

Supported by the strength of its refining business unit

## **REPSOL POSTS NET INCOME OF 761 MILLION EUROS**

- **Adjusted net income, which specifically measures how the company's business units are performing, was 928 million euros.**
- **Net income was 761 million euros, a fall of 6% compared to the first quarter of 2014, which included 299 million euros of earnings from LNG assets and other businesses which were later sold.**
- **These results reflect the strength of Repsol's integrated business model and its resistance to adverse situations such as the conflict in Libya and the sharp decline in oil prices, which have fallen by more than 50%.**
- **The effect of the fall in oil prices on the Upstream unit (exploration and production) was partially compensated by a 3.7% increase in production, to 354,600 barrels of oil equivalent a day.**
- **In the Downstream unit (Refining, LPG, Marketing, Chemicals, and Gas & Power), the efficiency of Repsol's assets led to growth in adjusted net income to a total of 534 million euros.**
- **Net financial debt was 126 million euros at the end of the quarter, a fall of 1.809 billion euros compared to the end of the previous financial year.**
- **Repsol will complete the acquisition of Canadian company Talisman Energy tomorrow. This transformative operation will place it among the world's largest private oil companies, with a presence on every continent.**

Repsol posted net income of 761 million euros in the first quarter of 2015, supported by the strength of its integrated business model, which allowed it to minimize the impact of the sharp fall in oil prices. This represents a 6% drop from the 807 million euros posted in the first quarter of 2014 when 299 million euros of earnings and capital gains were recorded, due in large part to the definitive execution of the sale of liquid natural gas (LNG) assets.

Adjusted net income, which specifically measures how the business units are performing, was 928 million euros. This represents a 74% increase over the results of the first quarter of 2014. The strong performance of the refining and chemicals business units and the strength of the dollar against the euro compensated the effect of the 50% drop in oil prices on the exploration and production business units.

### **UPSTREAM: INCREASED PRODUCTION IN AN ADVERSE ENVIRONMENT**

The company posted a net loss of 190 million euros in the Upstream unit (exploration and production), compared to the 255 million euros obtained in the first quarter of 2014, due in large part to the interrupted production in Libya and the sharp fall in oil prices.

Repsol's realization prices performed better than the international benchmarks. Repsol's average crude realization price fell by 48%, while Brent fell by 50.2%. For its part, Repsol's price of production for gas fell by 33%, compared to a 38.8% drop in the Henry Hub price.

During this quarter, Repsol made a new discovery in the K-4 well in Russia, in addition to the 12 discoveries that it made in 2014. In April, Repsol drilled its third positive survey in the Sud-Est Illizi block, in Algeria, confirming the great potential of the area explored.

The ongoing exploratory and appraisal campaigns in Alaska, Russia and Brazil continue, with good expectations from the results already obtained. In Alaska, drilling goals were accomplished and production tests were positive. In Russia, a new discovery well in block K-1 will add contingent resources, and in Brazil the Pao de Açúcar appraisal 1 well consolidates certifiable volumes of resources in the area.

The effect of the lower price of crude was partially compensated by the increase in hydrocarbon production. Repsol increased production in 8 of the 12 countries in which it operates. The Kinteroni project in Peru, the Sapinhoá field in Brazil, and the Margarita-Huacaya project in Bolivia all stand out. As a consequence, the group's total production increased by 3.7%, for a total of 354,600 barrels of oil equivalent. Had it not been for Libya, and the conflict that the country is experiencing, production would have increased by 10% compared to the first quarter of 2014.

Investment in the Upstream unit increased 59% to 753 million euros over the quarter.

## **DOWNSTREAM: EFFICIENCY, TECHNOLOGY AND INCREASED SALES**

The Downstream unit increased earnings by 84.1% to 534 million euros (calculated based on stock valuation at current cost of supplies [CCS]), mainly due to wider margins in the refining and chemicals business units, driven by the measures introduced in the company's competitiveness plans.

The recovery of economic activity in Spain led to greater sales in the refining, chemicals and liquefied petroleum gas (LPG) business units. This in turn contributed to improved earnings at the Downstream unit.

The efficiency of Repsol's refining system, following the significant investments made at the company's facilities, had an unmistakable impact in the first quarter, achieving the highest refining margins in Europe at \$8.7 a barrel, compared with \$3.9 a barrel in the first quarter of 2014.

The greater efficiency in Repsol's chemicals plants resulting from operational improvements implemented in recent months together with better international market conditions increased the area's earnings by 97 million euros.

## **GAS NATURAL FENOSA**

Adjusted net income from Gas Natural Fenosa was 122 million euros in the first quarter, in line with the year-earlier period. The contribution from CGE-Chile more than made up for the impact of new sector regulation in Spain, the loss of earnings from the telecommunications business sold in 2014 and higher financial costs.

## **DEBT AT HISTORICAL LOW**

At the end of the quarter, the group's net financial debt was 126 million euros, a reduction of 1.809 billion euros compared to the close of the previous financial year.

In March, Repsol issued two hybrid bonds for a total of two billion euros, in two tranches of one billion euros.

Since Repsol monetized its Argentinian assets, the company held a net-long cash position in dollars. In December 2014, this dollar position was further lengthened when Repsol agreed to acquire Talisman, in order to pay the transaction and because the company's macroeconomic analysis forecast strong signs of a dollar appreciation. The results achieved confirmed Repsol's hypothesis, and during the first quarter the company registered a significant and positive result in the context of the dollar appreciation.

## **COMPLETION OF THE ACQUISITION OF TALISMAN ENERGY**

Repsol is set to close the purchase of the Canadian oil company Talisman Energy tomorrow after the fulfillment of all the necessary conditions, announced on 30 April at the Annual General Meeting.

The acquisition of Talisman Energy will transform Repsol into a bigger group, more balanced in terms of the composition and the geographical location of its assets, and with a better outlook for future development. The Repsol Group will noticeably increase its presence in OECD countries following the acquisition, and will become one of the largest private oil companies in the world. Production will practically double, with assets on every continent.

[Click here to get more information on the Talisman Energy operation](#)

### REPSOL RESULTS BY SEGMENT (\*) (Unaudited figures)

Millions of euros	JANUARY-MARCH		Variation (%)
	Q1 2014	Q1 2015	
Upstream	255	(190)	–
Downstream	290	534	84.1
Gas Natural Fenosa	123	122	(0.8)
Corporation and Adjustments	(136)	462	–
<b>ADJUSTED NET INCOME</b>	<b>532</b>	<b>928</b>	<b>74.4</b>
Equity Effect	(59)	(140)	(137.3)
Non-core earnings	35	(27)	–
Result of interrupted operations	299	0	–
<b>NET INCOME</b>	<b>807</b>	<b>761</b>	<b>(5.7)</b>

(\*) 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.

## KEY BUSINESS FIGURES

(Unaudited figures)

	JANUARY-MARCH		Variation (%)
	Q1 2014	Q1 2015	
Hydrocarbon production (thousands of boe/d)	342	355	3.7
Processed crude (millions of toe)	9.1	9.9	9.7
Oil product sales (thousands of tons)	9,845	10,731	9.0
Petrochemical product sales (thousands of tons)	653	741	13.3
LPG sales (thousands of tons)	670	704	5.0

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