

JANUARY-SEPTEMBER 2015 RESULTS

PRESS RELEASE
Madrid, November 12, 2015
7 pages

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REPSOL OBTAINS AN ADJUSTED NET INCOME OF 1.399 BILLION EUROS

- In the first nine months of 2015 Repsol obtained an adjusted net income of 1.399 billion, a 5% increase from the 1.337 billion euros in the same period of 2014.
- The strength of Repsol's integrated model has allowed the company to improve earnings in an environment marked by an almost 50% fall in the price of crude oil.
- Net income (MIFO) was 832 million euros, impacted by the effect of falling crude oil prices on the value of inventories (329 million euros) and by a non-recurring negative item of 238 million euros, essentially from extraordinary impairments booked in the period.
- Repsol's average production reached 653,400 barrels of oil equivalent per day in the third quarter, almost 80% more than in the year-earlier period.
- The Downstream unit increased its adjusted net income by 158% to 1.655 billion euros, supported by its ability to extract maximum value from its refining and chemicals businesses.
- Repsol's refining margin indicator was amongst the highest in Europe in the first nine months of the year, at 8.9 dollars per barrel.
- Repsol in October presented its 2016-2020 Strategic Plan, which marks the start of a period of extracting value from the growth achieved as a consequence of the its previous plan.
- The 2016-2020 Plan includes ambitious efficiency, cost reduction and portfolio management programs. The company has already agreed more than 1.6 billion euros in non-strategic asset divestments.

Repsol achieved an adjusted net income of 1.399 billion euros in the first nine months of 2015, 5% more than the 1.337 billion euros obtained in the same period of 2014. The strength of the company's integrated business drove this increase despite an environment of significantly lower crude oil prices, which have fallen by an average of 50% so far this year. The company maintains its guidance of a full-year adjusted net income of between 1.6 and 1.8 billion euros.

The decrease in crude prices resulted in a 329 million-euro decline in the value of the company's inventories. Repsol also booked extraordinary impairments from its United States' upstream Mid-Continent and Gas&Power assets. Both items impacted net income (MIFO), which fell to 832 million euros from 1.646 billion euros in the same period of 2014. The company maintains its net income target for the full year at between 1.25 and 1.5 billion euros.

On the other hand, EBITDA at current cost of supplies increased 13.3% from the year-ago period to 3.888 billion euros, in line with the company's projections.

Regarding businesses' performance, the Upstream unit achieved production of 653,400 barrels of oil equivalent per day in the last quarter, the first full period which includes the asset integrated from Talisman, 80% more than the output in the same quarter of 2014. October output stood to 685,000 barrels of oil equivalent per day.

The quality of the company's downstream assets and the high efficiency achieved in the last few years have made Repsol one of the companies that best captures value and can thus take advantage of improved international margins. The Downstream unit increased its income by 158% from the previous year, offsetting the impact of the sharp drop in international crude oil prices on upstream earnings.

STRATEGIC PLAN 2016-2020

From May 8, Repsol integrated the earnings from Talisman. With the acquisition of the Canadian company, Repsol concluded the execution of its previous Strategic Plan, significantly surpassing its production and reserve objectives to become one of the world's 15 largest independent oil companies.

Once the growth objectives outlined in the previous plan were achieved, Repsol presented its new 2016-2020 Strategic Plan in October, which shifted the focus to extracting value from this growth based in its increased resilience and ability to grow even in adverse crude price scenarios.

To this end, the company has launched a detailed plan to improve efficiency, reduce operating costs and investments, increase synergies from the acquisition of Talisman and optimize and improve the profitability of its assets.

Repsol will actively manage its asset portfolio, whose flexibility and adaptability will allow the company to obtain 6.2 billion euros from divestments of non-strategic assets over the next five years. To date, the company has completed divestments worth more than 1.6 billion euros. These include the sale of part of its piped LPG business and exploration blocks in Alaska as well as the divestment of its 10% stake in CLH and its working interest in three Canadian offshore exploratory blocks, executed in the third quarter of the year.

UPSTREAM: OPTIMAL SIZE FOR PORTFOLIO MANAGEMENT

During 2015, the company has added new production as a result of the successful start-up and ramp-up of projects in Brazil, the United States, Peru, Venezuela, and Bolivia, as well as the significant output increase from the integration of Talisman, mainly from North America and Asia.

Average output in the third quarter, the first complete period since the Talisman integration, was 653,400 barrels of oil equivalent per day, 80% more than what was produced in the same quarter of 2014. During October this figure increased to 685,000 barrels of oil equivalent per day.

In the first nine months of the year, including Talisman assets from May 8, average production was 512,000 barrels of oil equivalent per day, 47% more than in the same period of 2014.

During the last quarter Repsol obtained positive results from three wells, added to the success of eight wells drilled between January and June in the United States, Algeria, Bolivia, and Russia.

The 2016-2020 Strategic Plan foresees production close to the company's current levels, between 700,000 and 750,000 barrels of oil equivalent per day based on optimization of the asset portfolio which will result in lower exploratory expense and a 40% decrease in investments.

This will allow this business unit to reduce the breakeven crude oil price and will generate positive cash flow and increase return on investment (ROACE).

In the first nine months of the year, international prices for raw materials decreased notably, with an almost 50% fall in crude oil prices and a 40% decline in gas prices. Thus, during the period Brent averaged 55.3 dollars per barrel, WTI 51 dollars per barrel, and Henry Hub 2.8 dollars per million Btu.

Repsol's realization prices performed better than international benchmarks. Its average crude oil realization price decreased by 43.8%, approximately four percentage points less than the reference crude oil prices, while the gas realization price fell by 25.6%, thirteen percentage points less than Henry Hub.

This significant price decrease affected the Upstream unit, which posted a recurring loss of 633 million euros. This was also influenced by the interruption of activity in Libya and the write-off of wells drilled by the company. Without the effect of exploratory spending, operating income from this business would have been positive.

The company announced during the presentation of the 2016-2020 Strategic Plan that the incorporation of Talisman assets will lower the exploratory intensity required to replace its reserves and maintain its production objectives. Thus, in 2016 exploratory expenses will be reduced by 52% (1.1 billion dollars), compared to the 2.1 billion dollars invested jointly by Repsol and Talisman on average in the 2011-2014 period.

DOWNSTREAM: EXTRACTING VALUE FROM EFFICIENCY AND IMPROVED PRODUCTIVITY

The Downstream unit's adjusted net income increased by 158% to 1.655 billion euros (calculated at current cost of supplies.) The company is extracting value from investments made to improve efficiency and productivity in its facilities, allowing it to generate earnings that protect the entire Group from the effects of the fall in crude oil prices.

The improvements in efficiency and utilization rates added to increased sales of oil and petrochemical products, which rose 8.5% and 5.5% respectively.

The company's refining margin indicator maintained its average of 8.9 dollars/barrel in the first nine months of the year. This makes the company the sector leader in Europe, and is a significant increase in comparison to the 3.6 dollars/barrel from the year-earlier period. During the month of August, a new record high was achieved, at 9.7 dollars/barrel.

The utilization rate of the refineries' conversion units, which reflect the company's efficiency in turning crude oil into high-value products, reached 103.5% in the first nine months of the year.

The results from this business unit demonstrate the quality of Repsol's assets. This quality significantly increased after the start-up large-scale projects in Cartagena and Petronor in the last few years. The acquired capacity to process heavier crude oils was especially significant due to the wider spread in the third quarter between light and heavy crudes, which benefits complex refineries.

As regards the Chemicals unit, the initiatives undertaken in the last year to convert units and refocus them to production of high-added value materials had a positive effect on earnings. This added to higher sales and margins.

The agreement reached between Repsol and Grupo Kuo to extend their current joint venture, Dynasol should also be highlighted. Dynasol will become 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.

Repsol's 2016-2020 Strategic Plan for the Downstream area includes greater integration between refining and marketing activity, with a clear aim to reduce energy costs and CO₂ emissions and to divest of non-strategic assets. This allows the company to set an objective to generate an average annual cash flow of 1.7 billion euros for the next five years.

GAS NATURAL FENOSA

Adjusted net income of Gas Natural Fenosa was 330 million euros, a decrease compared to the same period in the previous financial year, due to the absence of capital gains that were booked due to the sale of the telecommunications business unit in the second quarter of 2014. These were partially offset by the performance of CGE-Chile.

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REPSOL EARNINGS BY SEGMENT *

(Unaudited figures)

Million euros	JANUARY-SEPTEMBER		Variation (%)
	2014	2015	
Upstream	585	(633)	–
Downstream	642	1,655	157.8
Gas Natural Fenosa	374	330	(11.8)
Corporate and others	(264)	47	–
ADJUSTED NET INCOME	1,337	1,399	4.6
Inventory effect	(117)	(329)	(181.2)
Non-recurring income	159	(238)	–
Income from discontinued operations	267	–	–
NET INCOME (MIFO)**	1,646	832	(49.5)

The results for each segment include those from joint ventures, or other managed companies operated as such, in accordance with the percentage of interest held by the Group, considering its operational and economic metrics in the same manner and with the same detail as for fully consolidated companies. Thus, the Group considers that the nature of its businesses and the way in which results are analyzed for decision-making purposes is adequately reflected.

(**) MIFO (Middle In First Out): accounting standard of valuation of inventories at average cost.

OPERATING HIGHLIGHTS

(Unaudited figures)

	JANUARY-SEPTEMBER		Variation (%)
	2014	2015	
Oil and gas production (Thousand boepd)	349	512	46.8
Crude processed (million tons)	29.6	32.4	9.4
Sales of oil products (Thousand tons)	32,530	35,292	8.5
Sales of petrochemical products (Thousand tons)	2,015	2,125	5.5
LPG sales (Thousand tons)	1,819	1,689	(7.1)

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

Europe, Africa and Brazil	95,400
Suoth America	265,700
North America	192,400
Asia & Rusia	99,900
TOTAL PRODUCTION	653,400 boe/d

(*) Data corresponds to average production obtained during the third quarter of 2015.

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