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In accordance with Article 14 of Law of 9 May 2006, on market abuse, Repsol International Finance, B.V. (the “Company”) is filing the attached official notices published by Repsol, S.A, Guarantor of the Euro 10,000,000,000 Guaranteed Euro Medium Term Note Programme of the Company, related to the 4Q 2014 preview of income statements of Repsol Group.

The official notices were filed by Repsol, S.A. with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) on February 26, 2015.

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# 4Q2014 RESULTS

*26 February, 2015*

**TABLE OF CONTENTS**

<b>BASIS OF PREPARATION OF THE FINANCIAL INFORMATION .....</b>	<b>2</b>
<i>BASIS OF PREPARATION .....</i>	<i>2</i>
<i>CONSOLIDATED FINANCIAL STATEMENTS.....</i>	<i>3</i>
<b>KEY METRICS FOR THE PERIOD .....</b>	<b>4</b>
<b>KEY MILESTONES FOR THE FOURTH QUARTER OF 2014.....</b>	<b>4</b>
<b>NET INCOME PERFORMANCE BY BUSINESS SEGMENT .....</b>	<b>6</b>
<i>UPSTREAM.....</i>	<i>6</i>
<i>DOWNSTREAM.....</i>	<i>9</i>
<i>GAS NATURAL FENOSA .....</i>	<i>11</i>
<i>CORPORATE AND OTHERS.....</i>	<i>12</i>
<b>NET INCOME ANALYSIS: NON-RECURRING ITEMS AND DISCONTINUED OPERATIONS .....</b>	<b>13</b>
<i>NON-RECURRING INCOME.....</i>	<i>13</i>
<i>DISCONTINUED OPERATIONS .....</i>	<i>13</i>
<b>NET DEBT EVOLUTION AND LIQUIDITY.....</b>	<b>14</b>
<i>NET DEBT EVOLUTION.....</i>	<i>14</i>
<i>LIQUIDITY.....</i>	<i>15</i>
<b>RELEVANT EVENTS.....</b>	<b>16</b>
<b>APPENDIX I – FINANCIAL METRICS AND OPERATING INDICATORS BY SEGMENT.....</b>	<b>18</b>
<i>OPERATING INDICATORS.....</i>	<i>26</i>
<b>APPENDIX II – CONSOLIDATED FINANCIAL STATEMENTS .....</b>	<b>28</b>
<b>APPENDIX III – RECONCILIATION OF NON-IFRS METRICS TO IFRS DISCLOSURES .....</b>	<b>36</b>

## **BASIS OF PREPARATION OF THE FINANCIAL INFORMATION**

### BASIS OF PREPARATION

Group activities are carried out in three operating segments:

- **Upstream**, the segment corresponding to hydrocarbon exploration and production activities;
- **Downstream**, the segment corresponding to (i) refining, trading and transportation of crudes and oil products, as well as commercialization of oil products, petrochemical products, and liquefied petroleum gas, (ii) commercialization, transportation and regasification of natural gas and liquefied natural gas (LNG) and (iii) renewable energy power projects;
- **Gas Natural Fenosa**, the segment corresponding to Repsol's investment in Gas Natural Fenosa, whose main activities are the distribution and commercialization of natural gas, and the generation, distribution and commercialization of electricity.

Lastly, the **Corporate and others** segment reflects the corporation's overhead expenses incurred in activities that cannot be allocated to the first three business segments, intra-segment consolidation adjustments and the financial result.

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

The Repsol Group made the decision in 2014, prompted by the business reality and in order to make its disclosures more comparable with those in the sector, to disclose the recurring net operating profit of continuing operations at current cost of supply (CCS) after tax as a measure of the result of each segment ("Adjusted Net Income"), which excludes both non-recurring net income<sup>1</sup> and the inventory effect<sup>2</sup>.

On the other hand, Gas Natural Fenosa's performance is assessed on the basis of its net income contribution and the cash flow obtained through the dividends received. Accordingly, the net income of this segment is presented as the company's net income in accordance with the equity method; the other metrics presented only include the cash flows generated by the Repsol Group as a shareholder of Gas Natural SDG, S.A.

All of the information presented in this Earnings Release, with the exception of that provided in the tables headed "Consolidated Financial Statements" has been prepared in accordance with the abovementioned criteria.

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<sup>1</sup> Non-recurring items are those originated from events or transactions falling outside the Group's ordinary or usual activities are exceptional in nature or arise from isolated events.

<sup>2</sup> The net income is prepared by using the inventory measurement method widely used in the industry – current cost of supply (CCS), which differs from that accepted under prevailing European accounting standards (MIFO). The use of CCS methodology facilitates users of financial information comparisons with other companies in the sector. Under CCS methodology, the purchase price of volumes of inventories sold during the period is based on the current prices of purchases during the period. The inventory effect is the difference between the net income using CCS and the net income using MIFO. In this note, the inventory effect is presented net of the tax and excluding non-controlling interests.

CONSOLIDATED FINANCIAL STATEMENTS

Appendix II presents the Group's consolidated financial statements prepared under International Financial Reporting Standards (IFRS). It is therefore relevant to mention the following:

- a) The IFRS 11 "*Joint Agreements*" came into force on 1 January, 2014, implying the use of the equity method to account for the Group's investments in joint ventures in its consolidated financial statements. Although its application has not had a significant impact on the Group's equity, it has entailed significant reclassifications among the various balance sheet and income statement headings, as the Group had been using the proportionate method of consolidation to account for its investments in entities under joint control until 31 December, 2013.
- b) In addition, in October and December 2013 and January 2014, Repsol closed the sale of some of its LNG assets and businesses. In accordance with IFRS, the results generated by these assets and businesses were classified and accounted for as discontinued operations.

As a result of the foregoing, and in accordance with prevailing accounting rules and standards, the consolidated balance sheet as of 31 December 2013, the consolidated income statements for the fourth quarter and full year 2013 and the consolidated cash flows statement for the period January – December 2013 have been restated for comparative purposes.

Lastly, Appendix III provides a reconciliation of the non-IFRS metrics reported and those presented in the consolidated financial statements (IFRS).

**KEY METRICS FOR THE PERIOD**
*[Unaudited figures]*

Results (€ Million)	4Q 2013	3Q 2014	4Q 2014	% Change 4Q14/4Q13	January - December 2013	January - December 2014	% Change 2014/2013
Upstream	162	185	4	(97.5)	980	589	(39.9)
Downstream	21	190	370	-	479	1,012	111.3
Gas Natural Fenosa	99	92	67	(32.3)	458	441	(3.7)
Corporate and others	(159)	(52)	(71)	55.3	(574)	(335)	41.6
<b>ADJUSTED NET INCOME</b>	<b>123</b>	<b>415</b>	<b>370</b>	<b>200.8</b>	<b>1,343</b>	<b>1,707</b>	<b>27.1</b>
Inventory effect	(64)	(63)	(489)	-	(187)	(606)	(223.9)
Non-recurring income	(156)	(32)	(245)	(57.1)	(277)	(86)	69.0
Income from discontinued operations	(995)	(1)	330	-	(684)	597	-
<b>NET INCOME</b>	<b>(1,092)</b>	<b>319</b>	<b>(34)</b>	<b>96.9</b>	<b>195</b>	<b>1,612</b>	<b>-</b>

Economic data (€ Million)	4Q 2013	3Q 2014	4Q 2014	% Change 4Q14/4Q13	January - December 2013	January - December 2014	% Change 2014/2013
EBITDA	727	1,047	551	(24.2)	3,968	3,800	(4.2)
EBITDA CCS	824	1,150	1,314	59.5	4,251	4,747	11.7
CAPITAL EXPENDITURES	930	961	1,084	16.6	3,042	3,633	19.4
NET DEBT	5,358	1,998	1,935	(63.9)	5,358	1,935	(63.9)
EBITDA / NET DEBT (x)					0.74	2.00	170.1

Operational data	4Q 2013	3Q 2014	4Q 2014	% Change 4Q14/4Q13	January - December 2013	January - December 2014	% Change 2014/2013
LIQUIDS PRODUCTION (Thousands of bbl/d)	121	141	143	18.1	139	134	(3.3)
GAS PRODUCTION <sup>(*)</sup> (Millions of scf/d)	1,123	1,261	1,283	14.2	1,162	1,237	6.5
<b>TOTAL PRODUCTION</b> (Thousands of boe/d)	<b>321</b>	<b>366</b>	<b>371</b>	<b>15.7</b>	<b>346</b>	<b>355</b>	<b>2.5</b>
CRUDE OIL REALIZATION PRICE (\$/Bbl)	85.6	84.3	61.3	(28.4)	88.7	79.6	(10.3)
GAS REALIZATION PRICE (\$/Thousands scf)	4.1	3.6	3.6	(12.2)	4.0	3.8	(5.0)
DISTILLATION UTILIZATION Spanish Refining (%)	71.7	84.8	80.1	11.7	78.1	80.8	3.5
CONVERSION UTILIZATION Spanish Refining (%)	94.4	106.6	105.5	11.8	98.7	102.4	3.7
REFINING MARGIN INDICATOR IN SPAIN (\$/Bbl)	4.1	3.9	5.5	34.1	3.3	4.1	24.2

(\*) 1,000 Mcf/d = 28.32 Mm<sup>3</sup>/d = 0.178 Mboe/d

**KEY MILESTONES FOR THE FOURTH QUARTER OF 2014**

- **Adjusted net income** in the fourth quarter was €370 million, 201% higher year-on-year, and **net income**, which includes the negative inventory effect impact as a result of lower crude oil prices, amounted to a net loss of €34 million.

In terms of the accumulated results, **adjusted net income** in the period January - December 2014 was €1,707 million, a 27% increase year-on-year, and **net income stood** at €1,612 million substantially higher than the €195 million reported in 2013.

- Quarterly results of the business units, marked by the drop in the price of crude oil, were:
  - Adjusted net income in **Upstream** was 98% lower year-on-year, mainly due to the impact of lower realization prices, together with higher tax impact in Venezuela and Brazil, partially offset by lower exploration costs, higher volumes in Brazil, Peru, Venezuela and the US, and the appreciation of the dollar.
  - In **Downstream**, adjusted net income was €349 million higher year-on-year as a result of the improved performance in all business lines, essentially in Refining, Chemicals and Gas & Power.
  - The adjusted net income of **Gas Natural Fenosa** stood at €67 million, 32% lower year-on-year.
  - In **Corporate and others**, adjusted net income increased 55% year-on-year, due to the improvement of the financial result mainly as a consequence of a better result of exchange rate positions and the reduction of the average cost of debt, as well as the result of CO<sub>2</sub> emission rights trading.
- **Upstream** production averaged 371 Kboe/d in the fourth quarter of 2014, 16% higher year-on-year. The increase in production came from the ramp-up, in Brazil, of the first FPSO in Sapinhoá South and the connection of the first well to the second FPSO in the northern area in November 2014. Moreover, Repsol had more producing barrels thanks to the start-up and ramp-up of the Kinteroni field in Peru at the end of March 2014, as well as the continuous ramp-up of the Midcontinent project in the US. Production in Libya remains in line at the same low levels due to security issues in both periods.
- During the fourth quarter of 2014 Repsol concluded eight wells, six exploration and two appraisals. Out of the six exploration wells, one had a positive result (Leon in the US), three wells were under evaluation as of the 31 December 2014 and two wells had a negative outcome. The two appraisal wells concluded in the fourth quarter of 2014 had positive results, one in the US and the other one in Bolivia. A total of 34 wells were completed during 2014. Of these, 24 were exploration wells out of which four wells had positive results (one in the US, two in Russia and one in Brazil), six wells remained under evaluation as of the 31 December and fourteen wells had a negative outcome. Additionally, ten appraisal wells were drilled in 2014, of which eight had positive result (three in the US, two in Bolivia, two in Russia and one in Trinidad and Tobago) and two were negative.
- The Group's **net debt** at the end of the fourth quarter of 2014 stood at €1,935 million, down €3,423 million and €63 million from the end of 2013 and the third quarter of 2014, respectively. Operating cash flow generated in the quarter totally covered the disbursement of capital expenditures, dividends and interests on debt.
- On 16 December 2014, Repsol entered into an agreement to acquire 100% of Canadian oil company Talisman Energy worth US\$8.3 billion plus debt. The transaction will increase Repsol's presence in politically-stale OECD countries and will reinforce its upstream business.

**NET INCOME PERFORMANCE BY BUSINESS SEGMENT**
**UPSTREAM**
*(Unaudited figures)*

Results (€ Million)	4Q 2013	3Q 2014	4Q 2014	% Change 4Q14/4Q13	January - December 2013	January - December 2014	% Change 2014/2013
<b>ADJUSTED NET INCOME</b>	<b>162</b>	<b>185</b>	<b>4</b>	<b>(97.5)</b>	<b>980</b>	<b>589</b>	<b>(39.9)</b>
Operating income	211	424	68	(67.8)	1,793	1,149	(35.9)
Income tax	(51)	(239)	(70)	(37.3)	(838)	(572)	31.7
Income from equity affiliates and non-controlling interests	2	0	6	200.0	25	12	(52.0)
EBITDA	630	728	580	(7.9)	3,054	2,667	(12.7)
CAPITAL EXPENDITURES	608	791	777	27.8	2,317	2,843	22.7
EXPLORATION COSTS	293	129	226	(22.9)	654	734	12.2
EFFECTIVE TAX RATE (%)	24	56	103	79.0	47	50	3.3

International prices	4Q 2013	3Q 2014	4Q 2014	% Change 4Q14/4Q13	January - December 2013	January - December 2014	% Change 2014/2013
Brent (\$/Bbl)	109.2	101.9	76.6	(29.9)	108.7	98.9	(9.0)
WTI (\$/Bbl)	97.6	97.2	73.2	(25.0)	98.0	92.9	(5.2)
Henry Hub (\$/MBtu)	3.6	4.1	4.0	11.1	3.7	4.4	18.9
Average exchange rate (\$/€)	1.36	1.33	1.25	(8.1)	1.33	1.33	0.0

Production	4Q 2013	3Q 2014	4Q 2014	% Change 4Q14/4Q13	January - December 2013	January - December 2014	% Change 2014/2013
LIQUIDS (Thousands of bbl/d)	121	141	143	18.1	139	134	(3.3)
GAS <sup>(*)</sup> (Millions of scf/d)	1,123	1,261	1,283	14.2	1,162	1,237	6.5
<b>TOTAL (Thousands of boe/d)</b>	<b>321</b>	<b>366</b>	<b>371</b>	<b>15.7</b>	<b>346</b>	<b>355</b>	<b>2.5</b>

Realization prices	4Q 2013	3Q 2014	4Q 2014	% Change 4Q14/4Q13	January - December 2013	January - December 2014	% Change 2014/2013
CRUDE OIL (\$/Bbl)	85.6	84.3	61.3	(28.4)	88.7	79.6	(10.3)
GAS (\$/Thousands of scf)	4.1	3.6	3.6	(12.2)	4.0	3.8	(5.0)

(\*) 1,000 Mcf/d = 28.32 Mm<sup>3</sup>/d = 0.178 Mboe/d

**Adjusted net income** in the fourth quarter of 2014 stood at €4 million, a 98% decrease year-on-year, mainly as a consequence of the drop in crude oil realization prices, partially compensated by the increase in production.

The factors which explain the year-on-year performance are the following:

- Higher **production** in Brazil, Peru, Venezuela, the US, Bolivia, Trinidad and Tobago and Russia, contributed to an increase in the operating income of €124 million.



- Lower **crude oil and gas realization prices**, net of royalties, had a negative impact on the operating income of €232 million.
- Lower **exploration costs** impacted the operating income positively by €77 million, mainly as a result of lower amortization of dry wells. In the quarter, eight wells were concluded: three wells with a positive result (Seat-2 in Brazil; Buckskin-2 and Leon, in the US), two with a negative outcome and three wells were under evaluation. Additionally, the well Qugruk-4 in Alaska, and the wells in the block BM-S-7 in Brazil, concluded in previous exercises, have been classified as negative and written off during this quarter.
- Higher **depreciation and amortization** charges as a consequence of the increase in production, mainly in the US, Brazil, Trinidad and Tobago, Bolivia and Peru, reduced the operating income by €106 million.
- **Exchange rate variation**, as a result of the appreciation of the dollar against the euro, had a positive impact of €30 million.
- **Higher income tax expense** had a negative impact of €19 million, largely as a result of tax effects due to the depreciation of local currencies against the dollar in Venezuela and Brazil.
- **Income of equity affiliates and non-controlling interests and others** explain the remaining differences.

#### January – December 2014 results

**Adjusted net income** for the period January - December 2014 amounted to €589 million, 40% lower year-on-year, essentially as a consequence of lower production in Libya due to security reasons, and the drop in crude oil realization prices in the second half of the year.

Average **production** for the period January - December 2014 (355Kboe/d) was 3% higher than in 2013 (346 Kboe/d), mainly as a result of the increase in production in Brazil, the US, Bolivia, Peru and Russia, as following the start-up and ramp-up of the key growth projects, partially offset by the disruptions in Libya and the stoppages in Trinidad and Tobago due to drilling activity and maintenance. Excluding Libya from both exercises, production would have grown by 8%.

#### Capital expenditures

**Capital expenditure** in Upstream in the fourth quarter of 2014 amounted to €777 million, which represents a year-on-year growth of 28%; development capital expenditure accounted for 55% of the total investment and was concentrated in Brazil (25%), Venezuela (23%), Trinidad and Tobago (22%), the US (14%), and Bolivia (5%). Exploration capital expenditure represented 41% of the total and was earmarked primarily for the US (33%), Spain (24%), Angola (18%), Brazil (7%), and Rumania (6%).

**Capital expenditure** in Upstream in the period January - December 2014 totaled €2,843 million, a year-on-year growth of 23%. Development capital expenditure accounted for 58% of the total investment and was designated to USA (26%), Venezuela (22%), Trinidad and Tobago (18%), Brazil (18%) and Bolivia (7%). Exploration capital expenditure represented 37% of the total and was mainly concentrated in the US (34%), Angola (17%), Spain (9%), Brazil (8%), Russia (5%), Romania (4%), Namibia (3%) and Colombia (3%).

**DOWNSTREAM**
*(Unaudited figures)*

Results (€ Million)	4Q 2013	3Q 2014	4Q 2014	% Change 4Q14/4Q13	January - December 2013	January - December 2014	% Change 2014/2013
<b>ADJUSTED NET INCOME</b>	<b>21</b>	<b>190</b>	<b>370</b>	-	<b>479</b>	<b>1,012</b>	<b>111.3</b>
Operating income	54	276	581	-	678	1,488	119.5
Income tax	(44)	(85)	(210)	-	(237)	(468)	(97.5)
Income from equity affiliates and non-controlling interests	11	(1)	(1)	-	38	(8)	-
<b>MIFO RECURRENT NET INCOME</b>	<b>(43)</b>	<b>127</b>	<b>(119)</b>	<b>(176.1)</b>	<b>292</b>	<b>406</b>	<b>39.1</b>
Inventory effect	(64)	(63)	(489)	-	(187)	(606)	(223.9)
EBITDA	137	361	(25)	-	1,137	1,284	12.9
EBITDA CCS	234	464	738	215.4	1,420	2,231	57.1
CAPITAL EXPENDITURES	305	161	258	(15.4)	672	702	4.5
EFFECTIVE TAX RATE (%)	82	31	36	(45.7)	35	32	<b>(3.4)</b>

International prices (\$/Mbtu)	4Q 2013	3Q 2014	4Q 2014	% Change 4Q14/4Q13	January - December 2013	January - December 2014	% Change 2014/2013
Henry Hub	3.6	4.1	4.0	11.1	3.7	4.4	18.9
Algonquin	7.7	3.0	5.0	(35.1)	7.0	8.1	15.7

Operational data	4Q 2013	3Q 2014	4Q 2014	% Change 4Q14/4Q13	January - December 2013	January - December 2014	% Change 2014/2013
REFINING MARGIN INDICATOR IN SPAIN (\$/Bbl)	4.1	3.9	5.5	34.1	3.3	4.1	24.2
DISTILLATION UTILIZATION Spanish Refining (%)	71.7	84.8	80.1	11.7	78.1	80.8	3.5
CONVERSION UTILIZATION Spanish Refining (%)	94.4	106.6	105.5	11.8	98.7	102.4	3.7
OIL PRODUCT SALES (Thousands of tons)	10,747	11,387	11,056	2.9	43,177	43,586	0.9
PETROCHEMICAL PRODUCT SALES (Thousands of tons)	527	681	647	22.6	2,337	2,661	13.9
LPG SALES (Thousands of tons)	666	599	688	3.2	2,464	2,506	1.7
NORTH AMERICA NATURAL GAS SALES (TBtu)	60.9	61.1	63.0	3.4	184.3	273.7	48.5

**Adjusted net income** in the fourth quarter of 2014 amounted to €370 million, significantly higher year-on-year as compared to the fourth quarter of 2013 in which net income stood at €21 million.

The main factors driving the year-on-year earnings performance were:

- In **Refining**, higher utilization rates and, essentially, better refining margins as a result of the strengthening of the product spreads, both the ones indexed and the ones not indexed to crude oil price, except for naphtha, as well as lower energy costs, partially offset by the narrower spread between heavy crude oils and Brent. All these effects produced a positive impact on the operating income of €251 million.
- In **Chemicals**, the increased efficiency as a result of operational improvements in our sites and a better international price environment resulted in higher sales volumes and improved margins which generated a positive effect on the operating income of €126 million.

- In the commercial businesses, **Marketing and LPG**, operating income was €45 million higher year-on-year. Notably, in 4Q14 sales volumes in the Marketing business in Spain grew by 4% year-on-year.
- In **Gas & Power**, operational performance improved as a consequence of lower regasification costs and lower depreciation and amortization charges, as a result of the provisions booked in 2013, together with the positive impact of marking-to-market the contractual commitments for the natural gas commercialization in North America, being partially offset by lower margins and higher transportation costs. All in all, these effects produced a positive impact on the operating income of €102 million.
- Higher **income tax** expenses, driven mainly by the improved results, had a negative impact of €167 million.
- **Results in trading and other activities** explain the remaining difference.

#### January – December 2014 results

**Adjusted net income** for the period January - December 2014 was €1,012 million, 111% higher year-on-year. The improvement in results is mainly driven by a better performance in all the businesses. It is worth mentioning the improvement of the results of the petrochemicals unit as a result of higher volumes and increased efficiency as a consequence of the operational improvements accomplished in our sites.

#### Capital expenditure

**Capital expenditure** in the Downstream segment in the fourth quarter of 2014 totaled €258 million. Capital expenditures in the full year stood at €702 million.

**GAS NATURAL FENOSA**
*(Unaudited figures)*

Results (€ Million)	4Q 2013	3Q 2014	4Q 2014	% Change 4Q14/4Q13	January - December 2013	January - December 2014	% Change 2014/2013
ADJUSTED NET INCOME	99	92	67	(32.3)	458	441	(3.7)

**Adjusted net income** in the fourth quarter of 2014 amounted to €67 million, 32% lower than the same quarter of the previous year, largely due to the impairment booked in the Unión Fenosa Gas plant in Egypt, partially compensated by the positive impact of the reduction of corporate tax rate established by the Law 27/2014.

**January – December 2014 results**

**Adjusted net income** for 2014 stood at €441 million, 4% lower year-on-year, mainly as a consequence of the abovementioned fourth quarter events, together with lower results in power generation and commercialization, and gas distribution in Spain, affected by the new regulation, partially compensated by the capital gain generated in the sale of the telecommunications business and the improved performance of gas wholesales. On the other hand, results of Latin American businesses have been lower as a consequence of the depreciation of local currencies against the Euro.

**CORPORATE AND OTHERS**
*[Unaudited figures]*

Results (€ Million)	4Q 2013	3Q 2014	4Q 2014	% Change 4Q14/4Q13	January - December 2013	January - December 2014	% Change 2014/2013
<b>ADJUSTED NET INCOME</b>	<b>(159)</b>	<b>(52)</b>	<b>(71)</b>	<b>55.3</b>	<b>(574)</b>	<b>(335)</b>	<b>41.6</b>
Corporate and others operating income	(54)	(63)	(23)	57.4	(301)	(216)	28.2
Financial result	(123)	(12)	(85)	30.9	(476)	(273)	42.6
Income tax	18	23	37	105.6	203	154	(24.1)
<b>EBITDA</b>	<b>(40)</b>	<b>(42)</b>	<b>(4)</b>	<b>90.0</b>	<b>(223)</b>	<b>(151)</b>	<b>32.3</b>
<b>CAPITAL EXPENDITURES</b>	<b>17</b>	<b>9</b>	<b>49</b>	<b>188.2</b>	<b>53</b>	<b>88</b>	<b>66.0</b>
<b>EFFECTIVE TAX RATE (%)</b>	<b>(10)</b>	<b>(32)</b>	<b>(34)</b>	<b>(23.8)</b>	<b>(26)</b>	<b>(32)</b>	<b>(5.9)</b>

**CORPORATE AND OTHERS**

**Corporate and others** accounted for a net expense of €23 million in the fourth quarter of 2014, compared to a net expense of €54 million in the same quarter of last year. The year-on-year variation is largely attributable to the result associated to the trading of CO<sub>2</sub> emission rights.

**January – December 2014 results**

The **operating income** in the full year 2014 was a net loss of €216 million, which meant an improvement of €85 million compared to the 2013, mainly as a consequence of the result associated to the trading of CO<sub>2</sub> emissions rights.

**FINANCIAL RESULTS**
*[Unaudited figures]*

Results (€ Million)	4Q 2013	3Q 2014	4Q 2014	% Change 4Q14/4Q13	January - December 2013	January - December 2014	% Change 2014/2013
NET INTERESTS	(101)	(71)	(62)	38.6	(436)	(309)	29.1
OTHER CAPTIONS	(22)	59	(23)	(4.5)	(40)	36	-
<b>TOTAL</b>	<b>(123)</b>	<b>(12)</b>	<b>(85)</b>	<b>30.9</b>	<b>(476)</b>	<b>(273)</b>	<b>42.6</b>

**Net financial expense** in fourth quarter 2014 totaled €85 million, an improvement of 31% year-on-year, mainly due to the positive effect of the dollar's appreciation against the euro and lower debt interest expenses.

**January – December 2014 results**

**Net financial result** for 2014 amounted to a net expense of €273 million, improving €203 million year-on-year, mainly due to the positive effect of the dollar's appreciation against the euro and the reduction of the average cost of debt.

**NET INCOME ANALYSIS: NON-RECURRING ITEMS AND DISCONTINUED OPERATIONS**
**NON-RECURRING INCOME**
*(Unaudited figures)*

Results (€ Million)	4Q 2013	3Q 2014	4Q 2014	% Change 4Q14/4Q13	January - December 2013	January - December 2014	% Change 2014/2013
NON-RECURRING INCOME / (LOSSES)	(156)	(32)	(245)	(57.1)	(277)	(86)	69.0

The **non-recurring items** in the fourth quarter of 2014 resulted in a net loss of €245 million, compared to a net expense of €156 million in the same quarter of last year. Results in the fourth quarter are essentially comprised by impairments and provisions registered in the Upstream business, due to the evolution of oil prices, and mainly on assets in Ecuador, Midcontinent and Reganne for €129 million, €60 million and €39 million, respectively.

**January – December 2014 results**

Accumulated result of **non-recurring items** in 2014 was a net loss of €86 million compared with the net loss of €277 million in the same period of 2013. In 2014 this caption largely includes the capital gains from the sale of the non-expropriated YPF shares, the sale of TGP in Peru and the cancelation of the LNG transportation contract with Naturgas, which could not totally offset the impairment and provisions booked in the Upstream business.

**DISCONTINUED OPERATIONS**
*(Unaudited figures)*

Results (€ Million)	4Q 2013	3Q 2014	4Q 2014	% Change 4Q14/4Q13	January - December 2013	January - December 2014	% Change 2014/2013
INCOME FROM DISCONTINUED OPERATIONS	(995)	(1)	330	-	(684)	597	-

**Net income from discontinued operations** in the fourth quarter of 2014 stood at €330 million, including essentially the fiscal impact of the expropriation of YPF and YPF Gas. In the fourth quarter of 2013 it included the net contribution of the LNG businesses sold and the impairment of the YPF and YPF Gas assets subject to expropriation.

**January – December 2014 results**

Accumulated **net income from discontinued operations** incorporates, among others, the net gain from the sale of Repsol Comercializadora de Gas, S.A. assets and the results associated to the expropriation of YPF and YPF Gas. Over the same period of 2013, it mainly included the net income contribution of the LNG businesses sold or classified as assets available for sale as of the 31 of December 2013, as well as the capital gain of the sale of such LNG assets, alongside with the impairment registered in relationship with the North American LNG assets.

**NET DEBT EVOLUTION AND LIQUIDITY**

This section presents the movement in the Group's adjusted net debt and liquidity:

**NET DEBT EVOLUTION**

*[Unaudited figures]*

NET DEBT EVOLUTION (€ Million)	4Q 2014	January - December 2014
<b>NET DEBT AT THE START OF THE PERIOD</b>	<b>1,998</b>	<b>5,358</b>
EBITDA	(551)	(3,800)
CHANGE IN WORKING CAPITAL	(903)	(927)
INCOME TAX RECEIVED /PAID <sup>(1)</sup>	127	956
INVESTMENTS <sup>(2)</sup>	1,097	3,729
DIVESTMENTS	(19)	(219)
DIVIDENDS PAID AND OTHER PAYOUTS	1	1,712
OWN SHARES TRANSACTIONS	109	82
FOREIGN EXCHANGE RATE EFFECT	(194)	(597)
INTEREST AND OTHER MOVEMENTS <sup>(3)</sup>	270	682
EFFECTS ASSOCIATED WITH THE SALE OF LNG	0	(517)
EFFECTS ASSOCIATED WITH THE EXPROPRIATION OF YPF <sup>(4)</sup>	0	(4,524)
<b>NET DEBT AT THE END OF THE PERIOD</b>	<b>1,935</b>	<b>1,935</b>
		<b>2014</b>
NET DEBT / CAPITAL EMPLOYED (%)		6.4
ROACE (%) <sup>(5)</sup>		4.4
EBITDA /NET DEBT (x)		2.0

(1) In the period January – December 2014, it includes €308 million related to the gains on the assets divested.

(2) As of December 31, 2014, the Group had financial investments amounting to €1,523 million, out of which €1,504 million correspond to deposits in financial institutions classified as financial investments on account of their term structure; however, from a management perspective such deposits are considered as cash equivalent given their high liquidity.

(3) Mainly includes interest expense on borrowings, dividends received, and provisions used.

(4) Mainly includes €4,592 million corresponding to the monetization of the bonds of the Republic of Argentina and the sale of the non-expropriated stake in YPF.

(5) ROACE at CCS is 6.6%



The Group's **net debt** at the end of the fourth quarter of 2014 stood at €1,935 million, down €63 million and €3,423 million compared to the end of the third quarter of 2014 and the end of the fourth quarter of 2013, respectively. It is worth mentioning that operating cash flow generated in the quarter totally covered the disbursement of capital expenditures, dividends and interests on debt. Net debt to capital employed ratio stood at 6.4% at the end of the fourth quarter 2014.

### **LIQUIDITY**

The Group has a **liquidity position** of €9,844 million (including committed and unused credit lines, and deposits at financial institutions with immediate liquidity), sufficient to cover short-term debt maturities 7.6 times.

**RELEVANT EVENTS**

The most significant company-related events since the third-quarter 2014 earnings release were as follows:

In **Upstream**, in November 2014 the north area of the Sapinhoá field, in BM-S-9 block, came on stream with the connection of the first producing well to the FPSO “Cidade de Ilhabela.” Plateau production of 150 Kbb/d in the North area will be achieved towards the end of 2015.

In November 2014, after obtaining all necessary regulatory approvals, the Rowan Renaissance drillship started drilling the Sandia-1x well. This drillship, with cutting-edge ultra-deep technology, is one of the most modern and safe in the world and is one of the two drillships contracted by Repsol in 2012 for its offshore campaign. The Sandia -1x well was completed in January 2015. The analysis of samples obtained showed the presence of gas but without the necessary volume nor quality to consider future commercial exploitation.

In **Corporation**, on 26 November 2014, Repsol International Finance, B.V. closed a 500 million euro 12 years bond at 99.709 per cent, with a coupon of 2.25 per cent equivalent to mid swap + 113 b.p., and listed on the Luxembourg Stock Exchange.

On 26 November 2014, The Board of Directors approved the payment of a dividend to its shareholders within the framework of the Repsol Flexible Dividend Program, and in replacement of the interim dividend of 2014, equivalent to € 0.50 gross per share under a scrip dividend scheme and subject to the applicable rounding in accordance with the formula approved by the Annual General Shareholders’ Meeting held on 28 March 2014. To this end, and in accordance with the duties conferred by the Shareholders’ Meeting, the Board approved the timetable for the execution of the paid-up capital increase approved by the Shareholders’ Meeting under item 6th of the Agenda and to fix the reference value of the capital increase (“Amount of the Alternative Option”) at € 675,136,195.

On 16 December 2014 Repsol announced the agreement reached to acquire 100% of Canadian oil company Talisman Energy worth US\$8.3 billion (€6.64 billion) plus debt. The transaction was unanimously approved and recommended by the Boards of Directors of Talisman Energy and Repsol. The acquisition will be financed with cash, essentially obtained from the recovery of value from YPF following its expropriation (US\$6.3 billion) as well as other sources of liquidity available to the company. The transaction was based on an offer of US\$8 (€6.4) per share.

On 17 December 2014, following the resolutions approved on 26 November, 2014, the Board of Directors of the Company agreed to implement the aforementioned capital increase in the framework of the Repsol Flexible Dividend Program. The number of free-of-charge allocation rights needed to receive one new share is 34 and the guaranteed price of Repsol’s purchase commitment of rights (the “Purchase Commitment”) is €0.472 gross per right.

On 9 January 2014, the Company reported the end of the trading period of the free-of-charge allocation rights corresponding to the paid up capital increase. Holders of 61.49% of free-of-charge allocation rights opted to receive new shares of Repsol. Therefore, the final number of shares of one (1) euro par value

issued in the capital increase is 24,421,828, representing an increase of approximately 1.81% of the share capital of Repsol before the capital increase. Moreover, during the period established for that purpose, holders of 38.51% of free-of-charge allocation rights accepted the irrevocable commitment to purchase rights taken by Repsol. Consequently, Repsol acquired rights for a total gross amount of €245 million. Repsol waived the shares corresponding to the free-of-charge allocation rights acquired by virtue of the mentioned commitment.

On 19 January 2015, Repsol's "Trading Statement" was published; it provides provisional information for the fourth quarter of 2014 including data on the economic environment as well as company performance during the period.

On 28 January 2015, Repsol's Board of Directors resolved:

- The appointment of international energy market expert J. Robinson West as an independent director and as a member of the Delegate Committee.
- The appointment of an independent director Mario Fernández as member of the Audit and Control Committee.

On 18 February 2015, Repsol announced that the Shareholders' Meeting of Talisman, in a special session held that same day in Calgary (Canada), had approved the transaction of the Canadian company announced on 16 December 2014 by 99.36% of the ordinary shares present or represented in the meeting. Additionally, 99.8% of Talisman's preferred shares present or represented at the Shareholders' Meeting voted in favor of the transaction, fulfilling the condition for their inclusion in the transaction. Subject to compliance with the conditions and regulatory approvals described in the Arrangement Agreement, it is anticipated that the completion of the transaction will occur most probably in the second quarter of 2015.

**Madrid, February 26<sup>th</sup>, 2015**

A conference call has been scheduled for research analysts and institutional investors for today, 26 February 2015 at 1300 (CET) to report on the Repsol Group's fourth-quarter and full year 2014 results. Shareholders and anyone else interested can follow the call live through Repsol's corporate website ([www.repsol.com](http://www.repsol.com)). A full recording of the event will also be available to shareholders and investors and any other interested party at [www.repsol.com](http://www.repsol.com) for a period of no less than one month from the date of the live broadcast.

**APPENDIX I – FINANCIAL METRICS AND  
OPERATING INDICATORS BY SEGMENT**

**FOURTH QUARTER 2014**

**ADJUSTED NET INCOME BY BUSINESS SEGMENTS**
*(Unaudited figures)*

€ Million	4Q 2013							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Non Recurrent	Net Income
Upstream	211	-	(51)	2	162	-	(2)	160
Downstream	54	-	(44)	11	21	(64)	(122)	(165)
Gas Natural Fenosa	-	-	-	99	99	-	(2)	97
Corporation & Others	(54)	(123)	18	-	(159)	-	(30)	(189)
<b>TOTAL</b>	<b>211</b>	<b>(123)</b>	<b>(77)</b>	<b>112</b>	<b>123</b>	<b>(64)</b>	<b>(156)</b>	<b>97</b>
Income from discontinued operations							(995)	(995)
<b>NET INCOME</b>							<b>(1,151)</b>	<b>(1,092)</b>

€ Million	3Q 2014							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Non Recurrent	Net Income
Upstream	424	-	(239)	-	185	-	(35)	150
Downstream	276	-	(85)	(1)	190	(63)	2	129
Gas Natural Fenosa	-	-	-	92	92	-	-	92
Corporation & Others	(63)	(12)	23	-	(52)	-	1	(51)
<b>TOTAL</b>	<b>637</b>	<b>(12)</b>	<b>(301)</b>	<b>91</b>	<b>415</b>	<b>(63)</b>	<b>(32)</b>	<b>320</b>
Income from discontinued operations							(1)	(1)
<b>NET INCOME</b>							<b>(33)</b>	<b>319</b>

€ Million	4Q 2014							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Non Recurrent	Net Income
Upstream	68	-	(70)	6	4	-	(418)	(414)
Downstream	581	-	(210)	(1)	370	(489)	44	(75)
Gas Natural Fenosa	-	-	-	67	67	-	-	67
Corporation & Others	(23)	(85)	37	-	(71)	-	129	58
<b>TOTAL</b>	<b>626</b>	<b>(85)</b>	<b>(243)</b>	<b>72</b>	<b>370</b>	<b>(489)</b>	<b>(245)</b>	<b>(364)</b>
Income from discontinued operations							330	330
<b>NET INCOME</b>							<b>85</b>	<b>(34)</b>

€ Million	JANUARY-DECEMBER 2013							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Non Recurrent	Net Income
Upstream	1,793	-	(838)	25	980	-	(167)	813
Downstream	678	-	(237)	38	479	(187)	(63)	229
Gas Natural Fenosa	-	-	-	458	458	-	(25)	433
Corporation & Others	(301)	(476)	203	-	(574)	-	(22)	(596)
<b>TOTAL</b>	<b>2,170</b>	<b>(476)</b>	<b>(872)</b>	<b>521</b>	<b>1,343</b>	<b>(187)</b>	<b>(277)</b>	<b>879</b>
Income from discontinued operations							(684)	(684)
<b>NET INCOME</b>							<b>(961)</b>	<b>195</b>

€ Million	JANUARY-DECEMBER 2014							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Non Recurrent	Net Income
Upstream	1,149	-	(572)	12	589	-	(569)	20
Downstream	1,488	-	(468)	(8)	1,012	(606)	92	498
Gas Natural Fenosa	-	-	-	441	441	-	(2)	439
Corporation & Others	(216)	(273)	154	-	(335)	-	393	58
<b>TOTAL</b>	<b>2,421</b>	<b>(273)</b>	<b>(886)</b>	<b>445</b>	<b>1,707</b>	<b>(606)</b>	<b>(86)</b>	<b>1,015</b>
Income from discontinued operations							597	597
<b>NET INCOME</b>							<b>511</b>	<b>1,612</b>

**OPERATING RESULT BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS**
*(Unaudited figures)*

€ Million	QUARTERLY DATA			JANUARY - DECEMBER	
	4Q13	3Q14	4Q14	2013	2014
<b>UPSTREAM</b>	<b>211</b>	<b>424</b>	<b>68</b>	<b>1,793</b>	<b>1,149</b>
USA and Brazil	(60)	152	(86)	208	267
North Africa	84	125	67	761	243
Rest of the World	187	147	87	824	639
<b>DOWNSTREAM</b>	<b>54</b>	<b>276</b>	<b>581</b>	<b>678</b>	<b>1,488</b>
Europe	22	300	409	463	1,106
Rest of the World	32	(24)	172	215	382
<b>CORPORATE AND OTHERS</b>	<b>(54)</b>	<b>(63)</b>	<b>(23)</b>	<b>(301)</b>	<b>(216)</b>
<b>TOTAL</b>	<b>211</b>	<b>637</b>	<b>626</b>	<b>2,170</b>	<b>2,421</b>

**ADJUSTED NET INCOME BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS**
*[Unaudited figures]*

€ Million	QUARTERLY DATA			JANUARY - DECEMBER	
	4Q13	3Q14	4Q14	2013	2014
<b>UPSTREAM</b>	<b>162</b>	<b>185</b>	<b>4</b>	<b>980</b>	<b>589</b>
USA and Brazil	(48)	69	(78)	90	145
North Africa	27	32	16	227	25
Rest of the World	183	84	66	663	419
<b>DOWNSTREAM</b>	<b>21</b>	<b>190</b>	<b>370</b>	<b>479</b>	<b>1,012</b>
Europe	18	213	272	363	784
Rest of the World	3	(23)	98	116	228
<b>GAS NATURAL FENOSA</b>	<b>99</b>	<b>92</b>	<b>67</b>	<b>458</b>	<b>441</b>
<b>CORPORATE AND OTHERS</b>	<b>(159)</b>	<b>(52)</b>	<b>(71)</b>	<b>(574)</b>	<b>(335)</b>
<b>TOTAL</b>	<b>123</b>	<b>415</b>	<b>370</b>	<b>1,343</b>	<b>1,707</b>



**EBITDA BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS**
*[Unaudited figures]*

€ Million	QUARTERLY DATA			JANUARY - DECEMBER	
	4Q13	3Q14	4Q14	2013	2014
<b>UPSTREAM</b>	<b>630</b>	<b>728</b>	<b>580</b>	<b>3,054</b>	<b>2,667</b>
USA and Brazil	194	264	237	768	987
North Africa	93	133	77	823	345
Rest of the World	343	331	266	1,463	1,335
<b>DOWNSTREAM<sup>(1)</sup></b>	<b>137</b>	<b>361</b>	<b>(25)</b>	<b>1,137</b>	<b>1,284</b>
Europe	79	385	(115)	815	948
Rest of the World	58	(24)	90	322	336
<b>CORPORATE AND OTHERS</b>	<b>(40)</b>	<b>(42)</b>	<b>(4)</b>	<b>(223)</b>	<b>(151)</b>
<b>TOTAL<sup>(1)</sup></b>	<b>727</b>	<b>1,047</b>	<b>551</b>	<b>3,968</b>	<b>3,800</b>
<b>(1) EBITDA CCS M€</b>					
<b>DOWNSTREAM</b>	<b>234</b>	<b>464</b>	<b>738</b>	<b>1,420</b>	<b>2,231</b>
<b>TOTAL</b>	<b>824</b>	<b>1,150</b>	<b>1,314</b>	<b>4,251</b>	<b>4,747</b>

**CAPEX BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS**
*(Unaudited figures)*

€ Million	QUARTERLY DATA			JANUARY - DECEMBER	
	4Q13	3Q14	4Q14	2013	2014
<b>UPSTREAM</b>	<b>608</b>	<b>791</b>	<b>777</b>	<b>2,317</b>	<b>2,843</b>
USA and Brazil	292	338	307	1,191	1,298
North Africa	30	9	31	78	79
Rest of the World	286	444	439	1,048	1,466
<b>DOWNSTREAM</b>	<b>305</b>	<b>161</b>	<b>258</b>	<b>672</b>	<b>702</b>
Europe	272	135	211	585	576
Rest of the World	33	26	47	87	126
<b>CORPORATE AND OTHERS</b>	<b>17</b>	<b>9</b>	<b>49</b>	<b>53</b>	<b>88</b>
<b>TOTAL</b>	<b>930</b>	<b>961</b>	<b>1,084</b>	<b>3,042</b>	<b>3,633</b>

**CAPITAL EMPLOYED BY BUSINESS SEGMENTS**
*[Unaudited figures]*

€ Million	JANUARY - DECEMBER	
	2013	2014
Upstream	9,526	11,167
Downstream	12,020	11,492
Gas Natural Fenosa	4,357	4,567
Corporate and others	1,711	2,863
<b>TOTAL CAPITAL EMPLOYED BY SEGMENTS</b>	<b>27,614</b>	<b>30,089</b>
Capital employed from discontinued operations	5,192	
<b>TOTAL</b>	<b>32,806</b>	<b>30,089</b>

**OPERATING INDICATORS**

**FOURTH QUARTER 2014**

**UPSTREAM OPERATING INDICATORS**

	Unit	1Q 2013	2Q 2013	3Q 2013	4Q 2013	January - December 2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014	January - December 2014	% Variation 4Q14/4Q13	% Variation 2014/2013
<b>HYDROCARBON PRODUCTION</b>	<b>Kboe/d</b>	<b>360.3</b>	<b>359.1</b>	<b>343.8</b>	<b>320.7</b>	<b>345.8</b>	<b>341.8</b>	<b>338.1</b>	<b>365.9</b>	<b>371.1</b>	<b>354.5</b>	<b>15.7</b>	<b>2.5</b>
<b>Liquids production</b>	<b>Kboe/d</b>	<b>150.8</b>	<b>149.0</b>	<b>135.1</b>	<b>120.7</b>	<b>138.8</b>	<b>130.7</b>	<b>121.5</b>	<b>141.4</b>	<b>142.6</b>	<b>134.2</b>	<b>18.1</b>	<b>(3.3)</b>
USA and Brazil	Kboe/d	33.2	34.9	33.7	32.4	33.5	36.8	44.9	43.8	51.9	44.4	60.1	32.2
North of Africa	Kboe/d	43.1	40.7	26.9	14.8	31.3	21.1	2.1	23.3	15.2	15.4	2.6	(50.7)
Rest of the World	Kboe/d	74.5	73.4	74.5	73.5	74.0	72.9	74.5	74.3	75.5	74.4	2.7	0.6
<b>Natural gas production</b>	<b>Kboe/d</b>	<b>209.5</b>	<b>210.1</b>	<b>208.7</b>	<b>200.0</b>	<b>207.0</b>	<b>211.1</b>	<b>216.6</b>	<b>224.5</b>	<b>228.5</b>	<b>220.3</b>	<b>14.2</b>	<b>6.5</b>
USA and Brazil	Kboe/d	3.6	4.1	4.7	5.2	4.4	5.4	7.7	8.4	10.3	8.0	97.5	80.6
North of Africa	Kboe/d	5.3	5.8	5.3	5.1	5.4	5.7	4.8	4.8	6.1	5.4	20.0	(0.1)
Rest of the World	Kboe/d	200.6	200.2	198.7	189.7	197.2	199.9	204.1	211.3	212.1	207.0	11.8	5.0
<b>Natural gas production</b>	<b>Mscf/d</b>	<b>1,176.3</b>	<b>1,179.7</b>	<b>1,171.9</b>	<b>1,123.0</b>	<b>1,162.0</b>	<b>1,185.3</b>	<b>1,216.4</b>	<b>1,260.6</b>	<b>1,282.9</b>	<b>1,237.2</b>	<b>14.2</b>	<b>6.5</b>

**DOWNSTREAM OPERATING INDICATORS**

	Unit	1Q 2013	2Q 2013	3Q 2013	4Q 2013	Jan - Dec 2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014	Jan - Dec 2014	% Variation 4Q14/4Q13	% Variation 2014/2013
<b>PROCESSED CRUDE OIL</b>	Mtoe	9.5	9.8	10.0	8.8	38.1	9.1	10.1	10.4	9.9	39.5	12.6	3.7
Europe	Mtoe	8.8	8.9	9.2	8.1	35.0	8.2	9.3	9.6	9.0	36.2	11.8	3.4
Rest of the world	Mtoe	0.7	0.9	0.8	0.7	3.1	0.8	0.8	0.8	0.8	3.3	22.5	7.0
<b>SALES OF OIL PRODUCTS</b>	Kt	10,136	11,154	11,140	10,747	43,177	9,845	11,298	11,387	11,056	43,586	2.9	0.9
<b>Europe Sales</b>	Kt	9,105	10,043	10,124	9,794	39,066	8,803	10,243	10,278	9,991	39,315	2.0	0.6
<b>Own network</b>	Kt	4,493	4,747	5,061	4,869	19,170	4,574	4,772	5,080	5,104	19,530	4.8	1.9
Light products	Kt	3,893	4,098	4,333	4,263	16,587	3,985	4,062	4,390	4,409	16,846	3.4	1.6
Other Products	Kt	600	649	728	606	2,583	589	710	690	695	2,684	14.7	3.9
<b>Other Sales to Domestic Market</b>	Kt	1,584	1,583	1,722	1,845	6,734	1,706	1,924	1,812	1,887	7,329	2.3	8.8
Light products	Kt	1,532	1,525	1,684	1,743	6,484	1,629	1,878	1,755	1,665	6,927	(4.5)	6.8
Other Products	Kt	52	58	38	102	250	77	46	57	222	402	117.6	60.8
<b>Exports</b>	Kt	3,028	3,713	3,341	3,080	13,162	2,523	3,547	3,386	3,000	12,456	(2.6)	(5.4)
Light products	Kt	1,055	1,459	1,164	905	4,583	632	1,286	1,301	1,247	4,466	37.8	(2.6)
Other Products	Kt	1,973	2,254	2,177	2,175	8,579	1,891	2,261	2,085	1,753	7,990	(19.4)	(6.9)
<b>Rest of the world sales</b>	Kt	1,031	1,111	1,016	953	4,111	1,042	1,055	1,109	1,065	4,271	11.8	3.9
<b>Own network</b>	Kt	495	567	555	592	2,209	490	542	525	517	2,074	(12.7)	(6.1)
Light products	Kt	460	500	506	513	1,979	450	489	490	480	1,909	(6.4)	(3.5)
Other Products	Kt	35	67	49	79	230	40	53	35	37	165	(53.2)	(28.3)
<b>Other Sales to Domestic Market</b>	Kt	377	357	259	151	1,144	333	319	330	289	1,271	91.4	11.1
Light products	Kt	280	280	205	128	893	274	274	295	254	1,097	98.4	22.8
Other Products	Kt	97	77	54	23	251	59	45	35	35	174	52.2	(30.7)
<b>Exports</b>	Kt	159	187	202	210	758	219	194	254	259	926	23.3	22.2
Light products	Kt	66	70	61	86	283	80	124	97	89	390	3.5	37.8
Other Products	Kt	93	117	141	124	475	139	70	157	170	536	37.1	12.8
<b>CHEMICALS</b>													
<b>Sales of petrochemical products</b>	Kt	513	684	613	527	2,337	653	680	681	647	2,661	22.6	13.9
<b>Europe</b>	Kt	439	594	522	468	2,023	558	547	566	550	2,221	17.5	9.8
Base	Kt	121	210	173	158	661	205	188	203	180	775	13.7	17.2
Derivative	Kt	318	384	349	310	1,361	353	360	363	370	1,446	19.4	6.2
<b>Rest of the world</b>	Kt	74	91	91	59	315	96	133	115	97	441	63.1	40.1
Base	Kt	12	16	19	9	57	12	39	32	17	100	77.2	75.7
Derivative	Kt	62	75	72	50	258	84	94	83	80	341	60.4	32.2
<b>LPG sales</b>	Kt	683	590	525	666	2,464	670	549	599	688	2,506	3.2	1.7
Europe	Kt	446	332	247	387	1,413	420	301	332	420	1,474	8.5	4.3
Rest of the world	Kt	237	258	278	279	1,051	250	248	267	267	1,033	(4.2)	(1.7)

Other sales to the domestic market: includes sales to operators and bunker  
Exports: expressed from the country of origin

**APPENDIX II – CONSOLIDATED FINANCIAL  
STATEMENTS**

**FOURTH QUARTER 2014**

**STATEMENT OF FINANCIAL POSITION**

[€ millions]  
[Unaudited figures]  
Prepared according to International Financial Reporting Standards (IFRS)

	DECEMBER	DECEMBER
	2013	2014
<b>NON-CURRENT ASSETS</b>		
Goodwill	490	498
Other intangible assets	1,239	1,361
Property, plant and equipment	16,026	17,141
Investment property	24	23
Investments accounted for using the equity method	10,340	11,110
Non-current assets held for sale subject to expropriation	3,625	0
Non-current financial assets :		
Non-current financial instruments	665	532
Others	1,223	61
Deferred tax assets	4,079	3,967
Other non-current assets	60	155
<b>CURRENT ASSETS</b>		
Non-current assets held for sale	1,692	98
Inventories	4,938	3,931
Trade and other receivables	4,935	5,685
Other current assets	141	176
Other current financial assets	354	2,513
Cash and cash equivalents	5,716	4,638
<b>TOTAL ASSETS</b>	<b>55,547</b>	<b>51,889</b>
<b>TOTAL EQUITY</b>		
Attributable to equity holders of the parent	27,207	27,937
Attributable to minority interests	243	217
<b>NON-CURRENT LIABILITIES</b>		
Grants	10	9
Non-current provisions	2,700	2,386
Non-current financial debt	8,469	7,612
Deferred tax liabilities	1,866	1,684
Other non-current liabilities		
Non-current debt for finance leases	1,263	1,414
Other	413	387
<b>CURRENT LIABILITIES</b>		
Liabilities related to non-current assets held for sale	1,457	0
Current provisions	249	240
Current financial liabilities	5,833	4,086
Trade payables and other payables:		
Current debt for finance leases	154	176
Other payables	5,683	5,741
<b>TOTAL LIABILITIES</b>	<b>55,547</b>	<b>51,889</b>



**INCOME STATEMENT**
*[€ millions]*
*[Unaudited figures]*
*Prepared according to International Financial Reporting Standards (IFRS)*

	QUARTERLY DATA			JANUARY - DECEMBER	
	4Q 2013	3Q 2014	4Q 2014	2013	2014
<b>Operating income</b>	<b>(122)</b>	<b>306</b>	<b>(658)</b>	<b>959</b>	<b>78</b>
Financial result	(128)	12	(70)	(482)	152
Income from equity affiliates	186	158	55	805	892
<b>Net income before tax</b>	<b>(64)</b>	<b>476</b>	<b>(673)</b>	<b>1,282</b>	<b>1,122</b>
Income tax	(46)	(160)	264	(431)	(146)
<b>Net income from continuing operations</b>	<b>(110)</b>	<b>316</b>	<b>(409)</b>	<b>851</b>	<b>976</b>
Net income from non-controlling interest	13	4	45	28	39
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>(97)</b>	<b>320</b>	<b>(364)</b>	<b>879</b>	<b>1,015</b>
Net income for the year from discontinuing operations	(995)	(1)	330	(684)	597
<b>NET INCOME</b>	<b>(1,092)</b>	<b>319</b>	<b>(34)</b>	<b>195</b>	<b>1,612</b>
<b>Earning per share attributable to the parent company (*)</b>					
Euros/share	(0.79)	0.23	(0.02)	0.14	1.17
USD/ADR	(1.10)	0.29	(0.03)	0.20	1.42
Average number of shares	1,373,597,606	1,374,459,153	1,372,459,498	1,362,884,192	1,373,577,891
Exchange rates USD/EUR at the end of each quarter	1.38	1.26	1.21	1.38	1.21

(\*) A capital increase for the shareholder's remuneration scheme known as "Repsol dividendo flexible" was carried out in January 2013, July 2013, January 2014, July 2014 and January 2015 accordingly, share capital is currently represented by 1,374,694,217 shares. The average weighted number of outstanding shares for the presented periods was recalculated in comparison with the previous periods to include the impact of this capital increase in accordance with IAS 33 "Earnings per share". The average number of shares held by the company during each period was also taken into account.

## CASH FLOW STATEMENT

[€ millions]

[Unaudited figures]

Prepared according to International Financial Reporting Standards (IFRS)

	JANUARY - DECEMBER	
	2013	2014
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES (*)</b>		
Net income before taxes	1,282	1,122
Adjustments to net income		
Depreciation and amortisation of non current assets	1,520	1,796
Other adjustments to results (net)	(53)	(386)
<b>EBITDA</b>	<b>2,749</b>	<b>2,532</b>
Changes in working capital	(275)	966
Dividends received	628	530
Income taxes received/ (paid)	(425)	(611)
Other proceeds from/ ( payments for) operating activities	(111)	(234)
<b>OTHER CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES</b>	<b>92</b>	<b>(315)</b>
	<b>2,566</b>	<b>3,183</b>
<b>II. CASH FLOWS USED IN INVESTMENT ACTIVITIES (*)</b>		
Payments for investment activities		
Group companies, associates and business units	(143)	(18)
Property, plant and equipment, intangible assets and investment properties	(1,992)	(2,606)
Other financial assets	(200)	(1,576)
Total investments	<b>(2,335)</b>	<b>(4,200)</b>
Proceeds from divestments	268	4,792
Other cashflow	0	4
	<b>(2,067)</b>	<b>596</b>
<b>III. CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES (*)</b>		
Proceeds from/ (payments for) equity instruments	1,014	(82)
Proceeds from issue of financial liabilities	7,141	4,488
Payments for financial liabilities	(8,267)	(7,672)
Payments for dividends and payments on other equity instruments	(470)	(1,712)
Interest payments	(591)	(610)
Other proceeds from/(payments for) financing activities	(435)	136
	<b>(1,608)</b>	<b>(5,452)</b>
<b>Effect of changes in exchange rates from continued operations</b>	<b>(18)</b>	<b>147</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUED OPERATIONS</b>	<b>(1,127)</b>	<b>(1,526)</b>
Cash flows from operating activities from discontinued operations	110	(86)
Cash flows from investment activities from discontinued operations	2,378	535
Cash flows from financing activities from discontinued operations	249	(1)
Effect of changes in exchange rates from discontinued operations	(2)	0
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS</b>	<b>2,735</b>	<b>448</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>4,108</b>	<b>5,716</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>5,716</b>	<b>4,638</b>

(\*) Cash flows from continued operations

**2013 RESTATED STATEMENT OF FINANCIAL POSITION**
*(€ millions)*
*(Unaudited figures)*
*Prepared according to International Financial Reporting Standards (IFRS)*

	DECEMBER	ADJUSTMENTS	DECEMBER
	2013 Published	2013	2013 Restated (*)
<b>NON-CURRENT ASSETS</b>			
Goodwill	2,648	(2,158)	490
Other intangible assets	2,677	(1,438)	1,239
Property, plant and equipment	26,244	(10,218)	16,026
Investment property	24	0	24
Investments accounted for using the equity method	412	9,928	10,340
Non-current assets held for sale subject to expropriation	3,625	0	3,625
Non-current financial assets:			
Non-current financial instruments	398	267	665
Others	1,404	(181)	1,223
Deferred tax assets	4,897	(818)	4,079
Other non-current assets	253	(193)	60
<b>CURRENT ASSETS</b>			
Non-current assets held for sale	1,851	(159)	1,692
Inventories	5,256	(318)	4,938
Trade and other receivables	7,726	(2,791)	4,935
Other current assets	144	(3)	141
Other current financial assets	93	261	354
Cash and cash equivalents	7,434	(1,718)	5,716
<b>TOTAL ASSETS</b>	<b>65,086</b>	<b>(9,539)</b>	<b>55,547</b>
<b>TOTAL EQUITY</b>			
Attributable to equity holders of the parent	27,207	0	27,207
Attributable to minority interests	713	(470)	243
<b>NON-CURRENT LIABILITIES</b>			
Grants	66	(56)	10
Non-current provisions	3,625	(925)	2,700
Non-current financial debt	13,125	(4,656)	8,469
Deferred tax liabilities	3,352	(1,486)	1,866
Other non-current liabilities			
Non-current debt for finance leases	1,427	(164)	1,263
Other	752	(339)	413
<b>CURRENT LIABILITIES</b>			
Liabilities related to non-current assets held for sale	1,533	(76)	1,457
Current provisions	303	(54)	249
Current financial liabilities	4,519	1,314	5,833
Trade payables and other payables:			
Current debt for finance leases	170	(16)	154
Other payables	8,294	(2,611)	5,683
<b>TOTAL LIABILITIES</b>	<b>65,086</b>	<b>(9,539)</b>	<b>55,547</b>

(\*) The balance sheet as of December 2013 has been restated for comparative purposes due to the application NIIF 11 "Joint Arrangements" since 01/01/2014.

**4Q 2013 AND JANUARY - DECEMBER 2013 RESTATED INCOME STATEMENT**

[€ millions]  
[Unaudited figures]  
Prepared according to International Financial Reporting Standards (IFRS)

	January - December 2013 Published	Adjustments	January - December 2013 Restated (*)
<b>Operating income</b>	<b>3,343</b>	<b>(2,384)</b>	<b>959</b>
Financial result	(814)	332	(482)
Share of result of companies accounted for using the equity method	122	683	805
<b>Net income before tax</b>	<b>2,651</b>	<b>(1,369)</b>	<b>1,282</b>
Income tax	(1,096)	665	(431)
<b>Net income for the year from continuing operations</b>	<b>1,555</b>	<b>(704)</b>	<b>851</b>
Net income from non-controlling interest	(38)	66	28
<b>NET INCOME FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>1,517</b>	<b>(638)</b>	<b>879</b>
Net income for the year from discontinuing operations	(1,322)	638	(684)
<b>NET INCOME FOR THE YEAR</b>	<b>195</b>	<b>0</b>	<b>195</b>
	<b>4Q 2013 Published</b>	<b>Adjustments</b>	<b>4Q 2013 Restated (*)</b>
<b>Operating income</b>	<b>508</b>	<b>(630)</b>	<b>(122)</b>
Financial result	(237)	109	(128)
Share of result of companies accounted for using the equity method	20	166	186
<b>Net income before tax</b>	<b>291</b>	<b>(355)</b>	<b>(64)</b>
Income tax	(102)	56	(46)
<b>Net income for the year from continuing operations</b>	<b>189</b>	<b>(299)</b>	<b>(110)</b>
Net income from non-controlling interest	(1)	14	13
<b>NET INCOME FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>188</b>	<b>(285)</b>	<b>(97)</b>
Net income for the year from discontinuing operations	(1,280)	285	(995)
<b>NET INCOME FOR THE YEAR</b>	<b>(1,092)</b>	<b>0</b>	<b>(1,092)</b>

(\*)The Income Statement as of 2013 has been restated for comparative purposes due to the application NIIF 11 "Joint Arrangements" at 01/01/2014, as well as the presentation as discontinued operation of the cash flows from the LNG business sold to Shell in December 2013.

**JANUARY - DECEMBER 2013 RESTATED CASH FLOW STATEMENT**

[€ millions]  
[Unaudited figures]  
Prepared according to International Financial Reporting Standards [IFRS]

	December 2013 Published	Adjustments	December 2013 Restated (*)
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES (**)</b>			
Net income before taxes	1,864	(582)	1,282
Adjustments to net income			
Depreciation and amortisation of non current assets	2,559	(1,039)	1,520
Other adjustments to results (net)	1,080	(1,133)	(53)
<b>EBITDA</b>	<b>5,503</b>	<b>(2,754)</b>	<b>2,749</b>
Changes in working capital	(502)	227	(275)
Dividends received	33	595	628
Income taxes received/ (paid)	(893)	468	(425)
Other proceeds from/ ( payments for) operating activities	(145)	34	(111)
<b>OTHER CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES</b>	<b>(1,005)</b>	<b>1,097</b>	<b>92</b>
	<b>3,996</b>	<b>(1,430)</b>	<b>2,566</b>
<b>II. CASH FLOWS USED IN INVESTMENT ACTIVITIES (**)</b>			
Payments for investment activities			
Group companies, associates and business units	(183)	40	(143)
Property, plant and equipment, intangible assets and investment properties	(3,438)	1,446	(1,992)
Other financial assets	(350)	150	(200)
Total investments	<b>(3,971)</b>	<b>1,636</b>	<b>(2,335)</b>
Proceeds from divestments	683	(415)	268
Other Cash Flows	0	0	0
	<b>(3,288)</b>	<b>1,221</b>	<b>(2,067)</b>
<b>III. CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES (**)</b>			
Proceeds from/ (payments for) equity instruments	1,014	0	1,014
Proceeds from issue of financial liabilities	8,876	(1,735)	7,141
Payments for financial liabilities	(10,201)	1,934	(8,267)
Payments for dividends and payments on other equity instruments	(528)	58	(470)
Interest payments	(827)	236	(591)
Other proceeds from/(payments for) financing activities	(147)	(288)	(435)
	<b>(1,813)</b>	<b>205</b>	<b>(1,608)</b>
<b>Effect of changes in exchange rates from continued operations</b>	<b>(54)</b>	<b>36</b>	<b>(18)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUED OPERATIONS</b>	<b>(1,159)</b>	<b>32</b>	<b>(1,127)</b>
Cash flows from operating activities from discontinued operations	129	(19)	110
Cash flows from investment activities from discontinued operations	2,319	59	2,378
Cash flows from financing activities from discontinued operations	246	3	249
Effect of changes in exchange rates from discontinued operations	(4)	2	(2)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS</b>	<b>2,690</b>	<b>45</b>	<b>2,735</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>5,903</b>	<b>(1,795)</b>	<b>4,108</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>7,434</b>	<b>(1,718)</b>	<b>5,716</b>

(\*) The Cash Flow Statement as of 2013 has been restated for comparative purposes due to the application NIIF 11 "Joint Arrangements" since 01/01/2014.

(\*\*) Cash flows from continued operations

**APPENDIX III – RECONCILIATION OF NON-  
IFRS METRICS TO IFRS DISCLOSURES**

**FOURTH QUARTER 2014**

## RECONCILIATION OF ADJUSTED NET INCOME AND THE CORRESPONDING CONSOLIDATED FINANCIAL STATEMENT HEADINGS

[Unaudited figures]

FOURTH QUARTER 2013						
€ Million	Adjusted result	ADJUSTMENTS				Total consolidated
		Joint arrangements reclassification	Non-recurring items	Inventory Effect	Total adjustments	
Operating income	211	(109)	(127)	(97)	(333)	(122)
Financial result	(123)	24	(29)	-	(5)	(128)
Income from equity affiliates	104	84	(2)	-	82	186
<b>Net income before tax</b>	<b>192</b>	<b>(1)</b>	<b>(158)</b>	<b>(97)</b>	<b>(256)</b>	<b>(64)</b>
Income tax	(77)	1	2	28	31	(46)
<b>Net income from continued operations</b>	<b>115</b>	<b>-</b>	<b>(156)</b>	<b>(69)</b>	<b>(225)</b>	<b>(110)</b>
Income attributed to minority interests	8	-	-	5	5	13
<b>NET INCOME FROM CONTINUED OPERATIONS</b>	<b>123</b>	<b>-</b>	<b>(156)</b>	<b>(64)</b>	<b>(220)</b>	<b>(97)</b>
Income from discontinued operations						(995)
<b>ADJUSTED NET INCOME</b>	<b>123</b>	<b>-</b>	<b>(156)</b>	<b>(64)</b>	<b>(220)</b>	<b>(1,092)</b>

THIRD QUARTER 2014						
€ Million	Adjusted result	ADJUSTMENTS				Total consolidated
		Joint arrangements reclassification	Non-recurring items	Inventory Effect	Total adjustments	
Operating income	637	(188)	(40)	(103)	(331)	306
Financial result	(12)	23	1	-	24	12
Income from equity affiliates	96	62	-	-	62	158
<b>Net income before tax</b>	<b>721</b>	<b>(103)</b>	<b>(39)</b>	<b>(103)</b>	<b>(245)</b>	<b>476</b>
Income tax	(301)	103	7	31	141	(160)
<b>Net income from continued operations</b>	<b>420</b>	<b>-</b>	<b>(32)</b>	<b>(72)</b>	<b>(104)</b>	<b>316</b>
Income attributed to minority interests	(5)	-	-	9	9	4
<b>NET INCOME FROM CONTINUED OPERATIONS</b>	<b>415</b>	<b>-</b>	<b>(32)</b>	<b>(63)</b>	<b>(95)</b>	<b>320</b>
Income from discontinued operations						(1)
<b>ADJUSTED NET INCOME</b>	<b>415</b>	<b>-</b>	<b>(32)</b>	<b>(63)</b>	<b>(95)</b>	<b>319</b>

FOURTH QUARTER 2014						
€ Million	Adjusted result	ADJUSTMENTS				Total consolidated
		Joint arrangements reclassification	Non-recurring items	Inventory Effect	Total adjustments	
Operating income	626	(81)	(440)	(763)	(1,284)	(658)
Financial result	(85)	(16)	31	-	15	(70)
Income from equity affiliates	76	(21)	-	-	(21)	55
<b>Net income before tax</b>	<b>617</b>	<b>(118)</b>	<b>(409)</b>	<b>(763)</b>	<b>(1,290)</b>	<b>(673)</b>
Income tax	(243)	118	163	226	507	264
<b>Net income from continued operations</b>	<b>374</b>	<b>-</b>	<b>(246)</b>	<b>(537)</b>	<b>(783)</b>	<b>(409)</b>
Income attributed to minority interests	(4)	-	1	48	49	45
<b>NET INCOME FROM CONTINUED OPERATIONS</b>	<b>370</b>	<b>-</b>	<b>(245)</b>	<b>(489)</b>	<b>(734)</b>	<b>(364)</b>
Income from discontinued operations						330
<b>ADJUSTED NET INCOME</b>	<b>370</b>	<b>-</b>	<b>(245)</b>	<b>(489)</b>	<b>(734)</b>	<b>(34)</b>

JANUARY - DECEMBER 2013						
€ Million	Adjusted result	ADJUSTMENTS			Total adjustments	Total consolidated
		Joint arrangements reclassification	Non-recurring items	Inventory Effect		
Operating income	2,170	(723)	(205)	(283)	(1,211)	959
Financial result	(476)	21	(27)	-	(6)	(482)
Income from equity affiliates	505	326	(26)	-	300	805
<b>Net income before tax</b>	<b>2,199</b>	<b>(376)</b>	<b>(258)</b>	<b>(283)</b>	<b>(917)</b>	<b>1,282</b>
Income tax	(872)	376	(19)	84	441	(431)
<b>Net income from continued operations</b>	<b>1,327</b>	-	<b>(277)</b>	<b>(199)</b>	<b>(476)</b>	<b>851</b>
Income attributed to minority interests	16	-	-	12	12	28
<b>NET INCOME FROM CONTINUED OPERATIONS</b>	<b>1,343</b>	-	<b>(277)</b>	<b>(187)</b>	<b>(464)</b>	<b>879</b>
Income from discontinued operations						(684)
<b>ADJUSTED NET INCOME</b>	<b>1,343</b>	-	<b>(277)</b>	<b>(187)</b>	<b>(464)</b>	<b>195</b>

JANUARY - DECEMBER 2014						
€ Million	Adjusted result	ADJUSTMENTS			Total adjustments	Total consolidated
		Joint arrangements reclassification	Non-recurring items	Inventory Effect		
Operating income	2,421	(733)	(663)	(947)	(2,343)	78
Financial result	(273)	(50)	475	-	425	152
Income from equity affiliates	467	376	49	-	425	892
<b>Net income before tax</b>	<b>2,615</b>	<b>(407)</b>	<b>(139)</b>	<b>(947)</b>	<b>(1,493)</b>	<b>1,122</b>
Income tax	(886)	407	52	281	740	(146)
<b>Net income from continued operations</b>	<b>1,729</b>	-	<b>(87)</b>	<b>(666)</b>	<b>(753)</b>	<b>976</b>
Income attributed to minority interests	(22)	-	1	60	61	39
<b>NET INCOME FROM CONTINUED OPERATIONS</b>	<b>1,707</b>	-	<b>(86)</b>	<b>(606)</b>	<b>(692)</b>	<b>1,015</b>
Income from discontinued operations						597
<b>ADJUSTED NET INCOME</b>	<b>1,707</b>	-	<b>(86)</b>	<b>(606)</b>	<b>(692)</b>	<b>1,612</b>



## RECONCILIATION OF OTHER ECONOMIC DATA AND THE CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited figures]

NET DEBT: December 2013 (€ Million)	Net debt	Reclassification of joint ventures <sup>(1)</sup>	Net debt excluding joint ventures
Non-current financial instruments	321	344	665
Other current financial assets	71	283	354
Cash and cash equivalents	6,159	(443)	5,716
Non-current financial liabilities	(8,473)	4	(8,469)
Current financial liabilities (1)	(3,498)	(2,335)	(5,833)
Net mark-to-market valuation of financial derivatives (excluding exchange rate) (2)	62	-	62
<b>Total</b>	<b>(5,358)</b>	<b>(2,147)</b>	<b>(7,505)</b>

(1) Mainly corresponding to the financing contributed by Repsol Sinopec Brazil which is detailed in the following captions: "Cash and cash equivalents" amounting to €157 million and "Current financial liabilities" for intragroup loans amounting to €2,257 million.

(2) This caption does not consider net market value of financial derivatives other than exchange rate ones

NET DEBT: December 2014 (€ Million)	Net debt	Reclassification of joint ventures <sup>(1)</sup>	Net debt excluding joint ventures
Non-current financial instruments	284	248	532
Other current financial assets	1,708	805	2,513
Cash and cash equivalents	5,027	(389)	4,638
Non-current financial liabilities	(7,613)	1	(7,612)
Current financial liabilities (1)	(1,532)	(2,554)	(4,086)
Net mark-to-market valuation of financial derivatives (excluding exchange rate) (2)	191	-	191
<b>Total</b>	<b>(1,935)</b>	<b>(1,889)</b>	<b>(3,824)</b>

(1) Mainly corresponding to the financing contributed by Repsol Sinopec Brazil which is detailed in the following captions: "Cash and cash equivalents" amounting to €15 million; "Current financial liabilities" for intragroup loans amounting to €2,535 million; and €37 million in loans with third parties.

(2) This caption does not consider net market value of financial derivatives other than exchange rate ones

OTHER ECONOMIC DATA as of December 2014 (€ Million)	According to net debt evolution	Joint arrangement adjustments	Financial investments/divestments	Free cash flow according to CFS IASB-UE
EBITDA	3,800	(1,268)	-	2,532
CHANGE IN TRADING WORKING CAPITAL	927	39	-	966
DIVIDENDS RECEIVED (*)	297	233	-	530
INCOME TAX RECEIVED /PAID	(956)	345	-	(611)
OTHER CASH FLOWS FROM OPERATING ACTIVITIES (*)	(234)	-	-	(234)
INVESTMENTS	(3,729)	1,052	(1,523)	(4,200)
DIVESTMENTS (**)	4,811	(19)	-	4,792

(\*) These concepts are included in the Net Debt evolution chart within the caption "Interests and other movements"

(\*\*) Includes €219 million corresponding to divestments and €4,592 million corresponding to the effects associated to the monetization of the bonds related to the agreement over the expropriation of YPF and the sale of the non expropriated YPF shares, included in the caption "Effects associated with the expropriation of YPF" in the net debt evolution table.

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Company strength shown in adverse times

## **REPSOL POSTS NET INCOME OF 1.612 BILLION EUROS**

- The adjusted net income, which specifically measures the performance of the company's businesses, rose 27% to 1.707 billion euros.
- The results reflect the strength of Repsol's business model and its resilience to adverse scenarios, such as the sudden drop in crude oil prices (48% over the course of the year) or the interruptions to production in Libya.
- The fall in the price of crude reduced the value of inventories and reduced net profit for the year by 606 million euros.
- The businesses' strength and the success in recovering the value of the expropriated stake in YPF allowed the company to make an offer to acquire Talisman Energy (\$8.3 billion), doubling the size of Repsol's exploration and production unit.
- In the Downstream business, the efficiency of the company's assets resulted in a 111% increase in adjusted net income to 1.012 billion euros.
- Average hydrocarbon production increased by 2.5% to 354,500 barrels of oil equivalent a day. The increase would have been 8% without the interruption of activity in Libya.
- This increase in production was greatly exceeded for the fifth consecutive year by the group's increase in reserves, posting a reserve replacement ratio of 118%.
- Repsol made 12 discoveries in 2014, including finds in Brazil, Russia and the United States.

Repsol posted net income in 2014 of 1.612 billion euros, supported by the strength of its integrated business model. This result represents a 724% increase over the 195 million euros registered in 2013, a financial year in which the company booked one-time cleanup charges related to the expropriation of YPF.

Adjusted net income, which specifically measures the performance of the company's businesses, rose 27% to 1.707 billion euros. This result is especially significant considering the complex environment, especially the abrupt fall in international crude prices in the second half of the year, resulting in a 606 million-euro negative effect on earnings for the financial year, and the interruption of activity in Libya.

Both factors were mitigated by the start of production in strategic projects in Peru and Brazil and by the excellent result of the Downstream unit (Refining, Chemicals, Marketing, Trading, LPG and Gas & Power), which earned 1.012 billion euros, due mainly to the efficiency of the refining facilities and their technical capability to process heavy crudes.

## **UPSTREAM: MORE PRODUCTION, NEW DISCOVERIES**

In the Upstream unit (Exploration and Production), the adjusted net income was 589 million euros compared to 980 million euros in 2013. This was due to suspended production in Libya and lower crude realization prices, affected by the abrupt fall in international benchmark prices during the second half of the year.

In this context, Repsol was able to increase its average production during the year by 2.5% to 354,500 barrels of oil equivalent a day, including 32,000 barrels of oil equivalent a day of new production from projects in Bolivia, Brazil, Peru, Russia and the United States.

With the launch of the Kinteroni project in Peru and the Sapinhoá oilfield in Brazil, the company has already started production from seven of the ten key projects included in its "2012-2016 Strategic Plan."

Furthermore, for the fifth consecutive year Repsol has incorporated more hydrocarbons to its reserves than it produced, with a replacement ratio of 118% for the financial year. The average replacement ratio for the last three years is around 200%, which is among the highest in the sector and which exceeds the targets set out in the "2012-2016 Strategic Plan."

Repsol continued with its successful exploration campaign throughout the year. Of the 34 wells drilled, 12 discoveries were made; this is a 35% exploration success rate, higher than the industry average.

Among these, the company discovered hydrocarbons in Brazil, Russia, the US, Bolivia and Trinidad and Tobago, enabling it to continue adding to its resources. Two discoveries were made in Russia that will add some 240 million barrels of recoverable resources, according to the Ministry of Natural Resources and Environment of the Russian Federation.

In the US Gulf of Mexico, the most significant discovery was at León in ultra-deep water with a high-quality net oil deposit more than 150 meters thick. In addition to this find, a second appraisal well was drilled in Buckskin, 50 kilometres from León, which also had positive results.

In Brazil, Repsol approved the development of one of the large offshore pre-salt exploration projects at the Lapa field. Production is expected to begin next year.

Phase III of the Margarita-Huacaya gas project was launched in Bolivia and will increase total production to 18 million cubic meters of gas a day from January 2016. This project includes the largest productive well in the history of the Sub-Andean Basin, drilled and operated by Repsol.

## **DOWNSTREAM: AMONG THE MOST EFFICIENT REFINERS IN EUROPE**

Net income at the Downstream unit rose 111% to 1.012 billion euros (at Current Cost of Supply), as a result of improved refining and chemicals margins, driven by the execution of the Competitiveness Plan, as well as the greater volumes commercialised and the increase in gas margins in North America.

The downstream results continue to show the quality of the group's assets following the launch of the large-scale investment projects in Cartagena and Bilbao. These projects help Repsol maintain its position as a leader among its European competitors in terms of the integrated refining and marketing margin; \$4.1/barrel compared with \$3.3/barrel the previous financial year.

In the Gas & Power business, the greater volume commercialised in North America, along with the reduction of costs, drove a 44% rise in operating income during the year to 269 million euros.

## **FINANCIAL STRENGTH**

At the close of the financial year, the group's debt was at a historical low of 1.935 billion euros. This, along with an accumulated liquidity of 9.844 billion euros, has created for Repsol a position of strength for a new growth phase.

Repsol's financial position was strengthened by the successful management of the recovery of the value of YPF, both in the compensation agreement and the subsequent monetisation of the assets received, for a total \$5 billion.

Following this operation, Repsol distributed an extraordinary dividend of one euro per share which, added to the ordinary dividend of approximately one euro per share, resulted in a yield of 12.6%, the highest amongst European majors. Total shareholder return, including share price performance, was also the highest among the eight largest European integrated oil and gas companies.

The company has reiterated its intention to continue with its scrip dividend policy as the shareholder remuneration method.

## **ACQUISITION OF TALISMAN ENERGY**

In December 2014, the financial and business strength of the Repsol allowed it to make an offer to purchase Canadian oil company Talisman Energy, for \$8.3 billion plus debt. The deal was approved unanimously by Repsol and Talisman's boards, subsequently being approved overwhelmingly (99%) by a special meeting of Talisman shareholders.

The acquisition of Talisman Energy will make Repsol a larger, more balanced group in terms of the composition and geographical location of its assets. It will also give it better prospects for the future: The resulting Group will be among the largest in the world and will be more competitive, better diversified and have increased geographical diversification, incorporating assets that will serve as a platform for future value creation.

North America will become a key region for the new company, concentrating 58% of the capital employed in the upstream business. For its part, Latin America will have less weight upstream: 22% of the capital employed compared to its current 50%.

After the approval of the operation by the Talisman Energy General Shareholder's Meeting held on 18 February, Repsol hopes to obtain the necessary permits and regulatory authorisations to close the transaction in the second quarter of 2015.

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

**REPSOL EARNINGS BY SEGMENT \***  
 (Unaudited figures)

Million euros	OCTOBER-DECEMBER		Variation (%)
	4Q 2013	4Q 2014	
Upstream	162	4	(97.5)
Downstream	21	370	—
Gas Natural Fenosa	99	67	(32.3)
Corporate and others	(159)	(71)	55.3
<b>ADJUSTED NET INCOME</b>	<b>123</b>	<b>370</b>	<b>200.8</b>
Inventory effect	(64)	(489)	—
Non-recurring income	(156)	(245)	(57.1)
Income from discontinued operations	(995)	330	—
<b>NET INCOME</b>	<b>(1,092)</b>	<b>(34)</b>	<b>96.9</b>

Million euros	JANUARY-DECEMBER		Variation (%)
	2013	2014	
Upstream	980	589	(39.9)
Downstream	479	1,012	111.3
Gas Natural Fenosa	458	441	(3.7)
Corporate and others	(574)	(335)	41.6
<b>ADJUSTED NET INCOME</b>	<b>1,343</b>	<b>1,707</b>	<b>27.1</b>
Inventory effect	(187)	(606)	(223.9)
Non-recurring income	(277)	(86)	69.0
Income from discontinued operations	(684)	597	—
<b>NET INCOME</b>	<b>195</b>	<b>1,612</b>	<b>—</b>

## OPERATING HIGHLIGHTS

*(Unaudited figures)*

	OCTOBER-DECEMBER		Variation (%)
	4Q 2013	4Q 2014	
Oil and gas production (Thousand boepd)	321	371	15.7
Crude processed (million tons)	8,8	9,9	12.6
Sales of oil products (Thousand tons)	10,747	11,056	2.9
Sales of petrochemical products (Thousand tons)	527	647	22.6
LPG sales (Thousand tons)	666	688	3.2

	JANUARY-DECEMBER		Variation (%)
	2013	2014	
Oil and gas production (Thousand boepd)	346	355	2.5
Crude processed (million tons)	38.1	39.5	3.7
Sales of oil products (Thousand tons)	43,177	43,586	0.9
Sales of petrochemical products (Thousand tons)	2,337	2,661	13.9
LPG sales (Thousand tons)	2,464	2,506	1.7



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