

Despite the confiscation of YPF and declining earnings from Spanish fuel sales

## **REPSOL POSTS NET INCOME OF 1.796 BILLION EUROS**

- **Repsol's strong results are reflected in that net profit at current cost of supply rose more than 4% to 1.706 billion euros compared to the first nine months of the previous year, which included YPF.**
- **Net income for the third quarter was 760 million euros, 36% higher than the same period last year, which included YPF.**
- **So far this year, Repsol has made five hydrocarbon discoveries including Pao de Açucar in (Brazil), one of the world's largest finds in 2012.**
- **Liquids production increased 29% and total hydrocarbon production rose 9% in the first nine months of the year. Repsol's realisation prices outperformed the international prices of reference.**
- **The Upstream unit's operating income grew 49% to 1.801 billion euros, mainly due to production increases in Libya, Bolivia and the United States.**
- **The Downstream unit posted operating income of 893 million euros, supported by wider refining margins due to the completion of the Cartagena and Bilbao refineries' expansion and improvement programmes.**
- **Downstream results were significantly affected by reduced activity in the petrochemical business and a 9% decline in fuel sales in Spain.**
- **The Group's net financial debt, excluding Gas Natural Fenosa, declined by 1.857 billion euros to 4.918 billion euros. The company's current liquidity excluding Gas Natural Fenosa, is more than 8.4 billion euros.**

Repsol posted a net income of 1.796 billion euros in the first nine months of the year a 5.5% decline from the year-earlier period. At current cost of supply (excluding the change in value of the oil inventories that the company stocks as part of Spain's strategic reserve) Repsol's net income was 1.706 billion euros, 4% higher than the first nine months of the previous year, despite the negative effect of the illegal expropriation of YPF and the decline in fuel sales in Spain.

Efficient management has allowed Repsol to gradually consolidate the strength of the businesses, particularly after the illegal expropriation of YPF in April of this year. Third quarter earnings show a net profit of 760 million euros, 36.4% higher than the same period of last year, which included YPF.

Along with the strengthening of its industrial units, Repsol has developed an active financial policy throughout the period. The Repsol Group cut debt, excluding Gas Natural Fenosa, by 1.857 billion euros to 4.918 billion euros. The company has liquidity, excluding Gas Natural Fenosa, of 8.415 billion euros, with 3.915 billion euros in cash and available credit lines of 4.5 billion euros.

By business areas, the Upstream unit (exploration and production) reaffirmed the positive trend of previous quarters, both in new discoveries and higher profit. So far this year Repsol has made five new finds, including Pao de Açucar, in Brazil, one of the world's largest during 2012.

Upstream operating income rose 49.3% to more than 1.8 billion euros, supported by increased production and crude oil and gas realization prices which evolved better than the international prices of reference. Earnings from the LNG business grew 54% in the period.

Operating income from the Downstream unit (refining, marketing, liquid petroleum gas, new energy, chemicals and trading) was directly affected by reduced activity in the petrochemical business and the decline in fuel sales in Spain, which fell by 9% between January and September, and positively by the wider margins resulting from the completion of the expansion of the Cartagena and Bilbao refineries.

Downstream operating income fell 16.9% to 893 million euros compared with the first nine months of the previous year.

## **UPSTREAM: OUTPUT GREW 9 % AND OPERATING INCOME 49%**

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The Upstream unit's operating income was 1.801 billion euros, the 49.3% increase driven by the rise in production and higher realization prices.

In the first nine months of the year production was 327,489 barrels of oil equivalent per day, mainly due to the resumption of activity in Libya, the start-up of the first phase of the Margarita gas field in Bolivia and increased production in the United States.

Production increases were accompanied by five new discoveries, including Pao de Açucar, in Brazil, one the world's largest in 2012, and the Sagari discovery, in Peru, which shows great potential and is close to an area already in development where Repsol expects to begin production this year.

These discoveries add to the TIHS1 in Algeria and Chipirón T2 and Cano Rondón East in Colombia. With these finds, Repsol has exceeded its annual resources incorporation goal included in its 2012-2016 Strategic Plan.

The improved trend of Repsol's crude and gas realization prices against international price developments was confirmed during the third quarter of the year. Repsol's crude realization prices increased 6.2%, against a 0.3% rise in Brent and Repsol's gas realization prices improved 5.7% versus a 38.1% decline of the Henry Hub price.

During the first nine months of 2012, operating investments in the Upstream unit totalled 1.622 billion euros, 42% more than in the same period of 2011. Operating investment in development represented 59% of the total, primarily allocated to the United States, Trinidad and Tobago and Brazil. Exploration Investments accounted for 21% of the total and were mainly spent on the United States, Cuba and Brazil.

Operating income at the LNG business was 425 million euros, and increase of 54% compared to the same period of the previous year.

## **DOWNSTREAM: IMPROVED REFINING MARGINS AND DECLINING CHEMICALS BUSINESS AND SPANISH SALES**

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In the first nine months of 2012, the Downstream unit's operating income was 893 million euros, a 16.9% decrease affected by the reduced value of inventories. At current cost of supply, operating income was 777 million euros, a 23.7% rise from the same period of 2011.

The declining earnings from fuel sales trend at petrol stations in Spain continued during the third quarter of the year. Between January and September, sales fell 9%, with a negative effect on the unit's operating income of more than 40 million euros, as well lower activity in the petrochemicals business..

On the other hand, the start-up of the expanded and optimised Cartagena and Bilbao refineries had a positive effect on earnings, with improved refining margins. The integrated refining margin rose 152.6% to 4.8 dollars per barrel.

Operating investment in the Downstream unit was 450 million euros, considerably less than the same period of 2011 as a result of the completion of the expansion and conversion project in Cartagena and Bilbao.

## **GAS NATURAL FENOSA**

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The operating income of Gas Natural Fenosa for the first nine months of 2012 was 701 million euros, in a period marked by higher wholesaler gas sales margins and improved results in Latin America, which partially offset the impact of the Royal Decree-Law 13/2012 on the results of electricity business in Spain.

Gas Natural Fenosa's operating investment during the first nine months of 2012 was 275 million euros. Material investment was centred on gas and electricity distribution in Spain and in Latin America.

As a result of the process involving the expropriation of YPF, S.A. and YPF Gas, S.A. (formerly Repsol YPF Gas, S.A.) shares held by the Repsol Group, financial information for previous periods was restated for comparison purposes in accordance with applicable accounting regulations. The accounting policies applied for the recording of the effects of the expropriation process are described in Note 3 (Changes in the Group's structure) in the condensed interim consolidated financial statements at 30 June 2012, filed with the Spanish Securities and Exchange Commission in 26 July 2012.

**REPSOL CONTINUED OPERATIONS RESULTS**  
**(Million Euros)**  
*(Unaudited figures)*

	<b>January – September</b>		<b>Change %</b>
	<b>2011</b>	<b>2012</b>	
Net income	1,459	1,655	13.4
Operating income	3,072	3,543	15.3
Recurrent net income	1,349	1,527	13.2
Recurrent operating income	2,909	3,384	16.3

**REPSOL SUMMARISED INCOME STATEMENT**  
**(Million Euros)**  
*(Unaudited figures) (IFRS)*

	<b>January – September</b>		<b>Change %</b>
	<b>2011</b>	<b>2012</b>	
<b>EBITDA</b>	<b>4,500</b>	<b>5,405</b>	<b>20.1</b>
Operating income	3,072	3,543	15.3
Financial expenses	(665)	(655)	1.5
Share in income from companies carried by the equity method-Net of tax	51	93	82.4
Income before income tax	2,458	2,981	21.3
Income tax	(902)	(1,270)	40.8
Income for the period from continued operations	1,556	1,711	10.0
Income attributable to minority interests from continued operations	(97)	(56)	(42.3)
<b>NET INCOME FROM CONTINUED OPERATIONS</b>	<b>1,459</b>	<b>1,655</b>	<b>13.4</b>
Net income from interrupted operations (*)	442	141	(68.1)
<b>NET INCOME</b>	<b>1,901</b>	<b>1,796</b>	<b>(5.5)</b>

(\*) Includes income net of tax and from external partners contributed by YPF S.A., YPF Gas S.A. and their participated companies in each period and the loans made to Petersen as well as the effects of the expropriation of the shares in YPF S.A. and YPF Gas S.A.

**BREAKDOWN OF REPSOL**  
**OPERATING PROFIT, BY BUSINESSES**  
**(Million Euros)**  
*(Unaudited figures) (IFRS)*

	<b>January - September</b>		<b>Change %</b>
	<b>2011</b>	<b>2012</b>	
Upstream	1,206	1,801	49,3
LNG	276	425	54,0
Downstream	1,075	893	(16,9)
Gas Natural Fenosa	712	701	(1,5)
Corporate & adjustments	(197)	(277)	(40,6)
<b>TOTAL</b>	<b>3,072</b>	<b>3,543</b>	<b>15,3</b>

**OPERATING HIGHLIGHTS**  
*(Unaudited figures)*

	<b>January – September</b>		<b>Change %</b>
	<b>2011</b>	<b>2012</b>	
Oil and gas production (Thousand boepd)	301	327	8.8
Crude processed (million tons)	23.3	26.8	15.0
Sales of oil products (Thousand tons)	28,543	31,096	8.9
Sales of petrochemical products (Thousand tons)	2,047	1,672	(18.3)
LPG sales (ex YPF Gas) (Thousand tons)	1,992	1,896	(4.8)

## **REPSOL COMPARATIVE BALANCE SHEET**

**(Million Euros)**

*(Unaudited figures) (IFRS)*

	<b>DECEMBER 2011</b>	<b>SEPTEMBER 2012</b>
<b>NON-CURRENT ASSETS</b>		
Goodwill	4,645	2,678
Other intangible assets	3,138	3,041
Property, plant & equipment	36,759	27,759
Investment property	24	24
Equity-accounted financial investments	699	765
Non-current assets classified as held for sale subject to expropriation	-	5,503
Non-current financial assets	2,450	1,258
Deferred tax assets	2,569	3,259
Other non-current financial assets	344	251
<b>CURRENT ASSETS</b>		
Non-current assets classified as held for sale	258	253
Inventories	7,278	6,315
Trade and other receivables	9,222	8,066
Other current assets	220	137
Other current financial assets	674	532
Cash and cash equivalents	2,677	5,224
<b>TOTAL ASSETS</b>	<b>70,957</b>	<b>65,065</b>
<b>TOTAL EQUITY</b>		
Attributable to equity holders of the parent	23,538	26,878
Attributable to minority interests	3,505	778
<b>NON-CURRENT LIABILITIES</b>		
Subsidies	118	73
Non-current provisions	3,826	2,152
Non-current financial debt	15,345	15,175
Deferred tax liabilities	3,839	3,012
Other non-current liabilities	3,682	3,569
<b>CURRENT LIABILITIES</b>		
Liabilities associated with non-current assets held for sale	32	22
Current provisions	452	213
Current financial debt	4,985	4,186
Trade and other payables	11,635	9,007
<b>TOTAL LIABILITIES</b>	<b>70,957</b>	<b>65,065</b>

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