

In a context of sharply falling oil prices

## **REPSOL POSTS ADJUSTED NET INCOME OF 1.24 BILLION EUROS**

- **During the first half of 2015, Repsol posted an adjusted net income of 1.24 billion euros, 35% more than the 922 million in the first half of 2014. This result, which specifically measures the performance of the company's business units, demonstrates the strength of Repsol's integrated model.**
- **Net income (MIFO) amounted to 1.053 billion euros compared with 1.327 billion euros obtained in the first half of last year which included 616 million euros of extraordinary income from the sale of LNG businesses and YPF shares.**
- **International crude oil prices fell by approximately 50% in the first half of the year.**
- **The Talisman integration has enabled Repsol to surpass its strategic production and reserves targets, becoming one of the 15 largest publicly-traded oil companies in the world, with a bigger presence in international markets and in OECD countries.**
- **The group's production reached 660,000 barrels of oil equivalent per day (boe/d) in June. This is an 86% increase from the 355,000 boe/d produced on average in 2014.**
- **The 115% increase in Downstream earnings compensated for the sharp fall in crude oil prices. Repsol's refining margin was at a record high in this period of 8.9 dollars per barrel, leading the sector in Europe.**

During the first half of 2015, Repsol posted adjusted net income of 1.24 billion euros, 35% more than the 922 million obtained in the first half of 2014. This result, which specifically measures the performance of the company's business units, demonstrates the strength of Repsol's integrated model (Upstream-Downstream) and is especially significant in the current low crude oil price environment.

The quality of its industrial assets and the efficiency of processes in the Downstream business units allowed Repsol to take advantage of the improvement in international margins and offset the Upstream results, which had been affected directly by the fall in international crude oil prices and by interrupted production in Libya.

Net income calculated based on MIFO criteria was 1.053 billion euros. This figure compares with the 1.327 billion euros obtained in the first half of the previous year which included 616 million euros of extraordinary income from the sale of LNG assets and the placement of the non-expropriated YPF shares. Without that extraordinary income, net income this year would have exceeded that of last year.

The results from the first half of the year include Talisman from May 8<sup>th</sup>. This integration has enabled Repsol to surpass the targets set in its 2012-2016 Strategic Plan by practically doubling its reserves and production volumes.

Repsol has become one of the 15 largest publicly-traded oil companies in the world, has diversified its asset-base and increased its presence in international markets. Especially in OECD countries. The company has incorporated top-quality production assets and areas of great exploratory potential in North America (Canada and the U.S.) and South-East Asia (Indonesia, Malaysia, and Vietnam), as well as in Colombia, Norway, and other countries.

## **UPSTREAM: PRODUCING 660,000 BARRELS OF OIL EQUIVALENT PER DAY**

Following the integration of Talisman's assets, Repsol reached an average production of 660,000 boe/d in June, an 86% increase on the 355,000 boe/d produced on average in 2014.

The average output for the first half of the year was 440,000 boe/d, including the Canadian company's assets from May 8<sup>th</sup>.

The Talisman assets account for a large part of this increased production, mainly in North America and Asia. Specifically, based on average production in June, the projects in the U.S. and Canada have added 153,000 boe/d; and in Asia the volume incorporated is 90,000 boe/d. This adds to the significant increase in production that Repsol has achieved in Brazil following the connection of the new wells in the Sapinhoá field.

Repsol also began production at the giant Perla gas field in Venezuela in early July. This is the largest gas discovery in the history of the company and the largest offshore field in Latin America. It has 17 trillion cubic feet (Tcf) of gas in place, equivalent to 18 times annual gas consumption in Spain, and the company expects to reach production of 450 million cubic feet a day by the end of the year.

Perla represents the startup of the eighth key growth project established in Repsol's 2012-2016 Strategic Plan. The other projects that are now operational are: Sapinhoá (Brazil), Mid-continent (United States), AROG (Russia), Margarita-Huacaya (Bolivia), Lubina and Montanazo (Spain), Carabobo (Venezuela), and Kinteroni (Peru).

Between April and June the company has had successful results in six wells, drilled in the United States, Algeria, Bolivia, and Russia. These add to the two positive wells obtained in Russia and Bolivia during the first quarter of the year.

International benchmark prices have experienced a sharp drop this half of the year. Specifically, the average Brent and WTI prices fell by 47%, the former to 57.8 dollars/barrel and the latter to 53.3 dollars/barrel. The Henry Hub price declined by 42% to 2.8 dollars per million btu.

This sudden fall in international prices had an impact on the income of the Upstream area (exploration and production). The unit posted a loss of 238 million euros, which was also influenced by the interruption of production in Libya. If exploratory costs were excluded the unit would post a profit, as its producing assets continue to generate income at current crude oil prices.

## **DOWNSTREAM: EUROPEAN LEADERSHIP IN EARNINGS AND EFFICIENCY**

The Downstream business unit increased net profit by 115%, to 973 million euros (calculated based on stock valuation at current cost of supplies [CCS]), mainly due to better performance in the refining and chemicals business units.

The rising sales trend observed from January to March has continued into the second quarter, with increases in the refining and chemicals business units.

The company's refining margins rose to a new historical high of 8.9 dollars/barrel in the first half of the year. This makes the company the sector leader in Europe, and is a significant increase in comparison to the 3.5 dollars/barrel from the year-ago period. The increased use of its refining units allowed the company to achieve this result which demonstrates its efficiency in converting crude oil into high-added value products. Specifically, the conversion units have been operating at 102% of their nameplate capacity.

The results obtained in this area demonstrate the quality of Repsol's assets, especially following the launch of the large Cartagena and Bilbao refining projects, in which the company has made significant investments.

In regard to the chemicals division, the better international market conditions since the beginning of the year have combined with an increase in sales. In terms of this business unit, the agreement reached by Repsol and Grupo Kuo to extend their current joint venture, Dynasol has created one of the leading companies in the synthetic rubber market with production of over 500,000 tons each year of high-added value materials and an estimated revenue of nearly 750 million dollars.

This initiative is part of the Chemicals Efficiency Plan which last year included the conversion of units, and is now refocusing the business on the production of high added-value products.

The good performance of the downstream business during the first half of the year has enabled the company to revise upwards its annual EBITDA estimate for this business unit to almost 3 billion euros.

## **GAS NATURAL FENOSA**

During the first half of the year, Gas Natural Fenosa's net income was 227 million euros. This is lower than its income from the last financial year, as capital gains were made due to the sale of the telecommunications business unit in the second quarter of 2014. The performance of CGE-Chile enabled the company to compensate for the lower results in gas sales and in the electric business in Spain.

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## REPSOL RESULTS BY SEGMENT (\*)

(Unaudited figures)

Million euros	JANUARY-JUNE		Variation (%)
	1st half 2014	1st half 2015	
Upstream	400	(238)	–
Downstream	452	973	115.3
Gas Natural Fenosa	282	227	(19.5)
Corporate and others	(212)	278	–
<b>ADJUSTED NET INCOME</b>	<b>922</b>	<b>1,240</b>	<b>34.5</b>
Inventory effect	(54)	(57)	(5.6)
Non-recurring income	191	(130)	–
Income from discontinued operations	268	–	–
<b>NET INCOME (MIFO)**</b>	<b>1,327</b>	<b>1,053</b>	<b>(20.6)</b>

(\*) The results for the segments include the income of joint ventures and other companies managed as such. These are calculated according to the shares held by the Group, considering their operational and financial sizes with the same perspective and level of detail as for companies consolidated by global integration. As such, the Group considers that the nature of its businesses and the way in which its results are analyzed for decision-making are adequately reflected.

(\*\*) MIFO (Middle In First Out).

## OPERATING HIGHLIGHTS

(Unaudited figures)

	JANUAR-JUNE		Variation (%)
	1st half 2014	1st half 2015	
Oil and gas production (Thousand boepd)	340	440	29.6
Crude processed (million tons)	19.2	20.8	8.5
Sales of oil products (Thousand tons)	21,143	22,721	7.5
Sales of petrochemical products (Thousand tons)	1,334	1,424	6.8
LPG sales (Thousand tons)	1,219	1,230	0.9

**PRODUCTION BY REGION (\*)**  
(Barrels of oil equivalent per day)

Europe, Africa and Brazil	93,000
South America	269,000
North America	190,000
Asia and Russia	108,000
<b>TOTAL PRODUCTION</b>	<b>660,000 boe/d</b>

(\*) Data corresponds to average production obtained during the month of June

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