

FIRST HALF RESULTS 2017

Press release
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6 pages

REPSOL INCREASES NET INCOME BY 65%

- Repsol posted net income of 1.056 billion euros during the first half of the year, a 65% increase over the same period the previous year.
- Adjusted net income increased by 23% and EBITDA by 29%, which reflects the strength of the company's businesses as well as the success of efficiency programs implemented in the current context of low oil prices.
- Repsol's average hydrocarbon production during the first half of the year was 684,900 barrels of oil equivalent per day, in line with the company's planning.
- The Upstream (Exploration and Production) unit area posted 339 million euros in a period in which the company made significant hydrocarbon discoveries in the United States and Trinidad and Tobago.
- The Downstream area (Refining, Chemicals, Marketing, Lubricants, Trading, LPG and Gas & Power) reported profit of 929 million euros.
- The refining margin indicator in Spain was 6.6 dollars per barrel, 3% higher than the 6.4 dollars per barrel in the first half of the previous year.
- Repsol became the first company in its sector worldwide to issue a certified green bond, to finance more than 300 initiatives aimed at reducing CO₂ emissions.

Repsol posted net income of 1.056 billion euros in the first half of 2017, a 65% increase over the 639 million obtained during the same period the previous year. This increase was driven by the company's successful implementation of plans to increase efficiency and flexibility in the current oil price context.

During the first half of the year, international raw material benchmark prices remained low. The Brent price averaged 51.7 dollars per barrel and the Henry Hub price averaged 3.3 dollars per million Btu.

In this context, the company's integrated business model continued to show its strength. Repsol posted adjusted net profit of 1.126 billion euros, 23% greater than the 917 million euros it earned in the first half of the previous year.

The Upstream area performed favorably with a profit of 339 million euros, considerably greater than the profit earned during the same period in 2016, favored by the improvements in efficiency, the resumption of the activity in Libya and the increase in international benchmark prices.

The Downstream business remained a significant generator of cash for the company and achieved a result of 929 million euros, in line with that obtained during the first half of the previous year. The Refining and Chemicals units posted a strong performance, together with improvements in Trading and Gas & Power and Marketing and Refining in Peru, where the startup of a new low-sulfur diesel unit in La Pampilla in the last quarter of 2016 boosted results.

The strong performance of Repsol's businesses was reflected in a 29% increase in EBITDA, to 3.018 billion euros.

Net financial debt was reduced by 36% over the last 12 months to 7.477 billion euros, from 11.709 billion euros on June 30, 2016.

In the efficiency and synergies program, during the first half the company met 50% of the 2.1 billion euro target for the entire year.

During the first half Repsol became the first company in its sector worldwide to issue a certified green bond. This instrument will be used to finance more than 300 initiatives aimed at reducing CO₂ emissions.

UPSTREAM

INCREASED EARNINGS AND SIGNIFICANT DISCOVERIES

The adjusted net income of the Upstream unit was 339 million euros, significantly higher than the 63 million euros in the first half of 2016.

The initiatives within the efficiency and synergies program implemented by the company, together with the partial improvement of international raw material benchmark prices, fueled the increases in this business's income.

Average production in the first half of the year rose to 684,900 barrels of oil equivalent per day, compared to the 705,500 barrels of oil equivalent per day produced during the same period in 2016, in line with the target set by the company.

Repsol increased output in Peru, resumed its activity in Libya and began production from the Lapa reservoir and from new wells in Sapinhoá, both located in Brazil. Lapa, which began production in December 2016, contributed notably to the company's new output record in that country.

Exploratory activity continued to yield positive results, with two significant discoveries. During the first half of the year Repsol announced the largest hydrocarbon discovery of the last 30 years on US soil, in Alaska. In early June, the company made its largest gas discovery in the last five years, in Trinidad and Tobago, with resources equivalent to two years of Spanish gas demand.

With this find, Repsol has made 47 hydrocarbon discoveries in the last 10 years, including eight which were the largest of the year worldwide at the time.

DOWNSTREAM

CASH GENERATION AND POSITIVE BUSINESS PERFORMANCE

The net adjusted result for the Downstream area, Repsol's major generator of cash, totaled 929 million euros, in line with the 934 million euros obtained in the first half of 2016.

This positive result is especially significant as, during the first half of the year, the company carried out the major planned maintenance shutdowns 2017, at its refineries in Cartagena, Bilbao and A Coruña. This program has allowed the company to implement improvements in innovation, efficiency and productivity, that consolidate Repsol one of Europe's leading refiners.

The Refining area increased its contribution to the overall results, thanks to an increase in distilled volume and a refining margin indicator in Spain that increased to 6.6 dollars per barrel. That was 3% above the average margin expected for the full year 2017.

Refining activity in Peru saw increased income, benefiting from the launch of the new low-sulfur diesel unit at the La Pampilla refinery.

The Trading and Gas & Power area also saw improved performance, supported by greater volumes sold in North America. The Marketing unit also increased its sales due to a higher demand in Portugal and Spain.

REPSOL RESULTS BY SEGMENT (*)

(Figures not audited)

Million euros	JANUARY- JUNE		Variation (%)
	2016	2017	
Upstream	63	339	
Downstream	934	929	
Corporate and others	(80)	(142)	
ADJUSTED NET INCOME	917	1,126	23 %
Inventory effect	2	(60)	
Special items	(280)	(10)	
NET INCOME	639	1,056	65 %

(*) 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.

KEY BUSINESS FIGURES (*)

(Figures not audited)

	JANUARY - JUNE		Variation (%)
	2016	2017	
Oil and gas production (Thousand boepd)	705	685	(2.9)
Crude processed (million tons)	19.8	22.6	14.1
Sales of oil products (Thousand tons)	22,051	25,071	13.7
Sales of petrochemical products (Thousand tons)	1,477	1,407	(4.7)
LPG sales (Thousand tons)	1,052	750	(28.7)

AVERAGE PRODUCTION BY GEOGRAPHICAL AREA

(Barrels of oil equivalent per day)

Europe, Africa and Brazil	135.4 kboe/d
Latin America and Caribbean	288.5 kboe/d
North America	173.9 kboe/d
Asia & Russia	87.1 kboe/d
TOTAL PRODUCTION	684.9 kboe/d

(*) 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.

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In October 2015, the European Securities Markets Authority (ESMA) published its Guidelines on Alternative Performance Measures (APMs). The guidelines apply to regulated information published on or after 3 July 2016. The information and breakdowns relative to the APMs used in this press release are included in Annex I "Alternative Performance Measures" of the Interim Management Report corresponding to the first half of 2017 and the [Repsol](http://www.repsol.com) website.

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