

FIRST QUARTER RESULTS 2016

Press release
Madrid, May 5th, 2016
5 pages

REPSOL POSTS ADJUSTED NET INCOME OF 572 MILLION EUROS

- Repsol's business units (Upstream and Downstream) saw improved results driven by measures to increase the company's efficiency and savings. The positive results are especially significant in a context marked by a sharp fall in crude oil and gas prices (Brent by 37% and Henry Hub by 30%).
- The Upstream business unit's earnings (Exploration and Production) improved by 207 million euros, and Downstream results improved by 22 million euros, which reflects the resilience of Repsol's businesses despite crude oil and gas prices that are at their lowest point in 12 years.
- Adjusted net income was 572 million euros, compared with 928 million in the same quarter of the previous year, which included exceptional earnings of 500 million euros due mostly to the company's dollar position after receiving funds for the expropriation of YPF, subsequently used for the acquisition of Talisman.
- The company's EBITDA, calculated at current cost of supplies (CCS), was 1.242 billion euros, an increase of 6% over the first quarter of 2015.
- Average hydrocarbon production reached 714,200 barrels of oil equivalent per day, double that produced during the first quarter of 2015.
- The Downstream business unit increased its adjusted net income by 4% to 556 million euros.

Repsol posted an adjusted net income of 572 million euros in the first quarter of 2016, compared with 928 million in the same quarter of the previous year, which included exceptional earnings of 500 million euros due mostly to the company's dollar position after receiving funds for the expropriation of YPF. The cash was subsequently used for the acquisition of Talisman.

The company's EBITDA at CSS, calculated at current cost of supplies, was 1.242 billion euros, an increase of 6% over the first quarter of 2015.

Measures implemented by Repsol to increase efficiency and savings in recent months led the company to achieve positive results despite low oil prices. Both the Upstream (Exploration and Production), and Downstream (Refining, Chemicals, Marketing, Trading, LPG and Gas & Power) business units saw improved results compared with the first three months of 2015, which demonstrates the company's strength and resilience.

During the quarter, average Brent prices fell to a 12-year low (26.21 dollars per barrel on February 11th). Between January and March, the average Brent price was 33.9 dollars per barrel, 37% less than the same period of the previous year.

Despite the market situation, the exploration and production businesses increased adjusted net income by 207 million euros from the first three months of 2015. In addition, production increased to 714,200 barrels of oil equivalent per day (boe/day), double the production in the same period of the previous year.

For its part, the Downstream business unit increased its adjusted net income by 4%, supported by the strength of the refining area and excellent performance of the chemicals unit, where efficiency plans developed allowed it to take advantage of improved market conditions.

Net debt at the end of the quarter remained steady at 11.978 billion euros, while the company's liquidity was more than twice the amount of its gross short-term debt maturities.

Also worth highlighting are the changes made to Repsol's management and organizational structure during the first quarter, which will allow the company to continue advancing on the challenges and opportunities arising from the integration of Talisman and the new environment the sector faces.

UPSTREAM: POSITIVE EARNINGS DESPITE CRUDE OIL PRICE LOWS

Adjusted net income of the Upstream unit increased by 207 million euros from the same period last year to 17 million euros, due to lower exploration costs, higher production volumes, favorable exchange rates and cost savings from an intense program to improve efficiency.

This program, which includes initiatives to improve commercial, technical and operational aspects of the Upstream business across all units, countries and areas, had a cash impact of more than 100 million euros during the quarter. These measures, in addition to improving results in the short term, will also improve the sustainability and efficiency of the business in the medium and long term.

The positive Upstream result is particularly notable given the decline in Brent, WTI and Henry Hub prices. Repsol's actual prices performed better than these international benchmarks. Repsol's crude oil price dropped 32.2%, five points less than Brent, and its gas price fell by 17.2%, 12 points less than Henry Hub.

Average production in the first three months of the year amounted to 714,200 boe/day, double that produced in the same period in 2015 and within the company's desired level for the coming years. This increase was mainly due to the integration of assets from Talisman, which contributed 330,300 boe/day, and new production from the Cardón IV (Venezuela) and Sapinhoá (Brazil) projects.

After the end of the quarter, Repsol announced a new discovery in Brazil. Gávea A1 in the Brazilian Campos basin is the fourth find in the prolific Campos 33 block and completes the successful assessment campaign in this area.

DOWNSTREAM: EXCELLENT PERFORMANCE IN REFINING AND CHEMICALS

Adjusted net income in the Downstream business unit was 556 million euros, a 4% increase over the same period in 2015, with an especially outstanding performance from the chemicals business.

The refining margin indicator was 6.3 dollars per barrel during the quarter. The efficient management of the industrial facilities increased the use of conversion capacity, to 103%, and helped raise the company's actual refining margin by a dollar compared to the indicator, to reach 7.3 dollars per barrel.

On the other hand, increased efficiency and operational improvements made in the chemicals business allowed it to take advantage of the improved market environment in this sector, which along with a 3.2% increase in sales and improved margins, had a positive impact of 102 million euros on the operating result of the Downstream business unit.

Sales of oil products increased 3.7% to a total of 11.125 million tons, mainly due to the growth of diesel sales in Europe, particularly in Spain, Italy, and Portugal.

GAS NATURAL FENOSA

First-quarter adjusted net income at Gas Natural Fenosa amounted to 99 million euros, compared to 122 million euros in the first quarter of 2015. The decline is primarily attributable to lower results in the gas commercialization business due to the current price environment, and the adverse impact of exchange rates in local currencies in Latin American.

REPSOL INCOME BY SEGMENT* *(Figures not audited)*

Million euros	JANUARY-MARCH		Variation (%)
	2015	2016	
Upstream	(190)	17	–
Downstream	534	556	4.1
Gas Natural Fenosa	122	99	(18.9)
Corporate and others	462	(100)	–
ADJUSTED NET INCOME	928	572	(38.4)
Inventory effect	(140)	(157)	(12.1)
Non-recurring income	(27)	19	–
Income from discontinued operations	–	–	–
NET INCOME (WAC)**	761	434	(43.0)

(*)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.

(**)WAC (Weighted Average Cost).

KEY BUSINESS FIGURES *(Figures not audited)*

	JANUARY-MARCH		Variation (%)
	2015	2016	
Oil and gas production (Thousand boepd)	355	714	101.4
Crude processed (million tons)	10	10	4.4
Sales of oil products (Thousand tons)	10,731	11,125	3.7
Sales of petrochemical products (Thousand tons)	741	764	3.2
LPG sales (Thousand tons)	704	631	(10.4)

PRODUCTION BY GEOGRAPHICAL AREA* *(Barrels of oil equivalent per day)*

Europe, Africa and Brazil	116 kboe/d
Latin America and Caribbean	302 kboe/d
North America	188 kboep/d
Asia & Russia	109 kboe/d
TOTAL PRODUCTION	714,200 boe/d

(*) Data corresponds to average production during the first quarter of 2016.

This document does not constitute an offer or invitation to purchase or subscribe shares, pursuant to the provisions of the Spanish Securities market Law (Law 24/1988 of the 28th of July, as amended and restated) and its implementing regulations. In addition, this document does not constitute an offer to purchase, sell, or exchange, neither a request for an offer of purchase, sale or exchange of securities in any other jurisdiction.

This document contains statements that Repsol believes constitute forward-looking statements which may include statements regarding the intent, belief, or current expectations of Repsol and its management, including statements with respect to trends affecting Repsol's financial condition, financial ratios, results of operations, business, strategy, geographic concentration, production volume and reserves, capital expenditures, costs savings, investments and dividend payout policies. These forward-looking statements may also include assumptions regarding future economic and other conditions, such as future crude oil and other prices, refining and marketing margins and exchange rates and are generally identified by the words "expects", "anticipates", "forecasts", "believes", "estimates", "notices" and similar expressions. These statements are not guarantees of future performance, prices, margins, exchange rates or other events and are subject to material risks, uncertainties, changes and other factors which may be beyond Repsol's control or may be difficult to predict. Within those risks are those factors described in the filings made by Repsol and its affiliates with the Comisión Nacional del Mercado de Valores in Spain and with any other supervisory authority of those markets where the securities issued by Repsol and/or its affiliates are listed.

Repsol does not undertake to publicly update or revise these forward-looking statements even if experience or future changes make it clear that the projected performance, conditions or events expressed or implied therein will not be realized.

The information contained in the document has not been verified or revised by the External Auditors of Repsol.