



# 3Q14 RESULTS

*November 6<sup>th</sup>, 2014*

**25** YEARS OF REPSOL  
ON THE STOCK MARKET  
1989-2014

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## **BASIS OF PREPARATION OF THE FINANCIAL INFORMATION**

### BASIS OF PREPARATION

Group activities are carried out in three operating segments:

- **Upstream**, the segment corresponding to hydrocarbon exploration and production activities;
- **Downstream**, the segment corresponding to (i) refining and commercialization of oil products, petrochemical products, and liquefied petroleum gas, (ii) commercialization, transportation and regasification of natural gas and liquefied natural gas (LNG) and (iii) renewable energy power projects;
- **Gas Natural Fenosa**, the segment corresponding to Repsol investment in Gas Natural Fenosa, whose main activities are the distribution and commercialization of natural gas, and the generation, distribution and commercialization of electricity.

Lastly, the **Corporate and others** segment reflects the Corporation's overhead expenses incurred in activities that cannot be allocated to the first three business segments, intra-segment consolidation adjustments and the financial result.

The company carries out a significant portion of its activities through participations in joint ventures. Accordingly, for the purpose of management decision-making with respect to resource allocation and performance assessment, the operating and financial metrics of joint ventures are considered from the same perspective and in the same level of detail as in businesses consolidated via global integration. To this end, all the operating segment disclosures include, in proportion to the Group's respective ownership interest, the figures corresponding to its joint ventures or other companies managed as such.

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 the recurring net operating profit of continuing operations at current cost of supply (CCS) after tax as a measure of the result of each segment ("Adjusted Net Income"), which excludes both non-recurring net income<sup>1</sup> and the inventory effect<sup>2</sup>.

On the other hand, Gas Natural Fenosa's performance is assessed on the basis of its net income contribution and the cash flow obtained through the dividends received. Accordingly, the net income of this segment is presented as the company's net income in accordance with the equity method; the other metrics presented only include the cash flows generated by the Repsol Group as a shareholder of Gas Natural SDG, S.A.

All of the information presented in this Earnings Release, with the exception of that provided in the tables headed "Consolidated Financial Statements" has been prepared in accordance with the abovementioned criteria.

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<sup>1</sup> Non-recurring items are those originated from events or transactions falling outside the Group's ordinary or usual activities are exceptional in nature or arise from isolated events.

<sup>2</sup> The net income is prepared by using the inventory measurement method widely used in the industry – current cost of supply (CCS), which differs from that accepted under prevailing European accounting standards (MIFO). The use of CCS methodology facilitates users of financial information comparisons with other companies in the sector. Under CCS methodology, the purchase price of volumes of inventories sold during the period is based on the current prices of purchases during the period. The inventory effect is the difference between the net income using CCS and the net income using MIFO. In this note, the inventory effect is presented net of the tax and excluding non-controlling interests.

CONSOLIDATED FINANCIAL STATEMENTS

Appendix II presents the Group's consolidated financial statements prepared under International Financial Reporting Standards (IFRS). It is therefore relevant to mention the following:

- a) The IFRS 11 "*Joint Agreements*" came into force on January 1, 2014, implying the use of the equity method to account for the Group's investments in joint ventures in its consolidated financial statements. Although its application has not had a significant impact on the Group's equity, it has entailed significant reclassifications among the various balance sheet and income statement headings, as the Group had been using the proportionate method of consolidation to account for its investments in entities under joint control until December 31, 2013.
- b) In addition, in October and December 2013 and January 2014, Repsol closed the sale of some of its LNG assets and businesses. In accordance with IFRS, the results generated by these assets and businesses were classified and accounted for as discontinued operations.

As a result of the foregoing, and in accordance with prevailing accounting rules and standards, the consolidated balance sheet as of 31 December 2013, the consolidated income statements for the third quarter and the period January - September 2013 and the consolidated cash flows statement for the period January – September 2013 have been restated for comparative purposes.

Lastly, Appendix III provides a reconciliation of the non-IFRS metrics reported and those presented in the consolidated financial statements (IFRS).

**KEY METRICS FOR THE PERIOD**
*[Unaudited figures]*

Results (€ Million)	3Q 2013	2Q 2014	3Q 2014	% Change 3Q14/3Q13	January - September 2013	January - September 2014	% Change 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>

Economic data (€ Million)	3Q 2013	2Q 2014	3Q 2014	% Change 3Q14/3Q13	January - September 2013	January - September 2014	% Change 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	-

Operational data	3Q 2013	2Q 2014	3Q 2014	% Change 3Q14/3Q13	January - September 2013	January - September 2014	% Change 2014/2013
LIQUIDS PRODUCTION (Thousands of bbl/d)	135	122	141	4.7	145	131	(9.3)
GAS PRODUCTION <sup>(*)</sup> (Millions of scf/d)	1,172	1,216	1,261	7.6	1,176	1,221	3.8
<b>TOTAL PRODUCTION</b> (Thousands of boe/d)	<b>344</b>	<b>338</b>	<b>366</b>	<b>6.4</b>	<b>354</b>	<b>349</b>	<b>(1.5)</b>
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

**KEY MILESTONES FOR THE THIRD QUARTER OF 2014**

- **Adjusted net income** in the third quarter was €415 million, 41% higher year-on-year, and **net income** stood at €319 million, a 17% decrease compared to the same period of last year.

In terms of the accumulated results, **adjusted net income** in the period January - September 2014 was €1,337 million, a 10% increase year-on-year, and **net income** stood at €1,646 million, 28% higher year-on-year.

- Quarterly results by business unit are detailed as follows:
  - Adjusted net income in **Upstream** was in line year-on-year, mainly due to lower exploration costs and higher volumes offset by lower realization prices and lower contribution from Libya.
  - In **Downstream**, adjusted net income was 77% higher year-on-year:
    - Refining, chemicals and the commercial businesses performed significantly better than in 3Q13 as a consequence of an improved business environment.
    - Gas & Power, however, had a lower contribution year-on-year as a result of the mark-to-market of the contractual commitments for natural gas commercialization in North America and the effect of the compensation associated to the LNG supply contracts in 3Q13.
  - The adjusted net income of **Gas Natural Fenosa** was 13% lower year-on-year.
  - In **Corporate and others**, adjusted net income increased 50% year-on-year, due to the improvement of the financial result mainly as a consequence of a better result of exchange rate positions and the reduction of the average cost of debt.
- **Upstream** production averaged 366 kboe/d in the third quarter of 2014, 6% higher year-on-year. The increase in production is a result of the connection of the second, third and fourth productive wells in Sapinhoá in February, April and July 2014 respectively, the start-up of production in the Kinteroni field in Peru at the end of March 2014, Phase II of Margarita in October 2013 and the development of SK, as well as the continuous ramp-up of production in the Midcontinent project in USA, partially offset by the lower production in Libya due to security issues. Stripping out Libya, production in the third quarter of 2014 would have been 8% higher year-on-year.
- During the third quarter of 2014, six exploration and appraisal wells were concluded: three wells with a positive result (the three of them in Russia: 31-P and 32-P in Karabashsky-2, both of them appraisal wells, and K-3 in Karabashsky-3) and three wells with a negative outcome (two in Liberia: Iroko-1 and Timbo-1 and the Agrub well in Libya).
- The Group's **net debt** at the end of the third quarter of 2014 stood at €1,998 million, down €394 million from the end of the second quarter of 2014. Operating cash flow in the quarter covered the disbursement of capital expenditures, dividends and interests on debt.

**NET INCOME PERFORMANCE BY BUSINESS SEGMENT**
**UPSTREAM**
*[Unaudited figures]*

Results (€ Million)	3Q 2013	2Q 2014	3Q 2014	% Change 3Q14/3Q13	January - September 2013	January - September 2014	% Change 2014/2013
<b>ADJUSTED NET INCOME</b>	<b>184</b>	<b>145</b>	<b>185</b>	<b>0.5</b>	<b>818</b>	<b>585</b>	<b>(28.5)</b>
Operating income	400	216	424	6.0	1,582	1,081	(31.7)
Income tax	(224)	(69)	(239)	(6.7)	(787)	(502)	36.2
Income from equity affiliates and non-controlling interests	8	(2)	0	-	23	6	(73.9)
<b>EBITDA</b>	<b>699</b>	<b>643</b>	<b>728</b>	<b>4.1</b>	<b>2,424</b>	<b>2,087</b>	<b>(13.9)</b>
<b>CAPITAL EXPENDITURES</b>	<b>558</b>	<b>691</b>	<b>791</b>	<b>41.8</b>	<b>1,709</b>	<b>2,066</b>	<b>20.9</b>
<b>EXPLORATION COSTS</b>	<b>166</b>	<b>276</b>	<b>129</b>	<b>(22.3)</b>	<b>361</b>	<b>508</b>	<b>40.7</b>
<b>EFFECTIVE TAX RATE (%)</b>	<b>56</b>	<b>31</b>	<b>56</b>	<b>0.0</b>	<b>50</b>	<b>46</b>	<b>(4.0)</b>

International prices	3Q 2013	2Q 2014	3Q 2014	% Change 3Q14/3Q13	January - September 2013	January - September 2014	% Change 2014/2013
Brent (\$/Bbl)	110.3	109.7	101.9	(7.6)	108.5	106.5	(1.8)
WTI (\$/Bbl)	105.8	103.0	97.2	(8.1)	98.2	99.6	1.4
Henry Hub (\$/MBtu)	3.6	4.7	4.1	13.9	3.7	4.6	24.3
Average exchange rate (\$/€)	1.32	1.37	1.33	0.8	1.32	1.35	2.3

Production	3Q 2013	2Q 2014	3Q 2014	% Change 3Q14/3Q13	January - September 2013	January - September 2014	% Change 2014/2013
LIQUIDS (Thousands of bbl/d)	135	122	141	4.7	145	131	(9.3)
GAS <sup>(*)</sup> (Millions of scf/d)	1,172	1,216	1,261	7.6	1,176	1,221	3.8
<b>TOTAL (Thousands of boe/d)</b>	<b>344</b>	<b>338</b>	<b>366</b>	<b>6.4</b>	<b>354</b>	<b>349</b>	<b>(1.5)</b>

Realization prices	3Q 2013	2Q 2014	3Q 2014	% Change 3Q14/3Q13	January - September 2013	January - September 2014	% Change 2014/2013
CRUDE OIL (\$/Bbl)	89.0	87.8	84.3	(5.3)	89.7	85.9	(4.2)
GAS (\$/Thousands of scf)	3.8	4.0	3.6	(5.3)	4.0	3.9	(1.1)

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

**Adjusted net income** in the third quarter of 2014 stood at €185 million, in line year-on-year.

The factors which explain the year-on-year performance are the following:

- Higher **production** in Brazil, USA, Russia, Bolivia, Peru and Trinidad and Tobago, could offset lower contribution to production mainly in Libya, Algeria and Ecuador, and improved the operating income by €63 million.

- Lower **crude oil and gas realization prices**, net of royalties, had a negative impact on the operating income of €56 million.
- Lower **exploration costs** impacted the operating income positively by €38 million, mainly as a result of a drop in bond costs and lower amortization of wells. In 3Q14 three explorations wells were concluded with a negative outcome: two wells in Liberia, Iroko-1 and Timbo-1, and one in Libya, Agrub. Additionally, two more wells have been considered as negative and written off during this quarter: Jupiter-1 in Sierra Leone (2012) and Magadí in Brazil (2012).
- Higher **depreciation and amortization** charges as a consequence of the increase in production, mainly in Trinidad and Tobago, Bolivia, USA and Brazil, reduced operating income by €42 million.
- **Higher income tax expense** had a negative impact of €17 million.
- **Income of equity affiliates and non-controlling interests and others** and **exchange rate** explain the remaining differences.

#### **January – September 2014 results**

The **adjusted net income** for the period January - September of 2014 amounted to €585 million, 29% lower year-on-year.

Average **production** for the period January - September 2014 (349 Kboe/d) was 2% lower than the same period of 2013 (354 Kboe/d), essentially as a result of the disruptions in Libya and the stoppages in Trinidad and Tobago due to drilling activity and maintenance, partially offset by the increase in production in Brazil, USA, Bolivia, Peru and Russia, as a result of the start-up and ramp-up of the key growth projects. Excluding Libya from both exercises, production would have grown by 5%.

#### **Capital expenditures**

**Capital expenditure** in Upstream in the third quarter of 2014 amounted to €791 million, which represents a year-on-year growth of 42%; development capital expenditure accounted for 60% of the total investment and was concentrated in USA (31%), Venezuela (23%), Trinidad and Tobago (17%), Brazil (15%), and Bolivia (7%). Exploration capital expenditure represented 33% of the total and was earmarked primarily for the Angola (32%), USA (24%), Colombia (12%), Gabon (8%), Brazil (6%), and Rumania (5%).

**Capital expenditure** in Upstream in the first nine months of 2014 totaled €2,066 million, which means a year-on-year growth of 21%. Development capital expenditure accounted for 59% of the total investment and was concentrated in USA (31%), Venezuela (21%), Trinidad and Tobago (16%), Brazil (15%) and Bolivia (8%). Exploration capital expenditure represented 34% of the total and was earmarked primarily for USA (36%), Angola (18%), Brazil (8%), Russia (6%), Namibia (5%), Colombia (5%), and Iraq (4%).



**DOWNSTREAM**
*(Unaudited figures)*

Results (€ Million)	3Q 2013	2Q 2014	3Q 2014	% Change 3Q14/3Q13	January - September 2013	January - September 2014	% Change 2014/2013
<b>ADJUSTED NET INCOME</b>	<b>108</b>	<b>162</b>	<b>190</b>	<b>76.6</b>	<b>458</b>	<b>642</b>	<b>40.2</b>
Operating income	137	205	276	101.5	624	907	45.4
Income tax	(36)	(40)	(85)	(136.1)	(193)	(258)	(33.7)
Income from equity affiliates and non-controlling interests	7	(3)	(1)	-	27	(7)	-
<b>MIFO RECURRENT NET INCOME</b>	<b>138</b>	<b>167</b>	<b>127</b>	<b>(7.7)</b>	<b>335</b>	<b>525</b>	<b>56.7</b>
Inventory effect	30	5	(63)	-	(123)	(117)	4.9
EBITDA	365	442	361	(1.1)	1,000	1,309	30.9
CAPITAL EXPENDITURES	141	148	161	14.2	367	444	21.0
EFFECTIVE TAX RATE (%)	26	20	31	5.0	31	28	(3.0)

International prices (\$/Mbtu)	3Q 2013	2Q 2014	3Q 2014	% Change 3Q14/3Q13	January - September 2013	January - September 2014	% Change 2014/2013
Henry Hub	3.6	4.7	4.1	13.9	3.7	4.6	24.3
Algonquin	4.0	4.2	3.0	(25.0)	6.8	9.2	35.3

Operational data	3Q 2013	2Q 2014	3Q 2014	% Change 3Q14/3Q13	January - September 2013	January - September 2014	% Change 2014/2013
REFINING MARGIN INDICATOR IN SPAIN (\$/Bbl)	2.6	3.1	3.9	50.0	3.0	3.6	20.0
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
OIL PRODUCT SALES (Thousands of tons)	11,140	11,298	11,387	2.2	32,430	32,530	0.3
PETROCHEMICAL PRODUCT SALES (Thousands of tons)	613	680	681	11.1	1,810	2,015	11.3
LPG SALES (Thousands of tons)	525	549	599	14.3	1,797	1,819	1.2
NORTH AMERICA NATURAL GAS SALES (TBtu)	37.2	59.8	61.1	64.2	123.4	210.7	70.7

**Adjusted net income** in the third quarter of 2014 stood at €190 million, 77% higher year-on-year.

The main factors driving the year-on-year earnings performance are as follows:

- In **Refining**, improved performance of the refining margins, as a result of the generalized strengthening of the products spreads, except for middle distillates, partially offset by the narrower spread between heavy crude oils and Brent, and together with a higher utilization rate, produced a positive impact on the operating result of €137 million.
- In **Chemicals**, the increased efficiency as a result of operational improvements in our sites, higher sales volumes and improved margins due to better international price environment, impacted positively the operating result by €38 million.

- In the commercial businesses, **Marketing and LPG**, operating income was €9 million higher year-on-year. Notably, in 3Q14, sales volumes in the Marketing business in Spain remained stable year-on-year.
- In **Gas & Power**, a negative result of the North American operations due to seasonality, could not be compensated by lower regasification costs and depreciation and amortization charges as a result of the provisions booked in 2013. Mark-to-market of the contractual commitments for the natural gas commercialization in North America in combination with the compensation associated to the LNG supply contracts received in 3Q13, negatively impacted operating income by €47 million.
- Higher **income tax** expenses, driven mainly by the improved results, produced a negative impact of €48 million.
- **Results in trading and other activities** explain the remaining difference.

#### January – September 2014 results

**Adjusted net income** for the period January - September 2014 was €642 million, 40% higher year-on-year. The improvement in results is mainly driven by a better performance in refining and the commercial businesses. It is also worth mentioning the improvement of the results of the petrochemicals unit as a result of higher volumes and lower maintenance costs.

#### Capital expenditure

**Capital expenditure** in the Downstream segment in the third quarter of 2014 totaled €161 million. Meanwhile, capital expenditures in the first nine months of the year stood at €444 million.

**GAS NATURAL FENOSA**
*(Unaudited figures)*

Results (€ Million)	3Q 2013	2Q 2014	3Q 2014	% Change 3Q14/3Q13	January - September 2013	January - September 2014	% Change 2014/2013
ADJUSTED NET INCOME	106	159	92	(13.2)	359	374	4.2

**Adjusted net income** in the third quarter 2014 amounted to €92 million, 13% lower than the same quarter of last year, largely due to the impairment booked on the combined cycle of Nueva Generadora del Sur, lower results from gas distribution activities in Spain, due to the new regulation approved this year, and the absence of contribution to results of the telecommunication business sold in June 2014.

**January – September 2014 results**

**The adjusted net income** in the period January - September of 2014 stood at €374 million, 4% higher year-on-year, mainly as a consequence of the capital gain generated from the sale of the telecommunications business, partially compensated by lower results from the segments of power generation and distribution and gas distribution in Spain, affected by new regulation. On the other hand, results of Latin American businesses have been lower as a consequence of the impact of depreciation of the dollar and the local currencies against the Euro.

**CORPORATE AND OTHERS**

## CORPORATE AND OTHERS

*[Unaudited figures]*

Results (€ Million)	3Q 2013	2Q 2014	3Q 2014	% Change 3Q14/3Q13	January - September 2013	January - September 2014	% Change 2014/2013
<b>ADJUSTED NET INCOME</b>	<b>(103)</b>	<b>(76)</b>	<b>(52)</b>	<b>49.5</b>	<b>(415)</b>	<b>(264)</b>	<b>36.4</b>
Corporate and others operating income	(54)	(60)	(63)	(16.7)	(247)	(193)	21.9
Financial result	(105)	(46)	(12)	88.6	(353)	(188)	46.7
Income tax	56	30	23	(58.9)	185	117	(36.8)
<b>EBITDA</b>	<b>(38)</b>	<b>(60)</b>	<b>(42)</b>	<b>(10.5)</b>	<b>(183)</b>	<b>(147)</b>	<b>19.7</b>
<b>CAPITAL EXPENDITURES</b>	<b>17</b>	<b>21</b>	<b>9</b>	<b>(47.1)</b>	<b>36</b>	<b>39</b>	<b>8.3</b>
<b>EFFECTIVE TAX RATE (%)</b>	<b>(36)</b>	<b>(28)</b>	<b>(32)</b>	<b>4.0</b>	<b>(31)</b>	<b>(31)</b>	<b>0.0</b>

**Corporate and others** accounted for a net expense of €63 million in the third quarter of 2014, compared to a net expense of €54 million in the same quarter of last year. The year-on-year variation is largely attributable to the result associated to the trading of CO<sub>2</sub> emissions rights.

**January – September 2014 results**

The **operating income** in the first nine months of 2014 was a net loss of €193 million compared to a net loss of €247 million in the period January - September of 2013, mainly as a consequence of the result associated to the trading of CO<sub>2</sub> emissions rights.

**FINANCIAL RESULTS**
*[Unaudited figures]*

Results (€ Million)	3Q 2013	2Q 2014	3Q 2014	% Change 3Q14/3Q13	January - September 2013	January - September 2014	% Change 2014/2013
<b>NET INTERESTS</b>	<b>(99)</b>	<b>(78)</b>	<b>(71)</b>	<b>28.3</b>	<b>(335)</b>	<b>(247)</b>	<b>26.3</b>
OTHER CAPTIONS	(6)	32	59	-	(18)	59	-
<b>TOTAL</b>	<b>(105)</b>	<b>(46)</b>	<b>(12)</b>	<b>88.6</b>	<b>(353)</b>	<b>(188)</b>	<b>46.7</b>

**Net financial expense** in third quarter 2014 totaled €12 million, improving 89% year-on-year, mainly due to the positive effect of the dollar's appreciation against the euro and lower debt interest expenses.

**January – September 2014 results**

**Net financial result** in the period January - September of 2014 amounted to an expense of €188 million, improving by €165 million year-on-year, mainly due to the positive effect of the dollar's appreciation against the euro and the reduction of average cost of debt.

**NET INCOME ANALYSIS: NON-RECURRING ITEMS AND DISCONTINUED OPERATIONS**
**NON-RECURRING INCOME**
*(Unaudited figures)*

Results (€ Million)	3Q 2013	2Q 2014	3Q 2014	% Change 3Q14/3Q13	January - September 2013	January - September 2014	% Change 2014/2013
<b>NON-RECURRING INCOME / (LOSSES)</b>	<b>(34)</b>	<b>156</b>	<b>(32)</b>	<b>5.9</b>	<b>(121)</b>	<b>159</b>	<b>-</b>

The **non-recurring items** in the third quarter of 2014 resulted in a net loss of €32 million, compared to a net loss of €34 million in the same period of last year.

**January – September 2014 results**

Accumulated result of **non-recurring items** for the first nine months of 2014 was a net gain of €159 million in contrast with the net loss of €121 million in the same period of 2013. In 2014 this caption largely includes the capital gains registered from the sale of the non-expropriated YPF shares, the sale of TGP and the cancelation of the LNG transportation contract with Naturgas, partially compensated by the impairment corresponding to the Upstream assets in North America and Peru.

**DISCONTINUED OPERATIONS**
*(Unaudited figures)*

Results (€ Million)	3Q 2013	2Q 2014	3Q 2014	% Change 3Q14/3Q13	January - September 2013	January - September 2014	% Change 2014/2013
<b>INCOME FROM DISCONTINUED OPERATIONS</b>	<b>95</b>	<b>(31)</b>	<b>(1)</b>	<b>-</b>	<b>311</b>	<b>267</b>	<b>(14.1)</b>

**Net income from discontinued operations** in the third quarter of 2014 stood at €-1 million. In the third quarter of 2013 it included the net contribution of sold LNG businesses.

**January – September 2014 results**

The accumulated **net income from discontinued operations** essentially incorporates the net gain from the sale of the LNG assets and the exchange rate effect associated to the write-off of the investment in YPF and YPF Gas after the agreement reached with the Republic of Argentina. Over the same period of 2013 it mainly included the net income contribution of the LNG businesses sold.

**NET DEBT EVOLUTION AND LIQUIDITY**

This section presents the movement in the Group's adjusted net debt and liquidity during the quarter:

**NET DEBT EVOLUTION**

*[Unaudited figures]*

NET DEBT EVOLUTION (€ Million)	3Q 2014	January - September 2014
<b>NET DEBT AT THE START OF THE PERIOD</b>	<b>2,392</b>	<b>5,358</b>
EBITDA	(1,047)	(3,249)
CHANGE IN WORKING CAPITAL	(571)	(24)
INCOME TAX RECEIVED /PAID <sup>(1)</sup>	287	829
INVESTMENTS <sup>(2)</sup>	974	2,632
DIVESTMENTS	(61)	(200)
DIVIDENDS PAID AND OTHER PAYOUTS	361	1,711
OWN SHARES TRANSACTIONS	(5)	(27)
FOREIGN EXCHANGE RATE EFFECT	(348)	(403)
INTEREST AND OTHER MOVEMENTS <sup>(3)</sup>	23	412
EFFECTS ASSOCIATED WITH THE SALE OF LNG	(11)	(517)
EFFECTS ASSOCIATED WITH THE EXPROPIATION OF YPF <sup>(4)</sup>	4	(4,524)
<b>NET DEBT AT THE END OF THE PERIOD</b>	<b>1,998</b>	<b>1,998</b>
		<b>2014</b>
CAPITAL EMPLOYED (€ Million)		30,296
NET DEBT / CAPITAL EMPLOYED (%)		6.6
ROACE (%)		6.2
EBITDA /NET DEBT (x)		2.2

(1) In the period January – September 2014, it includes €308 million related to the gains on the assets divested.

(2) As of September 30, 2014, the Group had financial investments of €904 million. €900 million correspond to deposits in financial institutions classified as financial investments on account of their term structure; however, from a management perspective such deposits are considered as cash equivalent given their high liquidity.

(3) Mainly includes interest expense on borrowings, dividends received, and provisions used.

(4) Mainly includes €4,592 million corresponding to the monetization of the bonds of the Republic of Argentina and the sale of the non-expropriated stake in YPF.

The Group's **net debt** stood at €1,998 million, down €394 million from the end of the second quarter of 2014. It is worth mentioning that operating cash flow in the quarter covered the disbursement of capital expenditures, dividends and interests on debt. The net debt to capital employed ratio was reduced to 6.6% at the end of the third quarter 2014.

**LIQUIDITY**

The Repsol Group has a **liquidity position** of €10,448 million (including committed and unused credit lines, and deposits at financial institutions with immediate liquidity), sufficient to cover short-term debt maturities 3.6 times.

**RELEVANT EVENTS**

The most significant company-related events since the second-quarter 2014 earnings release were as follows:

In **Upstream**, on 27 October 2014, Repsol announced a new discovery of high quality oil in the United States' Gulf of Mexico. The find was made 352 kilometers from the Louisiana coast in an ultra-deep water well named León, located in the Keathley Canyon 642 block. Repsol, with a 60% participation, is the operator of the discovering consortium. The well found more than 150 meters of net oil pay within a column of over 400 meters. The well was drilled in water 1,865 meters deep, and reached a total depth of 9,684 meters, making it one of the deepest wells operated by the company.

In **Downstream**, on 13 October 2014, Repsol and the Korean company SK announced the startup of their new base oil plant in Cartagena. The new plant, located next to the Repsol refinery in Cartagena, will operate under the name of ILBOC, is the largest facility of its kind in Europe. It has a production capacity of 630,000 tons of Group II and III base lubricants. These high quality base lubricants are the raw material for next generation lubricating oils.

In **Corporation**, on 15 October 2014, Repsol's "Trading Statement" was published; it provides provisional information for the third quarter of 2014, including data on the economic environment as well as company performance during the period.

On 3 November 2014, Repsol International Capital Limited announced the early redemption of the total number of Preference Shares of the Series B and Series C that remain outstanding at the date hereof. The redemption will take effect on 16 December 2014 and will be made in cash, at par value and will be carried out in accordance with all legal obligations and the terms and conditions provided for in the Prospectus (Folletos Informativos) of each issue.

**Madrid, November 6<sup>th</sup>, 2014**

A conference call has been scheduled for research analysts and institutional investors for today, November 6<sup>th</sup>, 2014 at 13.00 (CET) to report on the Repsol Group's third-quarter 2014 results. Shareholders and anyone else interested can follow the call live through Repsol's corporate website ([www.repsol.com](http://www.repsol.com)). A full recording of the event will also be available to shareholders and investors and any other interested party at [www.repsol.com](http://www.repsol.com) for a period of no less than one month from the date of the live broadcast.



**APPENDIX I – FINANCIAL METRICS AND  
OPERATING INDICATORS BY SEGMENT**

**THIRD QUARTER 2014**

**ADJUSTED NET INCOME BY BUSINESS SEGMENTS**
*(Unaudited figures)*

€ Million	3Q 2013							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Non Recurrent	Net Income
Upstream	400	-	(224)	8	184	-	(15)	169
Downstream	137	-	(36)	7	108	30	(13)	125
Gas Natural Fenosa	-	-	-	106	106	-	(4)	102
Corporation & Others	(54)	(105)	56	-	(103)	-	(2)	(105)
<b>TOTAL</b>	<b>483</b>	<b>(105)</b>	<b>(204)</b>	<b>121</b>	<b>295</b>	<b>30</b>	<b>(34)</b>	<b>291</b>
Income from discontinued operations							95	95
<b>NET INCOME</b>							<b>61</b>	<b>386</b>

€ Million	2Q 2014							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Non Recurrent	Net Income
Upstream	216	-	(69)	(2)	145	-	(146)	(1)
Downstream	205	-	(40)	(3)	162	5	47	214
Gas Natural Fenosa	-	-	-	159	159	-	-	159
Corporation & Others	(60)	(46)	30	-	(76)	-	255	179
<b>TOTAL</b>	<b>361</b>	<b>(46)</b>	<b>(79)</b>	<b>154</b>	<b>390</b>	<b>5</b>	<b>156</b>	<b>551</b>
Income from discontinued operations							(31)	(31)
<b>NET INCOME</b>							<b>125</b>	<b>520</b>

€ Million	3Q 2014							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Non Recurrent	Net Income
Upstream	424	-	(239)	0	185	-	(35)	150
Downstream	276	-	(85)	(1)	190	(63)	2	129
Gas Natural Fenosa	-	-	-	92	92	-	-	92
Corporation & Others	(63)	(12)	23	-	(52)	-	1	(51)
<b>TOTAL</b>	<b>637</b>	<b>(12)</b>	<b>(301)</b>	<b>91</b>	<b>415</b>	<b>(63)</b>	<b>(32)</b>	<b>320</b>
Income from discontinued operations							(1)	(1)
<b>NET INCOME</b>							<b>(33)</b>	<b>319</b>

€ Million	JANUARY-SEPTEMBER 2013							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Non Recurrent	Net Income
Upstream	1,582	-	(787)	23	818	-	(165)	653
Downstream	624	-	(193)	27	458	(123)	59	394
Gas Natural Fenosa	-	-	-	359	359	-	(23)	336
Corporation & Others	(247)	(353)	185	-	(415)	-	8	(407)
<b>TOTAL</b>	<b>1,959</b>	<b>(353)</b>	<b>(795)</b>	<b>409</b>	<b>1,220</b>	<b>(123)</b>	<b>(121)</b>	<b>976</b>
Income from discontinued operations							311	311
<b>NET INCOME</b>							<b>190</b>	<b>1,287</b>

€ Million	JANUARY-SEPTEMBER 2014							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Non Recurrent	Net Income
Upstream	1,081	-	(502)	6	585	-	(151)	434
Downstream	907	-	(258)	(7)	642	(117)	48	573
Gas Natural Fenosa	-	-	-	374	374	-	(2)	372
Corporation & Others	(193)	(188)	117	-	(264)	-	264	0
<b>TOTAL</b>	<b>1,795</b>	<b>(188)</b>	<b>(643)</b>	<b>373</b>	<b>1,337</b>	<b>(117)</b>	<b>159</b>	<b>1,379</b>
Income from discontinued operations							267	267
<b>NET INCOME</b>							<b>426</b>	<b>1,646</b>

**NET SALES BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS**
*[Unaudited figures]*

€ Million	QUARTERLY DATA			JANUARY - SEPTEMBER	
	3Q13	2Q14	3Q14	2013	2014
<b>UPSTREAM</b>	<b>1,147</b>	<b>1,016</b>	<b>1,186</b>	<b>3,718</b>	<b>3,305</b>
USA and Brazil	244	296	322	751	878
North Africa	202	19	170	817	369
Rest of the World	701	701	694	2,150	2,058
Adjustments	0	0	0	0	0
<b>DOWNSTREAM</b>	<b>11,601</b>	<b>11,454</b>	<b>11,921</b>	<b>34,206</b>	<b>35,120</b>
Europe	11,145	10,407	11,043	32,504	31,731
Rest of the World	1,207	1,669	1,688	3,915	5,538
Adjustments	(751)	(622)	(810)	(2,213)	(2,149)
<b>CORPORATE AND OTHERS</b>	<b>(359)</b>	<b>(253)</b>	<b>(371)</b>	<b>(1,210)</b>	<b>(1,060)</b>
<b>TOTAL</b>	<b>12,389</b>	<b>12,217</b>	<b>12,736</b>	<b>36,714</b>	<b>37,365</b>

**ADJUSTED NET INCOME BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS**
*(Unaudited figures)*

€ Million	QUARTERLY DATA			JANUARY - SEPTEMBER	
	3Q13	2Q14	3Q14	2013	2014
<b>UPSTREAM</b>	<b>184</b>	<b>145</b>	<b>185</b>	<b>818</b>	<b>585</b>
USA and Brazil	44	80	69	138	223
North Africa	43	(63)	32	200	9
Rest of the World	97	128	84	480	353
<b>DOWNSTREAM</b>	<b>108</b>	<b>162</b>	<b>190</b>	<b>458</b>	<b>642</b>
Europe	105	165	213	345	512
Rest of the World	3	(3)	(23)	113	130
<b>GAS NATURAL FENOSA</b>	<b>106</b>	<b>159</b>	<b>92</b>	<b>359</b>	<b>374</b>
<b>CORPORATE AND OTHERS</b>	<b>(103)</b>	<b>(76)</b>	<b>(52)</b>	<b>(415)</b>	<b>(264)</b>
<b>TOTAL</b>	<b>295</b>	<b>390</b>	<b>415</b>	<b>1,220</b>	<b>1,337</b>

**EBITDA BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS**
*[Unaudited figures]*

€ Million	QUARTERLY DATA			JANUARY - SEPTEMBER	
	3Q13	2Q14	3Q14	2013	2014
<b>UPSTREAM</b>	<b>699</b>	<b>643</b>	<b>728</b>	<b>2,424</b>	<b>2,087</b>
USA and Brazil	173	273	264	574	750
North Africa	168	(14)	133	730	268
Rest of the World	358	384	331	1,120	1,069
<b>DOWNSTREAM</b>	<b>365</b>	<b>442</b>	<b>361</b>	<b>1,000</b>	<b>1,309</b>
Europe	323	436	385	736	1,063
Rest of the World	42	6	(24)	264	246
<b>CORPORATE AND OTHERS</b>	<b>(38)</b>	<b>(60)</b>	<b>(42)</b>	<b>(183)</b>	<b>(147)</b>
<b>TOTAL</b>	<b>1,026</b>	<b>1,025</b>	<b>1,047</b>	<b>3,241</b>	<b>3,249</b>

**CAPEX BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS**
*(Unaudited figures)*

€ Million	QUARTERLY DATA			JANUARY - SEPTEMBER	
	3Q13	2Q14	3Q14	2013	2014
<b>UPSTREAM</b>	<b>558</b>	<b>691</b>	<b>791</b>	<b>1,709</b>	<b>2,066</b>
USA and Brazil	246	337	338	899	991
North Africa	10	14	9	48	48
Rest of the World	302	340	444	762	1,027
<b>DOWNSTREAM</b>	<b>141</b>	<b>148</b>	<b>161</b>	<b>367</b>	<b>444</b>
Europe	118	116	135	313	365
Rest of the World	23	32	26	54	79
<b>CORPORATE AND OTHERS</b>	<b>17</b>	<b>21</b>	<b>9</b>	<b>36</b>	<b>39</b>
<b>TOTAL</b>	<b>716</b>	<b>860</b>	<b>961</b>	<b>2,112</b>	<b>2,549</b>

**OPERATING INDICATORS**

**THIRD QUARTER 2014**



**UPSTREAM OPERATING INDICATORS**

	Unit	1Q 2013	2Q 2013	3Q 2013	January - September 2013	1Q 2014	2Q 2014	3Q 2014	January - September 2013	% Variation 3Q14/3Q13	% Variation 2014/2013
<b>HYDROCARBON PRODUCTION</b>	<b>Kboe/d</b>	<b>360.3</b>	<b>359.1</b>	<b>343.8</b>	<b>354.3</b>	<b>341.8</b>	<b>338.1</b>	<b>365.9</b>	<b>348.9</b>	<b>6.4</b>	<b>(1.5)</b>
<b>Liquid production</b>	<b>Kboe/d</b>	<b>150.8</b>	<b>149.0</b>	<b>135.1</b>	<b>144.9</b>	<b>130.7</b>	<b>121.5</b>	<b>141.4</b>	<b>131.4</b>	<b>4.7</b>	<b>(9.3)</b>
USA and Brazil	Kboe/d	33.2	34.9	33.7	33.9	36.8	44.9	43.8	41.8	30.0	23.3
North of Africa	Kboe/d	43.1	40.7	26.9	36.8	21.1	2.1	23.3	15.5	(13.4)	(58.0)
Rest of the World	Kboe/d	74.5	73.4	74.5	74.1	72.9	74.5	74.3	74.1	(0.3)	(0.0)
<b>Natural gas production</b>	<b>Kboe/d</b>	<b>209.5</b>	<b>210.1</b>	<b>208.7</b>	<b>209.4</b>	<b>211.1</b>	<b>216.6</b>	<b>224.5</b>	<b>217.5</b>	<b>7.6</b>	<b>3.8</b>
USA and Brazil	Kboe/d	3.6	4.1	4.7	4.1	5.4	7.7	8.4	7.2	78.7	73.4
North of Africa	Kboe/d	5.3	5.8	5.3	5.5	5.7	4.8	4.8	5.1	(9.4)	(6.4)
Rest of the World	Kboe/d	200.6	200.2	198.7	199.8	199.9	204.1	211.3	205.2	6.3	2.7

**DOWNSTREAM OPERATING INDICATORS**

	Unit	1Q 2013	2Q 2013	3Q 2013	January - September 2013	1Q 2014	2Q 2014	3Q 2014	January - September 2014	% Variation 3Q14/3Q13	% Variation 2014/2013
<b>PROCESSED CRUDE OIL</b>	Mtoe	9.5	9.8	10.0	29.3	9.1	10.1	10.4	29.6	4.3	1.0
Europe	Mtoe	8.8	8.9	9.2	26.9	8.2	9.3	9.6	27.1	4.2	0.9
Rest of the world	Mtoe	0.7	0.9	0.8	2.4	0.8	0.8	0.8	2.5	5.8	2.6
<b>SALES OF OIL PRODUCTS</b>	Kt	10,136	11,154	11,140	32,430	9,845	11,298	11,387	32,530	2.2	0.3
Europe Sales	Kt	9,105	10,043	10,124	29,272	8,803	10,243	10,278	29,324	1.5	0.2
Own network	Kt	4,493	4,747	5,061	14,301	4,574	4,772	5,080	14,426	0.4	0.9
Light products	Kt	3,893	4,098	4,333	12,324	3,985	4,062	4,390	12,437	1.3	0.9
Other Products	Kt	600	649	728	1,977	589	710	690	1,989	(5.2)	0.6
Other Sales to Domestic Market	Kt	1,584	1,583	1,722	4,889	1,706	1,924	1,812	5,442	5.2	11.3
Light products	Kt	1,532	1,525	1,684	4,741	1,629	1,878	1,755	5,262	4.2	11.0
Other Products	Kt	52	58	38	148	77	46	57	180	50.0	21.6
Exports	Kt	3,028	3,713	3,341	10,082	2,523	3,547	3,386	9,456	1.3	(6.2)
Light products	Kt	1,055	1,459	1,164	3,678	632	1,286	1,301	3,219	11.8	(12.5)
Other Products	Kt	1,973	2,254	2,177	6,404	1,891	2,261	2,085	6,237	(4.2)	(2.6)
Rest of the world sales	Kt	1,031	1,111	1,016	3,158	1,042	1,055	1,109	3,206	9.2	1.5
Own network	Kt	495	567	555	1,617	490	542	525	1,557	(5.4)	(3.7)
Light products	Kt	460	500	506	1,466	450	489	490	1,429	(3.2)	(2.5)
Other Products	Kt	35	67	49	151	40	53	35	128	(28.6)	(15.2)
Other Sales to Domestic Market	Kt	377	357	259	993	333	319	330	982	27.4	(1.1)
Light products	Kt	280	280	205	765	274	274	295	843	43.9	10.2
Other Products	Kt	97	77	54	228	59	45	35	139	(35.2)	(39.0)
Exports	Kt	159	187	202	548	219	194	254	667	25.7	21.7
Light products	Kt	66	70	61	197	80	124	97	301	59.0	52.8
Other Products	Kt	93	117	141	351	139	70	157	366	11.3	4.3
<b>CHEMICALS</b>											
Sales of petrochemical products	Kt	513	684	613	1,810	653	680	681	2,015	11.1	11.3
Europe	Kt	439	594	522	1,555	558	547	566	1,671	8.4	7.5
Base	Kt	121	210	173	503	205	188	203	595	17.4	18.3
Derivate	Kt	318	384	349	1,052	353	360	363	1,076	3.9	2.3
Rest of the world	Kt	74	91	91	255	96	133	115	344	27.0	34.7
Base	Kt	12	16	19	47	12	39	32	83	67.3	75.4
Derivate	Kt	62	75	72	208	84	94	83	261	16.1	25.4
LPG sales	Kt	683	590	525	1,797	670	549	599	1,819	14.3	1.2
Europe	Kt	446	332	247	1,025	420	301	332	1,053	34.5	2.7
Rest of the world	Kt	237	258	278	772	250	248	267	765	(3.7)	(0.9)

Other sales to the domestic market: includes sales to operators and bunker

Exports: expressed from the country of origin

**APPENDIX II – CONSOLIDATED FINANCIAL  
STATEMENTS**

**THIRD QUARTER 2014**

**STATEMENT OF FINANCIAL POSITION**

[€ millions]  
[Unaudited figures]  
Prepared according to International Financial Reporting Standards (IFRS)

	DECEMBER	SEPTEMBER
	2013	2014
<b>NON-CURRENT ASSETS</b>		
Goodwill	490	494
Other intangible assets	1,239	1,299
Property, plant and equipment	16,026	16,689
Investment property	24	38
Investments accounted for using the equity method	10,340	11,288
Non-current assets held for sale subject to expropriation	3,625	0
Non-current financial assets :		
Non-current financial instruments	665	494
Others	1,223	60
Deferred tax assets	4,079	3,777
Other non-current assets	60	136
<b>CURRENT ASSETS</b>		
Non-current assets held for sale	1,692	76
Inventories	4,938	5,188
Trade and other receivables	4,935	6,135
Other current assets	141	208
Other current financial assets	354	1,967
Cash and cash equivalents	5,716	6,316
<b>TOTAL ASSETS</b>	<b>55,547</b>	<b>54,165</b>
<b>TOTAL EQUITY</b>		
Attributable to equity holders of the parent	27,207	28,037
Attributable to minority interests	243	260
<b>NON-CURRENT LIABILITIES</b>		
Grants	10	9
Non-current provisions	2,700	2,829
Non-current financial debt	8,469	7,156
Deferred tax liabilities	1,866	1,838
Other non-current liabilities		
Non-current debt for finance leases	1,263	1,361
Other	413	439
<b>CURRENT LIABILITIES</b>		
Liabilities related to non-current assets held for sale	1,457	0
Current provisions	249	168
Current financial liabilities	5,833	5,711
Trade payables and other payables:		
Current debt for finance leases	154	167
Other payables	5,683	6,190
<b>TOTAL LIABILITIES</b>	<b>55,547</b>	<b>54,165</b>

**INCOME STATEMENT**
*[€ millions]*
*[Unaudited figures]*
*Prepared according to International Financial Reporting Standards (IFRS)*

	QUARTERLY DATA			JANUARY - SEPTEMBER	
	3Q 2013	2Q 2014	3Q 2014	2013	2014
Sales	11,911	11,749	12,260	35,305	35,969
Operating income	286	(32)	306	1,081	736
Financial result	(109)	353	12	(354)	222
Income from equity affiliates	215	323	158	619	837
<b>Net income before tax</b>	<b>392</b>	<b>644</b>	<b>476</b>	<b>1,346</b>	<b>1,795</b>
Income tax	(100)	(87)	(160)	(385)	(410)
<b>Net income from continuing operations</b>	<b>292</b>	<b>557</b>	<b>316</b>	<b>961</b>	<b>1,385</b>
Net income from non-controlling interest	(1)	(6)	4	15	(6)
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>291</b>	<b>551</b>	<b>320</b>	<b>976</b>	<b>1,379</b>
Net income for the year from discontinuing operations	95	(31)	(1)	311	267
<b>NET INCOME</b>	<b>386</b>	<b>520</b>	<b>319</b>	<b>1,287</b>	<b>1,646</b>
<b>Earning per share attributable to the parent company (*)</b>					
Euros/share	0.29	0.39	0.24	0.96	1.22
USD/ADR	0.39	0.53	0.30	1.30	1.53
Average number of shares	1,349,654,613	1,349,727,306	1,350,214,104	1,335,028,818	1,349,709,774
Exchange rates USD/EUR at the end of each quarter	1.35	1.37	1.26	1.35	1.26

(\*) A capital increase for the shareholder's remuneration scheme known as "Repsol dividendo flexible" was carried out in July 2012, January 2013, July 2013 and January 2014, accordingly, share capital is currently represented by 1,350,272,389 shares. The average weighted number of outstanding shares for the presented periods was recalculated in comparison with the previous periods to include the impact of this capital increase in accordance with IAS 33 "Earnings per share". The average number of shares held by the company during each period was also taken into account.

## CASH FLOW STATEMENT

[€ millions]

[Unaudited figures]

Prepared according to International Financial Reporting Standards (IFRS)

	JANUARY - SEPTEMBER	
	2013	2014
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES (*)</b>		
Net income before taxes	1,346	1,795
Adjustments to net income		
Depreciation and amortisation of non current assets	1,140	1,348
Other adjustments to results (net)	(145)	(847)
<b>EBITDA</b>	<b>2,341</b>	<b>2,296</b>
Changes in working capital	(669)	93
Dividends received	472	481
Income taxes received/ (paid)	(651)	(565)
Other proceeds from/ ( payments for) operating activities	(80)	(177)
<b>OTHER CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES</b>	<b>(259)</b>	<b>(261)</b>
	<b>1,413</b>	<b>2,128</b>
<b>II. CASH FLOWS USED IN INVESTMENT ACTIVITIES (*)</b>		
Payments for investment activities		
Group companies, associates and business units	(143)	(18)
Property, plant and equipment, intangible assets and investment properties	(1,379)	(1,843)
Other financial assets	(152)	(916)
Total investments	<b>(1,674)</b>	<b>(2,777)</b>
Proceeds from divestments	152	4,777
Other cashflow	0	0
	<b>(1,522)</b>	<b>2,000</b>
<b>III. CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES (*)</b>		
Proceeds from/ (payments for) equity instruments	1,031	27
Proceeds from issue of financial liabilities	5,144	3,739
Payments for financial liabilities	(6,838)	(5,653)
Payments for dividends and payments on other equity instruments	(470)	(1,711)
Interest payments	(488)	(475)
Other proceeds from/(payments for) financing activities	(173)	(11)
	<b>(1,794)</b>	<b>(4,084)</b>
<b>Effect of changes in exchange rates from continued operations</b>	<b>(27)</b>	<b>108</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUED OPERATIONS</b>	<b>(1,930)</b>	<b>152</b>
Cash flows from operating activities from discontinued operations	610	(86)
Cash flows from investment activities from discontinued operations	33	535
Cash flows from financing activities from discontinued operations	(190)	(1)
Effect of changes in exchange rates from discontinued operations	(1)	0
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS</b>	<b>452</b>	<b>448</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>4,108</b>	<b>5,716</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>2,630</b>	<b>6,316</b>

(\*) Cash flows from continued operations

**2013 RESTATED STATEMENT OF FINANCIAL POSITION**
*(€ millions)*
*[Unaudited figures]*
*Prepared according to International Financial Reporting Standards (IFRS)*

	DECEMBER	ADJUSTMENTS	DECEMBER
	2013 Published	2013	2013 Restated (*)
<b>NON-CURRENT ASSETS</b>			
Goodwill	2,648	(2,158)	490
Other intangible assets	2,677	(1,438)	1,239
Property, plant and equipment	26,244	(10,218)	16,026
Investment property	24	0	24
Investments accounted for using the equity method	412	9,928	10,340
Non-current assets held for sale subject to expropriation	3,625	0	3,625
Non-current financial assets:			
Non-current financial instruments	398	267	665
Others	1,404	(181)	1,223
Deferred tax assets	4,897	(818)	4,079
Other non-current assets	253	(193)	60
<b>CURRENT ASSETS</b>			
Non-current assets held for sale	1,851	(159)	1,692
Inventories	5,256	(318)	4,938
Trade and other receivables	7,726	(2,791)	4,935
Other current assets	144	(3)	141
Other current financial assets	93	261	354
Cash and cash equivalents	7,434	(1,718)	5,716
<b>TOTAL ASSETS</b>	<b>65,086</b>	<b>(9,539)</b>	<b>55,547</b>
<b>TOTAL EQUITY</b>			
Attributable to equity holders of the parent	27,207	0	27,207
Attributable to minority interests	713	(470)	243
<b>NON-CURRENT LIABILITIES</b>			
Grants	66	(56)	10
Non-current provisions	3,625	(925)	2,700
Non-current financial debt	13,125	(4,656)	8,469
Deferred tax liabilities	3,352	(1,486)	1,866
Other non-current liabilities			
Non-current debt for finance leases	1,427	(164)	1,263
Other	752	(339)	413
<b>CURRENT LIABILITIES</b>			
Liabilities related to non-current assets held for sale	1,533	(76)	1,457
Current provisions	303	(54)	249
Current financial liabilities	4,519	1,314	5,833
Trade payables and other payables:			
Current debt for finance leases	170	(16)	154
Other payables	8,294	(2,611)	5,683
<b>TOTAL LIABILITIES</b>	<b>65,086</b>	<b>(9,539)</b>	<b>55,547</b>

(\*) The balance sheet as of December 2013 has been restated for comparative purposes due to the application NIIF 11" Joint Arrangements" since 01/01/2014.

**3Q 2013 RESTATED INCOME STATEMENT**

[€ millions]  
 [Unaudited figures]  
 Prepared according to International Financial Reporting Standards (IFRS)

	January - September 2013 Published	Adjustments	January - September 2013 Restated (*)
<b>Operating income</b>	<b>2,835</b>	<b>(1,754)</b>	<b>1,081</b>
Financial result	(577)	223	(354)
Share of result of companies accounted for using the equity method	102	517	619
<b>Net income before tax</b>	<b>2,360</b>	<b>(1,014)</b>	<b>1,346</b>
Income tax	(994)	609	(385)
<b>Net income for the year from continuing operations</b>	<b>1,366</b>	<b>(405)</b>	<b>961</b>
Net income from non-controlling interest	(37)	52	15
<b>NET INCOME FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>1,329</b>	<b>(353)</b>	<b>976</b>
Net income for the year from discontinuing operations	(42)	353	311
<b>NET INCOME FOR THE YEAR</b>	<b>1,287</b>	<b>0</b>	<b>1,287</b>

	3Q 2013 Published	Adjustments	3Q 2013 Restated (*)
<b>Operating income</b>	<b>844</b>	<b>(558)</b>	<b>286</b>
Financial result	(192)	83	(109)
Share of result of companies accounted for using the equity method	28	187	215
<b>Net income before tax</b>	<b>680</b>	<b>(288)</b>	<b>392</b>
Income tax	(277)	177	(100)
<b>Net income for the year from continuing operations</b>	<b>403</b>	<b>(111)</b>	<b>292</b>
Net income from non-controlling interest	(19)	18	(1)
<b>NET INCOME FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>384</b>	<b>(93)</b>	<b>291</b>
Net income for the year from discontinuing operations	2	93	95
<b>NET INCOME FOR THE YEAR</b>	<b>386</b>	<b>0</b>	<b>386</b>

(\*)The Income Statement as of 2013 has been restated for comparative purposes due to the application NIIF 11 "Joint Arrangements" at 01/01/2014, as well as the presentation as discontinued operation of the cash flows from the LNG business sold to Shell in December



**JANUARY - SEPTEMBER 2013 RESTATED CASH FLOW STATEMENT**

[€ millions]  
[Unaudited figures]  
Prepared according to International Financial Reporting Standards [IFRS]

	September 2013 Published	Adjustments	September 2013 Restated (*)
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES (**)</b>			
Net income before taxes	2,360	(1,014)	1,346
Adjustments to net income			
Depreciation and amortisation of non current assets	1,895	(755)	1,140
Other adjustments to results (net)	674	(819)	(145)
<b>EBITDA</b>	<b>4,929</b>	<b>(2,588)</b>	<b>2,341</b>
Changes in working capital	(814)	145	(669)
Dividends received	73	399	472
Income taxes received/ (paid)	(946)	295	(651)
Other proceeds from/ ( payments for) operating activities	(94)	14	(80)
<b>OTHER CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES</b>	<b>(967)</b>	<b>708</b>	<b>(259)</b>
	<b>3,148</b>	<b>(1,735)</b>	<b>1,413</b>
<b>II. CASH FLOWS USED IN INVESTMENT ACTIVITIES (**)</b>			
Payments for investment activities			
Group companies, associates and business units	(174)	31	(143)
Property, plant and equipment, intangible assets and investment properties	(2,353)	974	(1,379)
Other financial assets	(304)	152	(152)
Total investments	<b>(2,831)</b>	<b>1,157</b>	<b>(1,674)</b>
Proceeds from divestments	415	(263)	152
Other Cash Flows	(1)	1	0
	<b>(2,417)</b>	<b>895</b>	<b>(1,522)</b>
<b>III. CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES (**)</b>			
Proceeds from/ (payments for) equity instruments	1,031	0	1,031
Proceeds from issue of financial liabilities	6,525	(1,381)	5,144
Payments for financial liabilities	(8,021)	1,183	(6,838)
Payments for dividends and payments on other equity instruments	(513)	43	(470)
Interest payments	(725)	237	(488)
Other proceeds from/(payments for) financing activities	(93)	(80)	(173)
	<b>(1,796)</b>	<b>2</b>	<b>(1,794)</b>
Effect of changes in exchange rates from continued operations	(53)	26	(27)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUED OPERATIONS</b>	<b>(1,118)</b>	<b>(812)</b>	<b>(1,930)</b>
Cash flows from operating activities from discontinued operations	(17)	(627)	610
Cash flows from investment activities from discontinued operations	0	(33)	33
Cash flows from financing activities from discontinued operations	(3)	187	(190)
Effect of changes in exchange rates from discontinued operations	0	1	(1)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS</b>	<b>(20)</b>	<b>(472)</b>	<b>452</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>5,903</b>	<b>(1,795)</b>	<b>4,108</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>4,765</b>	<b>(2,135)</b>	<b>2,630</b>

(\*\*) Cash flows from continued operations

(\*) The Cash Flow Statement as of 2013 has been restated for comparative purposes due to the application NIIF 11 "Joint Arrangements" since 01/01/2014, as well as the presentation as discontinued operation of the cash flows from the LNG business sold to Shell in December 2013.

**APPENDIX III – RECONCILIATION OF NON-  
IFRS METRICS TO IFRS DISCLOSURES**

**THIRD QUARTER 2014**

## RECONCILIATION OF ADJUSTED NET INCOME AND THE CORRESPONDING CONSOLIDATED FINANCIAL STATEMENT HEADINGS

[Unaudited figures]

THIRD QUARTER 2013						
€ Million	Adjusted result	ADJUSTMENTS				Total consolidated
		Joint arrangements reclassification	Non-recurring items	Inventory Effect	Total adjustments	
Operating income	483	(207)	(36)	46	(197)	286
Financial result	(105)	(3)	(1)	-	(4)	(109)
Income from equity affiliates	119	99	(3)	-	96	215
<b>Net income before tax</b>	<b>497</b>	<b>(111)</b>	<b>(40)</b>	<b>46</b>	<b>(105)</b>	<b>392</b>
Income tax	(204)	111	6	(13)	104	(100)
<b>Net income from continued operations</b>	<b>293</b>	<b>-</b>	<b>(34)</b>	<b>33</b>	<b>(1)</b>	<b>292</b>
Income attributed to minority interests	2	-	-	(3)	(3)	(1)
<b>NET INCOME FROM CONTINUED OPERATIONS</b>	<b>295</b>	<b>-</b>	<b>(34)</b>	<b>30</b>	<b>(4)</b>	<b>291</b>
Income from discontinued operations						95
<b>ADJUSTED NET INCOME</b>	<b>295</b>	<b>-</b>	<b>(34)</b>	<b>30</b>	<b>(4)</b>	<b>386</b>

SECOND QUARTER 2014						
€ Million	Adjusted result	ADJUSTMENTS				Total consolidated
		Joint arrangements reclassification	Non-recurring items	Inventory Effect	Total adjustments	
Operating income	361	(232)	(168)	7	(393)	(32)
Financial result	(46)	(40)	439	-	399	353
Income from equity affiliates	160	163	-	-	163	323
<b>Net income before tax</b>	<b>475</b>	<b>(109)</b>	<b>271</b>	<b>7</b>	<b>169</b>	<b>644</b>
Income tax	(79)	109	(115)	(2)	(8)	(87)
<b>Net income from continued operations</b>	<b>396</b>	<b>-</b>	<b>156</b>	<b>5</b>	<b>161</b>	<b>557</b>
Income attributed to minority interests	(6)	-	-	-	-	(6)
<b>NET INCOME FROM CONTINUED OPERATIONS</b>	<b>390</b>	<b>-</b>	<b>156</b>	<b>5</b>	<b>161</b>	<b>551</b>
Income from discontinued operations						(31)
<b>ADJUSTED NET INCOME</b>	<b>390</b>	<b>-</b>	<b>156</b>	<b>5</b>	<b>161</b>	<b>520</b>

THIRD QUARTER 2014						
€ Million	Adjusted result	ADJUSTMENTS				Total consolidated
		Joint arrangements reclassification	Non-recurring items	Inventory Effect	Total adjustments	
Operating income	637	(188)	(40)	(103)	(331)	306
Financial result	(12)	23	1	-	24	12
Income from equity affiliates	96	62	-	-	62	158
<b>Net income before tax</b>	<b>721</b>	<b>(103)</b>	<b>(39)</b>	<b>(103)</b>	<b>(245)</b>	<b>476</b>
Income tax	(301)	103	7	31	141	(160)
<b>Net income from continued operations</b>	<b>420</b>	<b>-</b>	<b>(32)</b>	<b>(72)</b>	<b>(104)</b>	<b>316</b>
Income attributed to minority interests	(5)	-	-	9	9	4
<b>NET INCOME FROM CONTINUED OPERATIONS</b>	<b>415</b>	<b>-</b>	<b>(32)</b>	<b>(63)</b>	<b>(95)</b>	<b>320</b>
Income from discontinued operations						(1)
<b>ADJUSTED NET INCOME</b>	<b>415</b>	<b>-</b>	<b>(32)</b>	<b>(63)</b>	<b>(95)</b>	<b>319</b>

JANUARY - SEPTEMBER 2013						
€ Million	Adjusted result	ADJUSTMENTS			Total adjustments	Total consolidated
		Joint arrangements reclassification	Non-recurring items	Inventory Effect		
Operating income	1,959	(614)	(78)	(186)	(878)	1,081
Financial result	(353)	(3)	2	-	(1)	(354)
Income from equity affiliates	401	242	(24)	-	218	619
<b>Net income before tax</b>	<b>2,007</b>	<b>(375)</b>	<b>(100)</b>	<b>(186)</b>	<b>(661)</b>	<b>1,346</b>
Income tax	(795)	375	(21)	56	410	(385)
<b>Net income from continued operations</b>	<b>1,212</b>	-	<b>(121)</b>	<b>(130)</b>	<b>(251)</b>	<b>961</b>
Income attributed to minority interests	8	-	-	7	7	15
<b>NET INCOME FROM CONTINUED OPERATIONS</b>	<b>1,220</b>	-	<b>(121)</b>	<b>(123)</b>	<b>(244)</b>	<b>976</b>
Income from discontinued operations						311
<b>ADJUSTED NET INCOME</b>	<b>1,220</b>	-	<b>(121)</b>	<b>(123)</b>	<b>(244)</b>	<b>1,287</b>

JANUARY - SEPTEMBER 2014						
€ Million	Adjusted result	ADJUSTMENTS			Total adjustments	Total consolidated
		Joint arrangements reclassification	Non-recurring items	Inventory Effect		
Operating income	1,795	(652)	(223)	(184)	(1,059)	736
Financial result	(188)	(34)	444	-	410	222
Income from equity affiliates	391	397	49	-	446	837
<b>Net income before tax</b>	<b>1,998</b>	<b>(289)</b>	<b>270</b>	<b>(184)</b>	<b>(203)</b>	<b>1,795</b>
Income tax	(643)	289	(111)	55	233	(410)
<b>Net income from continued operations</b>	<b>1,355</b>	-	<b>159</b>	<b>(129)</b>	<b>30</b>	<b>1,385</b>
Income attributed to minority interests	(18)	-	-	12	12	(6)
<b>NET INCOME FROM CONTINUED OPERATIONS</b>	<b>1,337</b>	-	<b>159</b>	<b>(117)</b>	<b>42</b>	<b>1,379</b>
Income from discontinued operations						267
<b>ADJUSTED NET INCOME</b>	<b>1,337</b>	-	<b>159</b>	<b>(117)</b>	<b>42</b>	<b>1,646</b>

## RECONCILIATION OF OTHER ECONOMIC DATA AND THE CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited figures]

(€ Million)	QUARTERLY DATA			JANUARY - SEPTEMBER	
	3Q13	2Q14	3Q14	2013	2014
Net sales by business segment	12,389	12,217	12,736	36,714	37,365
Reclassification of joint ventures	(478)	(468)	(476)	(1,409)	(1,396)
<b>Net sales as fo the consolidates financial statements</b>	<b>11,911</b>	<b>11,749</b>	<b>12,260</b>	<b>35,305</b>	<b>35,969</b>

NET DEBT: December 2013 (€ Million)	Net debt	Reclassification of joint ventures <sup>(1)</sup>	Net debt excluding joint ventures
Non-current financial instruments	321	344	665
Other current financial assets	71	283	354
Cash and cash equivalents	6,159	(443)	5,716
Non-current financial liabilities	(8,473)	4	(8,469)
Current financial liabilities	(3,498)	(2,335)	(5,833)
Net mark-to-market valuation of financial derivaties (excluding exchange rate)	62	-	62
<b>Total</b>	<b>(5,358)</b>	<b>(2,147)</b>	<b>(7,505)</b>

(1) Mainly corresponding to the finantiation of Repsol Sinopec Brazil.

NET DEBT: September 2014 (€ Million)	Net debt	Reclassification of joint ventures <sup>(1)</sup>	Net debt excluding joint ventures
Non-current financial instruments	297	197	494
Other current financial assets	1,137	830	1,967
Cash and cash equivalents	6,715	(399)	6,316
Non-current financial liabilities	(7,160)	4	(7,156)
Current financial liabilities	(3,152)	(2,559)	(5,711)
Net mark-to-market valuation of financial derivaties (excluding exchange rate)	165	-	165
<b>Total</b>	<b>(1,998)</b>	<b>(1,927)</b>	<b>(3,925)</b>

(1) Mainly corresponding to the finantiation of Repsol Sinopec Brazil.

OTHER ECONOMIC DATA as of Sempember 2014 (€ Million)	According to net debt evolution	Joint arrangement adjustments	Financial investments/ divistments	Free cash flow according to CFS IASB-UE
EBITDA	3,249	(953)	-	2,296
CHANGE IN TRADING WORKING CAPITAL	24	69	-	93
DIVIDENDS RECEIVED (*)	285	196	-	481
INCOME TAX RECEIVED /PAID	(829)	264	-	(565)
OTHER CASH FLOWS FROM OPERATING ACTIVITIES (*)	(177)	-	-	(177)
INVESTMENTS	(2,632)	759	(904)	(2,777)
DIVESTMENTS (**)	4,792	(15)	-	4,777

(\*) These concepts are included in the Net Debt evolution chart within the caption "Interests and other movements"

(\*\*\*) Includes €200 million corresponding to divestments and €4,592 million corresponding to the effects associated to the monetization of the bonds related to the agreement over the expropriation of YPF and the sale of the non expropriated YPF shares, included in the caption "Effects associated with the expropriation of YPF" in the net debt evolution table.

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