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JANUARY-MARCH 2014 EARNINGS

PRESS RELEASE
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5 Pages

The adjusted net income was 532 million euros

REPSOL POSTS NET INCOME OF 807 MILLION EUROS

- **Repsol's net income during the first quarter of the year increased 27.3% to 807 million euros. The adjusted net income rose to 532 million euros, reflecting the good performance of the company, which offset the interruption of output in Libya.**
- **At the end of the first quarter Repsol started commercial production from the Kinteroni field in Peru, which will initially produce around 20,000 barrels of oil equivalent per day (boepd) and which is expected to double through 2016.**
- **The company continued its successful exploratory activity, which last year resulted in a reserve replacement ratio of 275% (RRR), a new organic record for Repsol and the highest in the industry in 2013.**
- **Repsol's refining margin during the quarter was 3.9 dollars per barrel, demonstrating the quality of the assets in an environment of continuous descent in European margins.**
- **At the end of the first quarter net debt was 4.722 billion euros, 12% less than at the close of 2013. At the same time, Repsol has significant liquidity.**
- **After the end of the quarter, Repsol sold 11.86% of YPF for $1.255 billion with an estimated pre-tax capital gain of $622 million.**
- **Repsol expects to receive today bonds from the Republic of Argentina as a means of payment of the compensation for the expropriation of its 51% in YPF and YPF Gas.**

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In the first quarter of 2014, Repsol posted net income of 807 million euros, an increase of 27.3% from the year-earlier period. Adjusted net income at current cost of supply was 532 million euros, a rise of 1.5% from the year-earlier period.

This result was obtained in an environment marked by the decline in international crude oil prices, the disruptions of our operations in Libya, the depreciation of the euro against the dollar and stable company refining margins despite the deterioration in these margins across Europe.

Hydrocarbons production was 342,000 barrels of oil equivalent per day, of which nearly 21,000 boepd was new output, which partially offset the temporary production loss in Libya and Trinidad & Tobago during the first quarter.

At the end of March, Repsol started production from the Kinteroni field in Peru, one of the key projects of its 2012-2016 Strategic Plan, which will initially produce almost 20,000 boepd and that is expected to double by 2016. Additionally, two new wells were connected at Sapinhoá (Brazil) since February, which currently represents 15,000 boepd of high quality crude that will reach 45,000 boepd in 2016.

With the start-up of Kinteroni, Repsol has begun production in seven of its ten key growth projects: Sapinhoa (Brazil), Mid-Continent (USA), AROG (Russia), Margarita-Huacaya (Bolivia), Lubina and Montanazo (Spain), Carabobo (Venezuela) and the aforementioned Kinteroni (Peru). The company estimates that the large Cardón IV gas field in Venezuela will be operational before the end of the year, which will add 22,000 boepd to Repsol's production in 2015, increasing further over the next few years.

In addition, Repsol has continued its successful exploratory activity which resulted in a 275% reserve replacement ratio (RRR) in 2013, which was a new organic record for the company and the highest in the industry in 2013. In the first three months of the year, Repsol registered a positive survey, Gabi-1, in Russia, which adds to the more than 50 discoveries made in the last eight years. The company plans to drill more than 30 exploratory wells in 2014.

The Downstream unit's asset quality has allowed the company to maintain its refining margin at $3.9 per barrel, despite the continued fall in margins across Europe. The investments made to improve the Cartagena and Bilbao refineries, which made them points of reference in the industry, has added $2.6 per barrel to margins. The utilization rate of the refineries' conversion units system stood at 96.9%, in line with the same period of the previous year.

Likewise, the LPG and Marketing businesses' performance was similar to that of the first quarter of 2013, with a 4% increase in Spanish sales margins.

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Sales at the chemicals business also increased, mainly in base petrochemicals, and the company extracted value from its engineering and technical capabilities with the sale of a technological licence to Jilin china as well as an engineering project to build a flexible polyols plant and two polymeric polyols units. In addition to providing this cutting edge technology, Repsol will oversee the construction of the plants.

The company's Gas & Power unit had an exceptional performance thanks to the flexibility of the Canaport plant, excluded from the sale of LNG assets to Shell. Repsol also increased its trading activity, thus obtaining additional value.

Regarding the Gas Natural Fenosa Group, its contribution remained in line with the year-earlier period. Lower earnings of the electricity production and distribution business in Spain, due to new regulations approved in July of last year, and in Latin America due to the depreciation of the dollar and local currencies were partially offset with improved results from the sale of electricity. Since January 1st of this year, Gas Natural is no longer included in the group's earnings through proportional integration to become reported by the equity method.

By the end of the first quarter, net debt declined 12% from the end of the previous year to 4.722 billion euros. As the same time, Repsol has 8.9 billion euros in available liquidity.

YPF COMPENSATION

Repsol expects to receive today bonds from the Republic of Argentina as compensation for the expropriation of its 51% in YPF and YPF Gas.

Additionally, Repsol yesterday announced that it sold to Morgan Stanley 11.86% of YPF for $1.255 billion, booking an estimated pre-tax capital gain of $622 million.

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REPSOL EARNINGS BY SEGMENT (*)

(Unaudited figures)

Millon euros	JANUARY-MARCH		
	2013	2014	Variation (%)
Upstream	349	255	(26.9)
Downstream	227	290	27.8
Gas Natural Fenosa	125	123	(1.6)
Corporate and others	(177)	(136)	(23.2)
ADJUSTED NET INCOME	**(524)**	**532**	**(1.5)**
Inventory effect	3	(59)	-
Non-recurring income	(41)	35	-
Income from discontinued operations	148	299	102.0
NET INCOME	**634**	**807**	**27.3**

(*) 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 its joint ventures are considered from the same perspective and in the same level of detail as in its businesses consolidated via global integration. To this end, all the operating segment disclosures include, in proportion to the Group's respective ownership interests, the figures corresponding to its joint ventures or other companies managed as such.

OPERATING HIGHLIGHTS

(Unaudited figures)

	JANUARY-MARCH		
	2013	2014	Variation (%)
Oil and gas production (Thousand boepd)	360	342	(5.0)
Crude processed (million tons)	9.5	9.1	(5.0)
Sales of oil products (Thousand tons)	10,136	9,845	(2.9)
Sales of petrochemical products (Thousand tons)	513	653	27.4
LPG sales (Thousand tons)	683	670	(1.9)

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