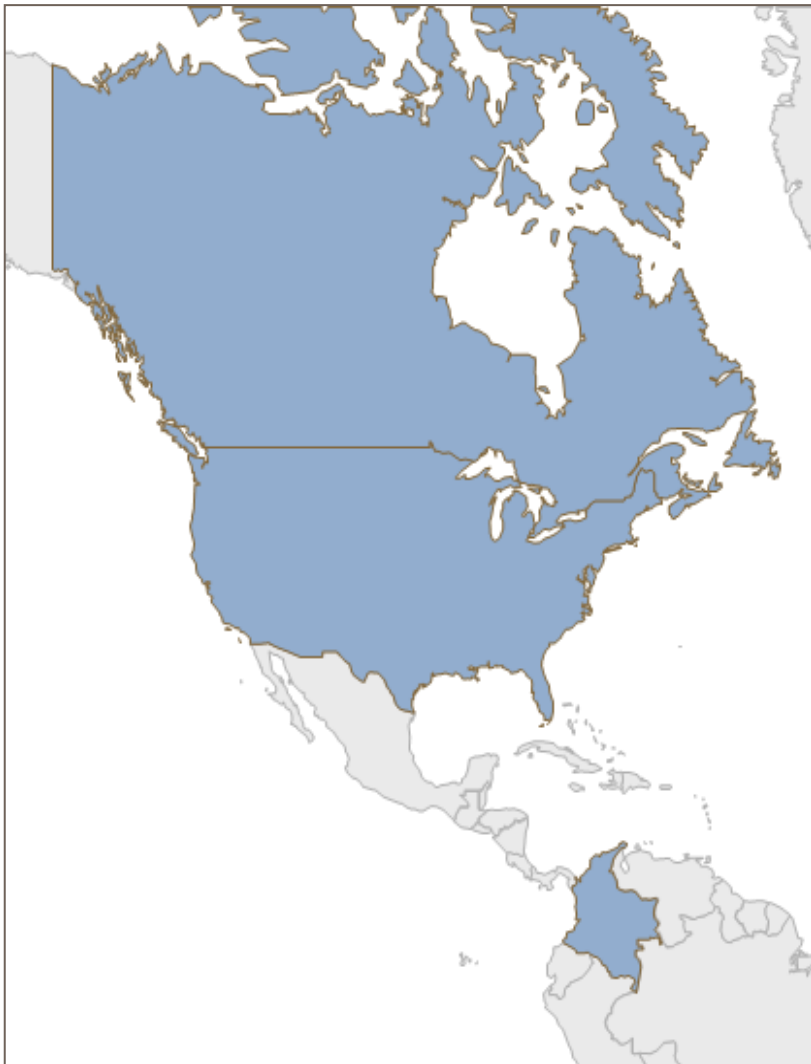
Value creation by applying Repsol exploration leading capabilities

Talisman resources for future growth



TALISMAN

Americas Core Region



- *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)*

Talisman USA - Marcellus

Large position, quality reservoir and own infrastructure

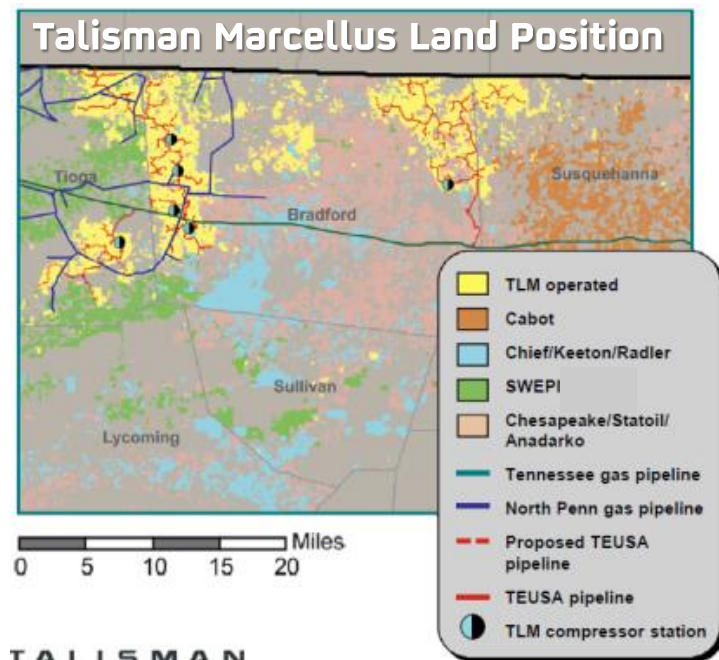


■ Marcellus - Facts:

- *200,000 net acres, contiguous land position in a high quality reservoir*
- *Production: 450 Mscf/d*
- *Firm transport capacity*
- *Self-funding capital programme at today's prices*

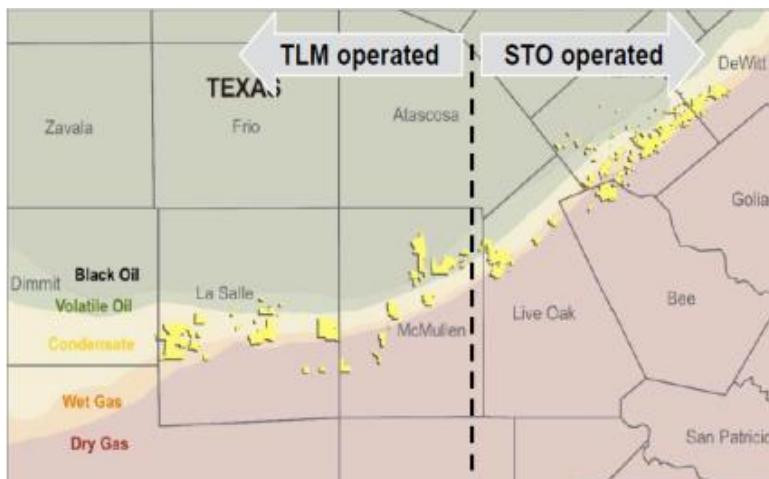
■ Opportunities and Challenges

- *Upside to higher gas price environment, with production potential up to 600-700 Mscf/d*
- *Experienced operator*
- *Synergies with Repsol existing activities*



Talisman USA – Eagle Ford

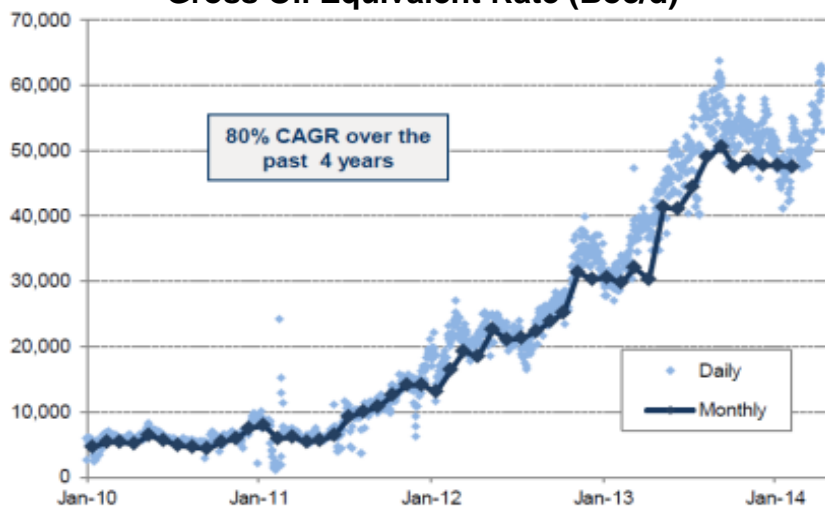
Position in one of key USA resource plays with liquids potential



■ Eagle Ford - Facts:

- Joint Development Agreement with Statoil (50/50)
- 60,000 net acres
- Predominantly located in gas and condensate windows. Short term focus on condensate window
- Production of 33 kboe/d and growing

Gross Oil Equivalent Rate (Boe/d)

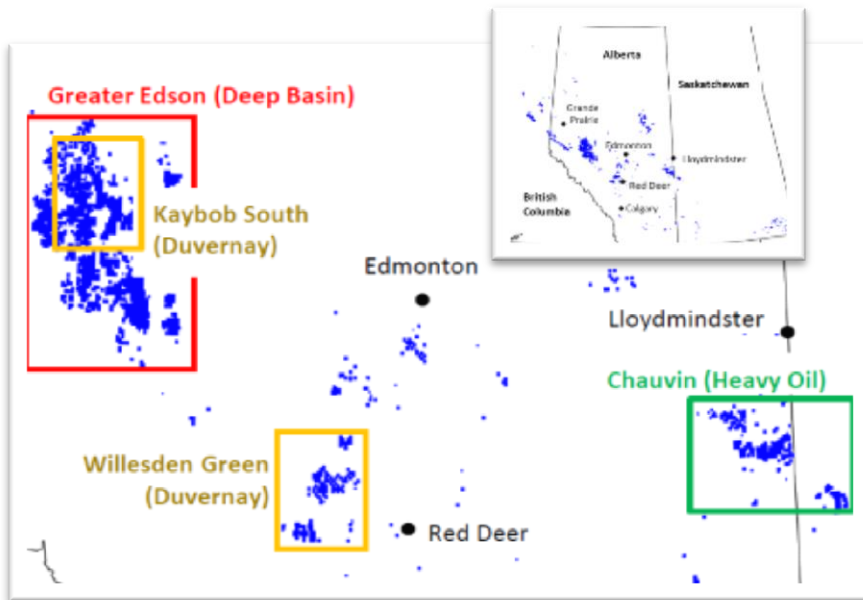


■ Opportunities & Challenges

- High production growth
- Continue Drilling & Completion cost reduction trend from last years
- Recent changes in condensate export US policies may enhance condensate pricing

Talisman Canada

Legacy conventional with extensive infrastructure, plus liquids' rich potential from unconventional Duvernay



■ Canada - Facts:

- *Talisman core area with strong operational capability 400+ people*
- *Own field facilities and midstream*
- *Large acreage position in three main Plays:*
 - *Greater Edson (Deep Basin) mostly gas*
 - *Chauvin heavy Oil*
 - *Duvernay Gas & Liquids (undeveloped)*
- *Total production: 50 kboe/d (40% liquids)*

■ Opportunities & Challenges

- *Platform for growth in Canada for Repsol*
- *In emerging Duvernay Play, large land position*

Talisman Colombia

Promising liquids-weighted position with production growth potential

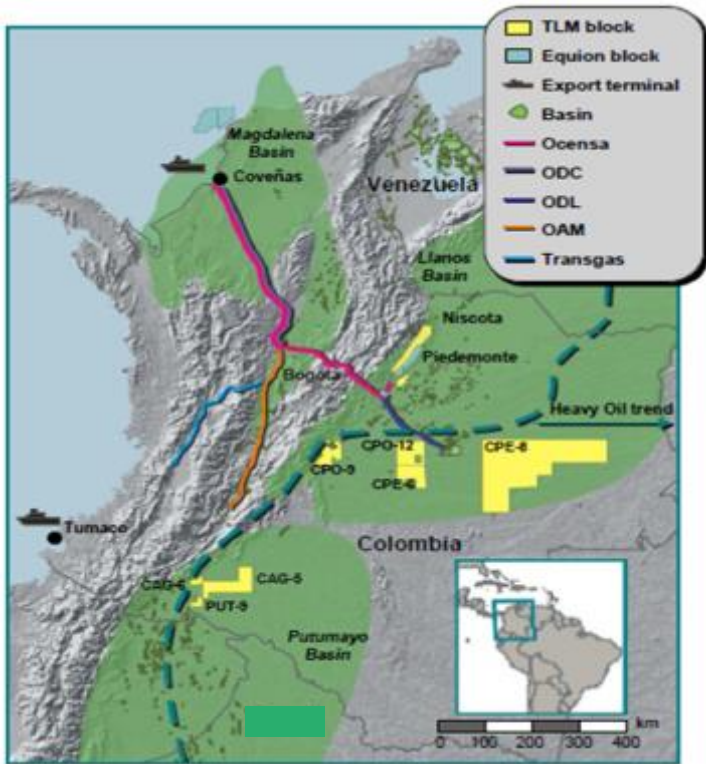


■ Colombia - Facts

- *Three main areas [c. 50% non/operated interest]:*
 - *Equion Gas & Cond [JV w/ Ecopetrol]*
 - *CPO-9, Heavy Oil [Ecopetrol operator]*
 - *CPE-6, Heavy Oil [Pacific Rubiales operator]*
- *Production: 21 kboe/d*
- *CPO-9 - Akacias Field Dev. Plan submitted in March 2014*
- *CPE-6 - Hamaca Field appraisal ongoing*
- *Ownership of transportation agreements*

■ Opportunities & Challenges

- *Further growth in Colombia possible, in combination with Repsol's existing production position and offshore exploration*
- *Equion provides cash flow to develop blocks CPO-9 & CPE-6*



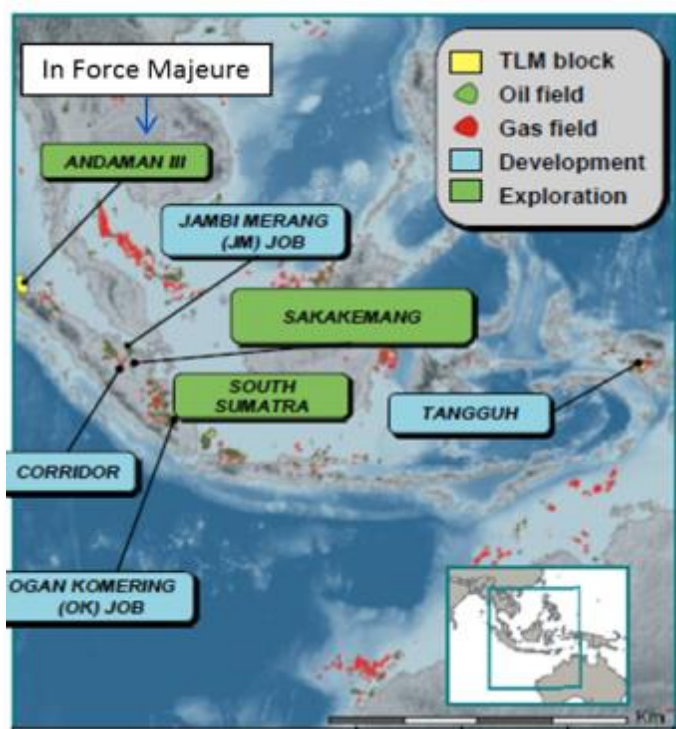
TALISMAN South East Asia Core Region



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

Talisman Asia Pacific - Indonesia

TLM largest producing country ~75,000 Boe/d (~88% gas)



Indonesia - Facts:

- Experienced operator with good NOC relationships
- Three main areas:
 - Corridor [36%] non-operated
 - Jambi Merang [25%] JOB with PERTAMINA
 - Tangguh LNG Project [3%]
- Production [gas]: 76 kboe/d (~460 Mscf/d)
- Premium-priced oil-linked gas pricing.

Opportunities & Challenges

- Strong regional gas demand growth and good pricing
- Jambi Merang expansion by 2016
- Exploration potential with Corridor synergy
- Cost and operational synergies with Repsol presence in Indonesia [Downstream, Exploration]

Talisman Asia Pacific - Malaysia

PM-3 TLM's largest operated asset with high net backs

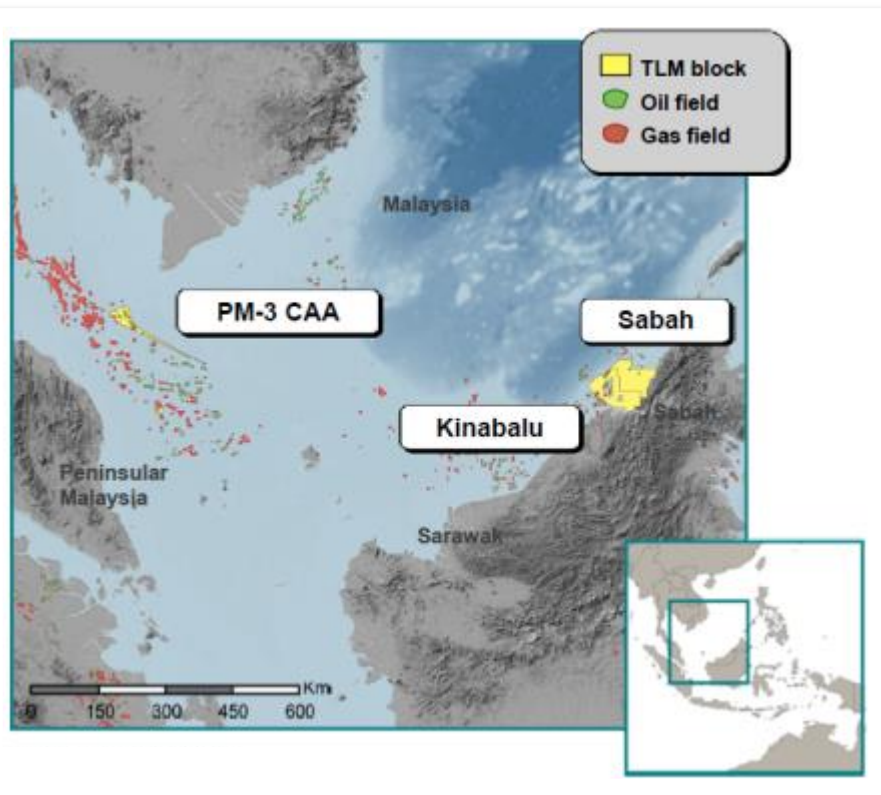


■ Malaysia - Facts:

- *Upper quartile operator in Malaysia.*
- *Two main areas:*
 - *PM-3 [41% TLM]*
 - *Sabah: Kinabalu Field [60% TLM]+ Exploration assets*
- *Production: 41 kboe/d [50% gas]*
- *Significant exploration position*

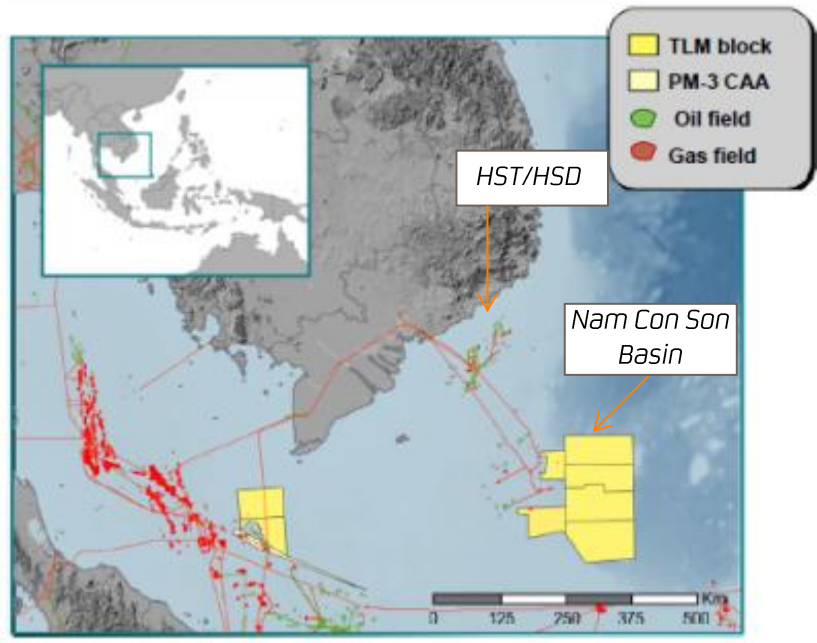
■ Opportunities & Challenges

- *Good NOC relations may help generating new opportunities*
- *Kinabalu near-term oil production growth [potentially doubling by end 2016]*
- *Sabah exploration wells close to existing oil and gas fields and infrastructure*



Talisman Asia Pacific - Vietnam

HST/HSD oil field developed under-budget and ahead of schedule, provides production base and cash flow



■ Vietnam - Facts:

- *Strong relationships with NOC*
- *Two main areas:*
 - *HST/HSD (60%) JOC with PETROVIETNAM*
 - *Nam Con Son Basin (Red Emperor, under appraisal)*
- *Production: 12 kboe/d*

■ Opportunities & Challenges

- *HST/HSD free cash flow, will fund Red Emperor development*
- *Potential additional resources by exploration*
- *Relationship with NOC may generate new opportunities*

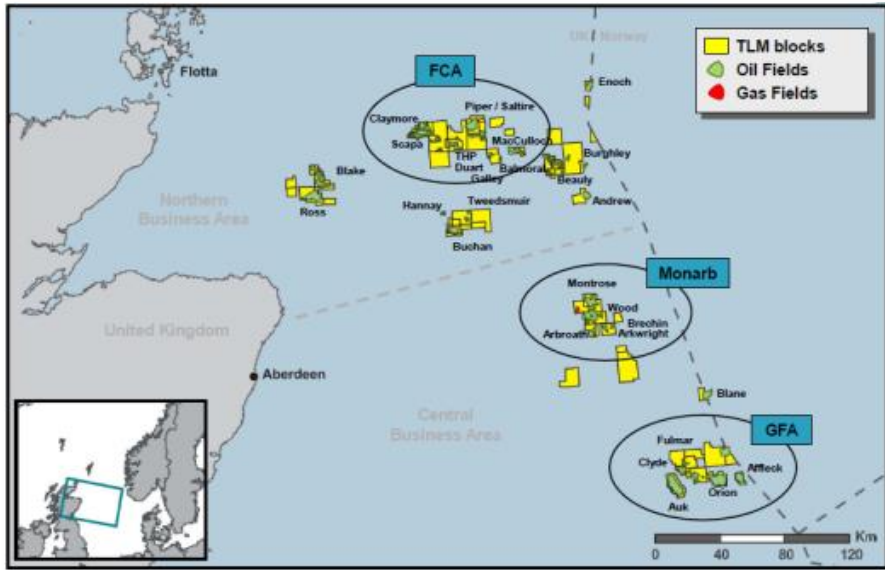
TALISMAN NORTH SEA AND OTHERS



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

Talisman UK

Improve reliability and economics from late life assets



■ UK- Facts

- *JV TSEUK (51% TLM – 49% Sinopec)*
- *Mature, late-life assets*

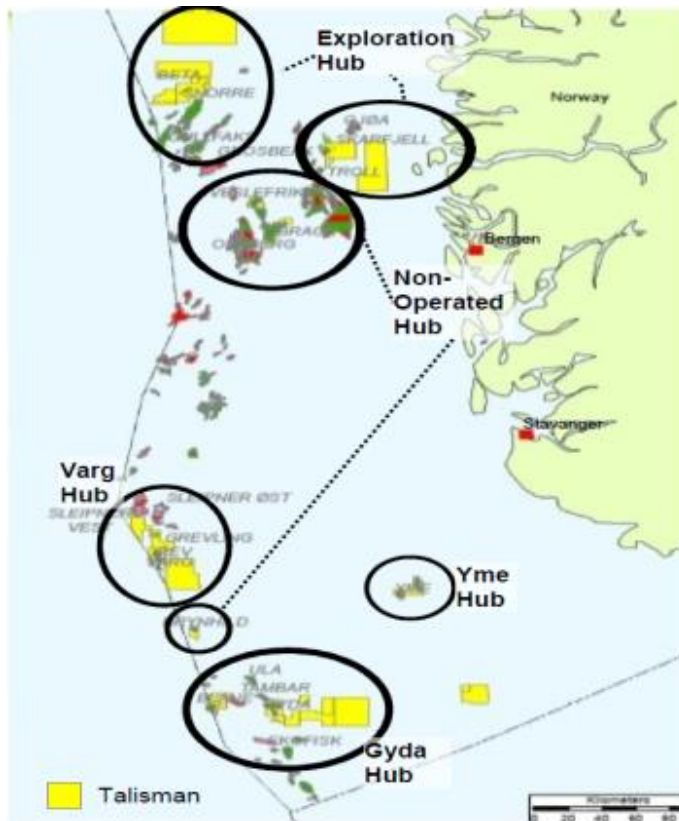
■ UK – Challenges & Opportunities

- *Needs extensive decommissioning and abandonment of fields*
- *Execute selective field redevelopment projects*

- *Turn Around Plan initiated by TSEUK to improve efficiency and maximize value*
- *Repsol well positioned to align objectives with strategic partner Sinopec*
- *Realistic assessment and valuation of assets will drive capex/opex allocation to HSE and asset integrity, with mid-term benefits for Production Efficiency*
- *Late Life Assets decommissioning will be periodically revisited to reduce uncertainty of costs and schedule*
- *Repsol experience in operation optimization and mature asset management instrumental for further improvements*

Talisman Norway

Production decline, near-term focus on Yme abandonment. Potential synergies ahead



■ Norway - Facts:

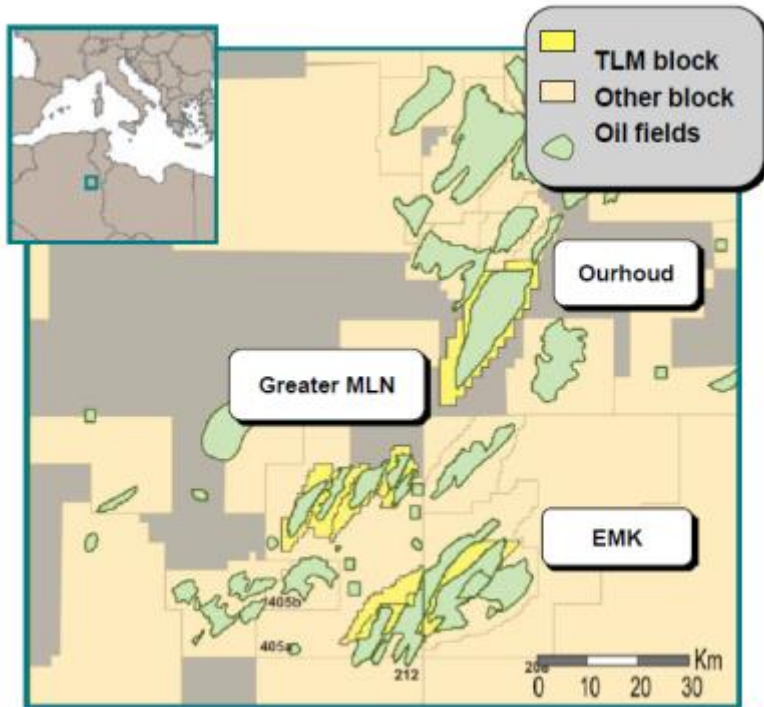
- ~350 people [*~200 staff & 150 contractors*]
- 4 production hubs with ~9 mature fields
- Production: 18 kboe/d
- YME Field existing platform to be removed in 2015
- Significant tax pools

■ Opportunities & Challenges

- *Norway is a preferred country for Repsol*
- *Integration of Repsol and TLM exploration portfolios*

Talisman - Algeria

Small scale with strong cash generation



■ Facts:

- *Small non-operated position with strong cash flow*
- *Talisman main position Block 405a MLN TLM 35% [Pertamina operator]*
- *Production: 11 kboe/d*

■ Opportunities & Challenges

- *Relationship with Indonesian NOC Pertamina through international venture*
- *Cost and portfolio synergies with Repsol's position in Algeria*

Acquisition of Talisman Energy



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