# 2Q14 RESULTS

July 24th, 2014

YEARS OF REPSOL
ON THE STOCK MARKET
1989-2014

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# 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 and 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 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 in 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.

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[1] and the inventory effect[2].

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.

[1] 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.
[2] 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 January 1, 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 December 31, 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 second quarter and first half year of 2013 and the consolidated cash flows statement for the first half of 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) | 2Q 2013 | 1Q 2014 | 2Q 2014 | % Change 2Q14/2Q13 | January - June 2013 | January - June 2014 | % Change 2014/2013 |
|---|---|---|---|---|---|---|---|
| Upstream | 285 | 255 | 145 | (49.1) | 634 | 400 | (36.9) |
| Downstream | 123 | 290 | 162 | 31.7 | 350 | 452 | 29.1 |
| Gas Natural Fenosa | 128 | 123 | 159 | 24.2 | 253 | 282 | 11.5 |
| Corporate and others | (135) | (136) | (76) | 43.7 | (312) | (212) | 32.1 |
| **ADJUSTED NET INCOME** | **401** | **532** | **390** | **(2.7)** | **925** | **922** | **(0.3)** |
| Inventory effect | (156) | (59) | 5 | - | (153) | (54) | 64.7 |
| Non-recurring income | (46) | 35 | 156 | - | (87) | 191 | - |
| Income from discontinued operations | 68 | 299 | (31) | - | 216 | 268 | 24.1 |
| **NET INCOME** | **267** | **807** | **520** | **94.8** | **901** | **1,327** | **47.3** |

| Economic data (€ Million) | 2Q 2013 | 1Q 2014 | 2Q 2014 | % Change 2Q14/2Q13 | January - June 2013 | January - June 2014 | % Change 2014/2013 |
|---|---|---|---|---|---|---|---|
| EBITDA | 872 | 1,177 | 1,025 | 17.5 | 2,215 | 2,202 | (0.6) |
| CAPITAL EXPENDITURES | 746 | 728 | 860 | 15.3 | 1,396 | 1,588 | 13.8 |
| NET DEBT + PREFERENCE SHARES | 6,320 | 4,722 | 2,392 | (62.2) | 6,320 | 2,392 | (62.2) |
| EBITDA / NET DEBT + PREFERENCE SHARES (x) | - | - | 1.71 | - | - | 1.84 | - |

| Operational data | 2Q 2013 | 1Q 2014 | 2Q 2014 | % Change 2Q14/2Q13 | January - June 2013 | January - June 2014 | % Change 2014/2013 |
|---|---|---|---|---|---|---|---|
| LIQUIDS PRODUCTION (Thousands of bbl/d) | 149 | 131 | 122 | (18.5) | 150 | 126 | (15.9) |
| GAS PRODUCTION (*) (Millions of scf/d) | 1,180 | 1,185 | 1,216 | 3.1 | 1,178 | 1,201 | 1.9 |
| **TOTAL PRODUCTION** (Thousands of boe/d) | **359** | **342** | **338** | **(5.8)** | **360** | **340** | **(5.5)** |
| CRUDE OIL REALIZATION PRICE ($/Bbl) | 86.5 | 85.9 | 87.8 | 1.5 | 90.0 | 86.9 | (3.4) |
| GAS REALIZATION PRICE ($/Thousands scf) | 3.7 | 4.2 | 4.0 | 8.1 | 4.0 | 4.1 | 2.5 |
| DISTILLATION UTILIZATION Spanish Refining (%) | 80.1 | 74.5 | 83.5 | 3.5 | 79.9 | 79.0 | (0.9) |
| CONVERSION UTILIZATION Spanish Refining (%) | 101.4 | 96.9 | 100.6 | (0.8) | 99.6 | 98.8 | (0.9) |
| REFINING MARGIN INDICATOR IN SPAIN ($/Bbl) | 2.6 | 3.9 | 3.1 | 19.2 | 3.2 | 3.5 | 9.4 |

(*) 1,000 Mcf/d = 28.32 $Mm^3/d$ = 0.178 Mboe/d

## KEY MILESTONES FOR THE SECOND QUARTER OF 2014

- **Adjusted net income** in the second quarter was €390 million, in line year-on-year, and **net income** stood at €520 million, a 95% increase over the same period of last year.

  In terms of the accumulative results, **adjusted net income** in the first half of 2014 was €922 million, in line year-on-year, and **net income stood** at €1,327 million, 47% higher year-on-year.

- Quarterly results by business line are explained as follows:

  - Adjusted net income in **Upstream** was 49% lower year-on-year, mainly due to the interruption of production in Libya due to security issues, the impact of higher exploration costs, partially offset by a higher contribution from Brazil, the USA and Bolivia, as a result of the start-up and ramp-up of the strategic projects, as well as by the improvement in results in Spain, Algeria and Trinidad and Tobago.

- In **Downstream**, adjusted net income was 32% higher year-on-year:
  - The results of the refining, chemicals, marketing and LPG businesses were higher than the 2Q13 results.
  - Gas & Power, however, had a lower contribution year-on-year due to the effect of the compensation associated to the LNG supply contracts in 2Q13.
- The adjusted net income of **Gas Natural Fenosa** was 24% higher year-on-year, largely driven by better results of wholesale gas commercialization and the capital gain generated on the sale of the telecommunications business.
- In **Corporate and others**, adjusted net income improved by 44% year-on-year, due to the results associated to the trading of $CO_2$ emission rights. Net financial result improved year-on-year, mainly due to the reduction of the average cost of debt and the result of exchange rate positions.

- **Upstream** production averaged 338 kboe/d in the second quarter of 2014, down 6% year-on-year. The connection of the second and third productive wells in Sapinhoá in February and April 2014, the production start-ups in the Kinteroni field in Peru at the end of March 2014, Phase II of Margarita in October 2013 and SK in February 2013, as well as the continuous ramp-up of production in the USA, could not offset the interruption of production in Libya due to security issues, and the stoppages in Trinidad and Tobago due to drilling activity and maintenance. Stripping out Libya, production in the second quarter of 2014 was more than 5% higher year-on-year.

- It is worth mentioning that on 7 July 2014, the fourth producing well in Sapinhoá was connected. As a consequence, the maximum capacity of 120 Kbbl/d of the first FPSO has already been reached.

- During the second quarter of 2014, six exploration wells were concluded: two wells with a positive result (Qugruk-5 and Qugruk-7 in Alaska), three wells with a negative outcome (Ouguiya-1 in Mauritania, Binari Servan-1 in Kurdistan and Welwitschia-1 in Namibia) and one well currently held under evaluation (Tuttu-1 in Alaska).

- **Non-recurring items** in the second quarter of 2014 amounted to a net gain of €156 million, as compared to a net loss of €46 million in the same quarter of last year, largely due to the capital gain generated on the sale of the non-expropriated YPF shares and the cancelation, in advance, of the contract for transportation of LNG with Naturgas, partially compensated by the impairment booked, corresponding to the Upstream assets in North America, as an aftermath of the new development plan forecast for the unconventional assets in the Mississippian Lime.

- The Group's **net debt** stood at €2,392 million, down €2,330 million from the end of the first quarter of 2014. The sale of the total amount of bonds received from the Republic of Argentina as means of payment of the compensation for the expropriation of the Repsol Group controlling stake of 51% in YPF and YPF Gas, and the sale of the 12.38% stake of remaining YPF shares, generated a € 4.6 Bn cash inflow. On the other hand, it is worth mentioning the payment in June 2014 of an extraordinary dividend from 2014 earnings of 1 € (gross)/share.

## NET INCOME PERFORMANCE BY BUSINESS SEGMENT

### UPSTREAM

(Unaudited figures)

| Results (€ Million) | 2Q 2013 | 1Q 2014 | 2Q 2014 | % Change 2Q14/2Q13 | January - June 2013 | January - June 2014 | % Change 2014/2013 |
|---|---|---|---|---|---|---|---|
| **ADJUSTED NET INCOME** | **285** | **255** | **145** | **(49.1)** | **634** | **400** | **(36.9)** |
| Operating income | 514 | 441 | 216 | (58.0) | 1,182 | 657 | (44.4) |
| Income tax | (234) | (194) | (69) | 70.5 | (563) | (263) | 53.3 |
| Income from equity affiliates and non-controlling interests | 5 | 8 | (2) | - | 15 | 6 | (60.0) |
| | | | | | | | |
| EBITDA | 803 | 716 | 643 | (19.9) | 1,725 | 1,359 | (21.2) |
| CAPITAL EXPENDITURES | 606 | 584 | 691 | 14.0 | 1,151 | 1,275 | 10.8 |
| EXPLORATION COSTS | 122 | 104 | 276 | 126.2 | 196 | 379 | 93.4 |
| EFFECTIVE TAX RATE (%) | 46 | 44 | 31 | (14.4) | 48 | 40 | (7.8) |

| International prices | 2Q 2013 | 1Q 2014 | 2Q 2014 | % Change 2Q14/2Q13 | January - June 2013 | January - June 2014 | % Change 2014/2013 |
|---|---|---|---|---|---|---|---|
| Brent ($/Bbl) | 102.4 | 108.2 | 109.7 | 7.1 | 107.5 | 108.9 | 1.3 |
| WTI ($/Bbl) | 94.2 | 98.6 | 103.0 | 9.3 | 94.3 | 100.8 | 6.9 |
| Henry Hub ($/MBtu) | 4.1 | 4.9 | 4.7 | 14.6 | 3.7 | 4.8 | 29.7 |
| Average exchange rate ($/€) | 1.31 | 1.37 | 1.37 | 4.7 | 1.31 | 1.37 | 4.6 |

| Production | 2Q 2013 | 1Q 2014 | 2Q 2014 | % Change 2Q14/2Q13 | January - June 2013 | January - June 2014 | % Change 2014/2013 |
|---|---|---|---|---|---|---|---|
| LIQUIDS (Thousands of bbl/d) | 149 | 131 | 122 | (18.5) | 150 | 126 | (15.9) |
| GAS (*) (Millions of scf/d) | 1,180 | 1,185 | 1,216 | 3.1 | 1,178 | 1,201 | 1.9 |
| **TOTAL** (Thousands of boe/d) | **359** | **342** | **338** | (5.8) | **360** | **340** | **(5.5)** |

| Realization prices | 2Q 2013 | 1Q 2014 | 2Q 2014 | % Change 2Q14/2Q13 | January - June 2013 | January - June 2014 | % Change 2014/2013 |
|---|---|---|---|---|---|---|---|
| CRUDE OIL ($/Bbl) | 86.5 | 85.9 | 87.8 | 1.5 | 90.0 | 86.9 | (3.4) |
| GAS ($/Thousands of scf) | 3.7 | 4.2 | 4.0 | 8.1 | 4.0 | 4.1 | 2.5 |

(*) 1,000 Mcf/d = 28.32 $Mm^3/d$ = 0.178 Mboe/d

**Adjusted net income** in the second quarter of 2014 stood at €145 million, 49% lower year-on-year.

The main cause for the decrease was the interruption of production in Libya for security reasons, which had an impact of €261 million at the operating income level and of €88 million in the adjusted net income level.

The factors, apart from the Libya effect, which explain the year-on-year performance, were the following:

- Higher production in Brazil, the USA, Russia, Bolivia, and Peru, offset the drop in production in Trinidad & Tobago, and had a positive impact on the operating income of €73 million.

- **Crude oil and gas realization prices**, net of royalties, improved operating income by €71 million.

- Higher **exploration costs**, led to a decrease in the operating income of €167 million, mainly due to higher bond costs and higher amortization of wells. In 2Q14 three explorations wells were concluded with a negative outcome: Welwitschia-1 in Namibia, Ouguiya-1 in Mauritania y Binari Serwan-1 in Kurdistan. Additionally, two more wells have been considered as negative: Anchois in Marruecos

(2009) and Kachemach-1 in Alaska (2012), previously under evaluation, due to a lack of economic viability.

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- Higher **depreciation and amortization** charges, mainly in Russia, Brazil, Bolivia and Trinidad and Tobago, reduced operating income by €13 million.

- **Dollar depreciation** against the euro negatively impacted the operating result by €12 million.

- **Higher income tax expense** had a negative impact of €5 million.

- **Income of equity affiliates and non-controlling interests and other** explain the remaining differences.

**January – June 2014 results**

The **adjusted net income** for the first half of 2014 amounted to €400 million, 37% lower year-on-year.

Average production in the first half of 2014 (340 Kboe/d) was 6% lower than the same period in 2013 (360 Kboe/d), essentially as a result of the disruptions in Libya and the stoppages in Trinidad & Tobago due to drilling activity and maintenance, partially compensated by the increase of production in Brazil, the USA, Russia, Bolivia and Peru, as a result of the start-up and ramp-up of the key growth projects. Excluding Libya, production should have grown by 3%.

**Capital expenditures**

Capital expenditure in Upstream in the second quarter of 2014 amounted to €691 million, which represents a year-on-year growth of 14%; development capital expenditure accounted for 59% of the total investment and was concentrated in the USA (29%), Venezuela (22%), Brazil (17%), Trinidad & Tobago (15%), and Bolivia (8%). Exploration capital expenditure represented 31% of the total and was earmarked primarily for the USA (32%), Russia (13%), Brazil (13%), Namibia (12%), Iraq (8%) and Angola (4%).

Capital expenditure in Upstream in the first half of 2014 totaled €1,275 million, which means a year-on-year growth of 11%. Development capital expenditure accounted for 59% of the total investment and was concentrated in the USA (31%), Venezuela (21%), Trinidad & Tobago (16%), Brazil (15%) and Bolivia (9%). Exploration capital expenditure represented 34% of the total and was earmarked primarily for the USA (42%), Brazil (10%), Angola (9%), Russia (8%), Namibia (8%), Iraq (7%) and Mauritania (5%).

## DOWNSTREAM

(Unaudited figures)

| Results (€ Million) | 2Q 2013 | 1Q 2014 | 2Q 2014 | % Change 2Q14/2Q13 | January - June 2013 | January - June 2014 | % Change 2014/2013 |
|---|---|---|---|---|---|---|---|
| **ADJUSTED NET INCOME** | **123** | **290** | **162** | **31.7** | **350** | **452** | **29.1** |
| Operating income | 173 | 426 | 205 | 18.5 | 487 | 631 | 29.6 |
| Income tax | (57) | (133) | (40) | 29.8 | (157) | (173) | (10.2) |
| Income from equity affiliates and non-controlling interests | 7 | (3) | (3) | - | 20 | (6) | - |
| **MIFO RECURRENT NET INCOME** | **(33)** | **231** | **167** | **-** | **197** | **398** | **102.0** |
| Inventory effect | (156) | (59) | 5 | - | (153) | (54) | 64.7 |
| EBITDA | 131 | 506 | 442 | 237.4 | 635 | 948 | 49.3 |
| CAPITAL EXPENDITURES | 133 | 135 | 148 | 11.3 | 226 | 283 | 25.2 |
| EFFECTIVE TAX RATE (%) | 33 | 31 | 20 | (13.2) | 32 | 27 | (4.7) |

| International prices ($/Mbtu) | 2Q 2013 | 1Q 2014 | 2Q 2014 | % Change 2Q14/2Q13 | January - June 2013 | January - June 2014 | % Change 2014/2013 |
|---|---|---|---|---|---|---|---|
| Henry Hub | 4.1 | 4.9 | 4.7 | 14.6 | 3.7 | 4.8 | 29.7 |
| Algonquin | 4.6 | 20.3 | 4.2 | (8.7) | 8.2 | 12.3 | 50.0 |

| Operational data | 2Q 2013 | 1Q 2014 | 2Q 2014 | % Change 2Q14/2Q13 | January - June 2013 | January - June 2014 | % Change 2014/2013 |
|---|---|---|---|---|---|---|---|
| REFINING MARGIN INDICATOR IN SPAIN ($/Bbl) | 2.6 | 3.9 | 3.1 | 19.2 | 3.2 | 3.5 | 9.4 |
| DISTILLATION UTILIZATION Spanish Refining (%) | 80.1 | 74.5 | 83.5 | 3.5 | 79.9 | 79.0 | (0.9) |
| CONVERSION UTILIZATION Spanish Refining (%) | 101.4 | 96.9 | 100.6 | (0.8) | 99.6 | 98.8 | (0.9) |
| OIL PRODUCT SALES (Thousands of tons) | 11,154 | 9,845 | 11,298 | 1.3 | 21,290 | 21,143 | (0.7) |
| PETROCHEMICAL PRODUCT SALES (Thousands of tons) | 684 | 653 | 680 | (0.6) | 1,197 | 1,334 | 11.4 |
| LPG SALES (Thousands of tons) | 590 | 670 | 549 | (6.9) | 1,273 | 1,219 | (4.2) |
| NORTH AMERICA NATURAL GAS SALES (TBtu) | 34.1 | 89.9 | 59.8 | 75.3 | 86.2 | 149.6 | 73.6 |

**Adjusted net income** in the second quarter of 2014 stood at €162 million, 32% higher year-on-year.

The main factors driving the year-on-year earnigs performance were as follows:

- In **Refining**, improved refining margins, as a result of wider spreads between light and heavy crude oils that could more than offset the narrower spreads between middle distillates and Brent together with a higher utilization rate, produced a positive impact on the operating result of €44 million.

- In **Chemicals**, the increased efficiency as a result of operational improvements in our sites and a better product mix, partially compensated by lower realized margins in a poorer international price environment, produced a positive impact on the operating result of €20 million.

- In the commercial businesses, **Marketing and LPG,** operating income was €62 million higher year-on-year. Notably, in 2Q14, sales volumes in the Marketing business in Spain were stable year-on-year.

- In **Gas & Power**, the result of the North American operations was affected by seasonality. Lower regasification costs and depreciation and amortization charges as a result of the provisions booked in 2013 could not offset the negative impact on results, which in combination with the compensation associated to the LNG supply contracts received in 2Q13, negatively impacted operating income by €62 million.

- Lower **income tax** expenses, driven mainly by the improved business mix, improved the result by €17 million.

- **Results in trading and other activities** explain the remaining difference.

**January – June 2014 results**

**Adjusted net income** for the first half of 2014 was €452 million, 29% higher year-on-year. The improvement in results is mainly driven by a better performance in the commercial businesses, Marketing and LPG. It is also worth mentioning the improvement of the results of the petrochemicals thanks to higher volumes, as well as a better performance of the Gas & Power business due to higher volumes of natural gas sold in North America.

**Capital expenditure**

Capital expenditure in the Downstream segment in the second quarter of 2014 totaled €148 million. Meanwhile, capital expenditures in the first half of the year stood at €283 million.

## GAS NATURAL FENOSA

(Unaudited figures)

| Results (€ Million) | 2Q 2013 | 1Q 2014 | 2Q 2014 | % Change 2Q14/2Q13 | January - June 2013 | January - June 2014 | % Change 2014/2013 |
|---|---|---|---|---|---|---|---|
| ADJUSTED NET INCOME | 128 | 123 | 159 | 24.2 | 253 | 282 | 11.5 |

**Adjusted net income** in the second quarter 2014 amounted to €159 million, 24% higher than the same quarter of last year. The increase in results is largely driven by better results of wholesale commercialization of gas and the capital gain generated from the sale of the telecommunication business, partially offset by lower results from power generation and distribution activities in Spain, due to the regulation approved in July 2013, and in Latin America, due to the depreciation of the dollar and local currencies against the Euro.

### January – June 2014 results

**The adjusted net income** in the first half of 2014 stood at €282 million, 12% higher year-on-year, mainly as a consequence of the capital gain generated from the sale of the telecommunications business and improved results in the wholesale gas segment.

# CORPORATE AND OTHERS

## CORPORATE AND OTHERS

[Unaudited figures]

| Results (€ Million) | 2Q 2013 | 1Q 2014 | 2Q 2014 | % Change 2Q14/2Q13 | January - June 2013 | January - June 2014 | % Change 2014/2013 |
|---|---|---|---|---|---|---|---|
| **ADJUSTED NET INCOME** | **(135)** | **(136)** | **(76)** | **43.7** | **(312)** | **(212)** | **32.1** |
| Corporate and others operating income | (92) | (70) | (60) | 34.8 | (193) | (130) | 32.6 |
| Financial result | (84) | (130) | (46) | 45.2 | (248) | (176) | 29.0 |
| Income tax | 41 | 64 | 30 | (26.8) | 129 | 94 | (27.1) |
| | | | | | | | |
| EBITDA | (62) | (45) | (60) | 3.2 | (145) | (105) | 27.6 |
| CAPITAL EXPENDITURES | 7 | 9 | 21 | 200.0 | 19 | 30 | 57.9 |
| EFFECTIVE TAX RATE (%) | (24) | (32) | (28) | (4.7) | (29) | (31) | (1.5) |

**Corporate and others** accounted for a net expense of €60 million in the second quarter of 2014, compared to a net expense of €92 million in the same quarter last year. The year-on-year improvement is largely attributable to the result associated to the trading of $CO_2$ emission rights.

### January – June 2014 results

The **result** in the first half of 2014 was a net loss of €130 million compared to a net loss of €193 million in the first half of 2013, mainly as a consequence of the trading of $CO_2$ emission rights.

## FINANCIAL RESULTS

[Unaudited figures]

| Results (€ Million) | 2Q 2013 | 1Q 2014 | 2Q 2014 | % Change 2Q14/2Q13 | January - June 2013 | January - June 2014 | % Change 2014/2013 |
|---|---|---|---|---|---|---|---|
| NET INTERESTS (including preference shares) | (121) | (99) | (78) | 35.5 | (236) | (177) | 25.0 |
| OTHER CAPTIONS | 37 | (31) | 32 | (13.5) | (12) | 1 | - |
| **TOTAL** | **(84)** | **(130)** | **(46)** | **45.2** | **(248)** | **(176)** | **29.0** |

**Net financial expense** in second quarter 2014 totaled €46 million, improving 45% year-on-year, mainly due to the reduction of the average cost of debt and the result of exchange rate positions as a consequence of the positive effect of the dollar's appreciation against the euro.

### January – June 2014 results

**Net financial result** in the first half of 2014 amounted to an expense of €176 million, improving by €72 million year-on-year. The improvement is mainly due to the reduction of average cost of debt and the positive effect of the dollar's appreciation against the euro.

# NET INCOME ANALYSIS: NON-RECURRING ITEMS AND DISCONTINUED OPERATIONS

## NON-RECURRING INCOME

(Unaudited figures)

| Results (€ Million) | 2Q 2013 | 1Q 2014 | 2Q 2014 | % Change 2Q14/2Q13 | January - June 2013 | January - June 2014 | % Change 2014/2013 |
|---|---|---|---|---|---|---|---|
| NON-RECURRING INCOME / (LOSSES) | (46) | 35 | 156 | - | (87) | 191 | - |

The **non-recurring items** in the second quarter of 2014 resulted in a net gain of €156 million, compared to a net loss of €46 million in the same period last year. The difference is explained mainly by the capital gain generated from the sale of the remaining YPF shares, not subject to the expropriation, and the cancelation, in advance, of the LNG transportation contract with Naturgas, partially compensated by the impairment booked, corresponding to the Upstream assets in North America, as a consequence of the new development plan forecast for the unconventional assets in the Mississippian Lime.

### January – June 2014 results

Accumulative **non-recurring items** for the first half of 2014 resulted in a net gain of €191 million as in contrast with the net loss of €87 million in the same period in 2013. The variation is largely a consequence of the capital gains registered from the sale of the non-expropriated YPF shares, the sale of TGP and the cancelation of the Naturgas contract, partially compensated by the abovementioned impairment corresponding to the Upstream assets in North America.

## DISCONTINUED OPERATIONS

(Unaudited figures)

| Results (€ Million) | 2Q 2013 | 1Q 2014 | 2Q 2014 | % Change 2Q14/2Q13 | January - June 2013 | January - June 2014 | % Change 2014/2013 |
|---|---|---|---|---|---|---|---|
| INCOME FROM DISCONTINUED OPERATIONS | 68 | 299 | (31) | - | 216 | 268 | 24.1 |

**Net income from discontinued operations** mainly comprises, in the second quarter of 2014, the result of the exchange rate variation associated to the write-off of the investment in YPF and YPF Gas after the agreement reached with the Republic of Argentina and, in the second quarter of 2013, the net contribution of sold LNG businesses**.**

### January – June 2014 results

The accumulated **net income from discontinued operations** essentially incorporates the net gain recognized from the sale of the LNG assets and the exchange rate effect associated to the write-off of the investment in YPF and YPF Gas after the agreement reached with the Republic of Argentina in the first half of 2014. The first half of 2013 also included mainly the net income contribution of the sold LNG businesses.

## NET DEBT EVOLUTION AND LIQUIDITY

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

### NET DEBT EVOLUTION

[Unaudited figures]

| NET DEBT + PREFERENCE SHARES EVOLUTION (€ Million) | 2Q 2014 | January - June 2014 |
|---|---|---|
| **NET DEBT + PREFERENCE SHARES AT THE START OF THE PERIOD** | **4,722** | **5,358** |
| EBITDA | (1,025) | (2,202) |
| CHANGE IN WORKING CAPITAL | 529 | 547 |
| INCOME TAX RECEIVED /PAID (1) | 468 | 542 |
| INVESTMENTS (2) | 928 | 1,658 |
| DISINVESTMENTS | (25) | (139) |
| DIVIDENDS PAID AND OTHER PAYOUTS | 1,118 | 1,350 |
| OWN SHARES TRANSACTIONS | (25) | (22) |
| FOREIGN EXCHANGE RATE EFFECT | (74) | (55) |
| INTEREST AND OTHER MOVEMENTS (3) | 346 | 389 |
| EFFECTS ASSOCIATED WITH THE SALE OF LNG | 7 | (506) |
| EFFECTS ASSOCIATED WITH THE EXPROPIATION OF YPF (4) | (4,577) | (4,528) |
| **NET DEBT + PREFERENCE SHARES AT THE END OF THE PERIOD** | **2,392** | **2,392** |

| | 2014 |
|---|---|
| CAPITAL EMPLOYED (€ Million) | 29,346 |
| NET DEBT + PREFERENCE SHARES / CAPITAL EMPLOYED (%) | 8.2 |
| ROACE (%) | 6.9 |
| EBITDA /NET DEBT + PREFERENCE SHARES (x) | 1.8 |

**(1)** This figure includes €308 million related to the gains on the assets divested.

**(2)** As of June 30, 2014, the Group had financial investments of €904 million. €900 million correspond to deposits at 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.

## LIQUIDITY

The Repsol Group has a liquidity position of €11,195 million (including committed and unused credit lines, and deposits at financial institutions with immediate liquidity), sufficient to cover 2.93 times short-term debt maturities. The net debt, including preference shares, to capital employed ratio at the close of the second quarter 2014 stood at 8.2%.

## RELEVANT EVENTS

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

In **Upstream**, on 23 June 2014, Repsol announced two new discoveries in the Russia's Karabashsky blocks, in the West-Siberian Ouriyinskoye field. The recoverable resources from the Gabi-1 and Gabi-3 wells are estimated by the Ministry of Natural Resources and Environment of the Russian Federation at 240 million barrels of oil equivalent, a considerable addition to the resources Repsol currently holds in Russia. The Minister of Natural Resources and Environment of the Russian Federation, Sergei Donskoi said this find is the biggest made in Russia in the last two years. The Gabi-1 and Gabi-3 wells have been drilled with the use by Repsol of innovative drilling and seismic techniques that will allow the potential of these resources to be fulfilled.

On 3 July 2014, Repsol announced a new hydrocarbons discovery in the Teak field, offshore Trinidad and Tobago, in the TSP block east of the island of Trinidad. The find in the TB14 well has upgraded the northern portion of the Teak B field that was not known to exist before. Repsol operates the field with a 70% interest, partnered by co-venturers Petroleum Company of Trinidad and Tobago (Petrotrin) and The National Gas Company of Trinidad and Tobago (NGC), with a 15% stake each. The TB14 well, which has produced 1,200 barrels of oil a day in testing, adds to the start-up in June of the TB13 well, which added 1,384 bopd to the field's output. The production of the new wells equals 17% to the block's existing production in 2013, which averaged 14,834 bopd gross.

In **Corporation**, on 9 May 2014, Repsol reported that as of that date the Agreement executed on 27 February 2014 among Repsol, YPF and YPF Gas, by which, mainly, all parties agree to desist from legal action initiated by them as and a series of mutual indemnities and waivers became effective.

On 9, 13 and 22 May 2014, in view of the favorable perception of Argentina in the financial markets, Repsol formalized with JP Morgan several sale transactions of the bonds delivered by the Republic of Argentina as a means of payment of the compensation for the expropriation of the controlling stake of Repsol Group in YPF and YPF Gas. The first transaction included the sale of the whole portfolio of BONAR 24 (announced in the relevant event of 9 May 2014), consequently the sale of the BONAR X and DISCOUNT 33 bonds, and subsequently a partial sale of the BODEN 2015 portfolio, which was completed several days after with the sale of the remaining amount. The sale price of these transactions reached US$ 4,997 million, including US$ 65 million of accrued interest. These sales accounted for the extinguishment of debt recognized by the Republic of Argentina.

On 15 May 2014, Fitch Ratings announced its decision to upgrade Repsol's Long-term Issuer Default Rating (IDR) from BBB- to BBB, with positive outlook. Short-term IDR was affirmed at 'F3'.

On 16 May 2014, Standard and Poor's Ratings Services announced its decision to upgrade Repsol's outlook from stable to positive.

On 20 May 2014, Moody's Investors Service notified its decision to upgrade Repsol's long-term rating to Baa2 from Baa3 and the short term rating to Prime-2 from Prime-3, both with stable outlook.

On 28 May 2014, the Board of Directors of Repsol, S.A. agreed to distribute an extraordinary dividend of one euro (gross) per share from 2014 earnings, with payment day on June 6th, 2014. In addition, the Board of Directors approved the timetable for the execution of the paid-up capital increase, approved by the Shareholders´ Meeting -under item fifth on the Agenda- in the framework of the "Repsol Flexible Dividend" program in substitution of the 2013 final dividend, for its implementation in June and July 2014.

On 2 June 2014, the company announced the start of the Fourth Cycle of the Delivery Shares Plan addressed to the beneficiaries of multiannual remuneration programs.

On 4 June 2014, the closure of an accelerated book building was announced of a total amount of 104,057,057 Repsol, S.A. shares owned by PMI Holdings, B.V. (subsidiary of PEMEX), representing a 7.86% of Repsol, S.A.'s share capital. On that same date, Pemex Internacional España, S.A.U. tendered its resignation as member of the Board of Directors of Repsol, S.A. and from the Committees in which it participated, with immediate effect.

On 17 June 2014, Repsol, S.A. announced the early redemption of the Bonds Series I/2013 (ISIN code ES0273516007) in full on July 1, 2014, which was the next interest payment date. The Bonds were redeemed in cash and at par value. The redemption bore no expense (except for any tax withholding, as required) and was carried out in accordance with all legal obligations and the terms and conditions provided for in the Securities Note approved and registered on the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores) on June 4, 2013. Repsol, S.A. paid 1,458,191,000 euros of principal (500 euros per bond) and 12,759,121.25 euros of gross ordinary coupon (4,375 euros per bond) on the 1 July 2014 payment date, which was the date for the redemption in whole of the bonds. After the redemption, there are no outstanding bonds of the aforementioned issue.

On 7 July 2014, following the official notices sent to the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores - CNMV) on May 28 and June 16, 2014, Repsol, S.A. announced the closure and final figures related to the capital increase implementing the "Repsol Flexible Dividend" shareholders' remuneration program.

Holders of 75.84% of free-of-charge allocation rights (a total of 1,004,498,391 rights) opted to receive new shares of Repsol, as a result 25,756,369 ordinary shares of one (1) euro par value were issued, representing an increase of approximately 1.94% of the share capital of Repsol before the capital increase. The ordinary trading of the new shares on the Spanish stock exchanges began on July 16.

In addition, holders of 24.16% of the rights (320,017,594 rights) accepted the irrevocable purchase commitment of Repsol at a price of 0.485 euros per right. The cash payment was made on July 9, 2014, with a total gross disbursement of 155 million euros.

On 23 July 2014, at the request of the Comisión Nacional del Mercado de Valores, Repsol announced that, as the Company has stated over the last few months as part of its dynamic portfolio management, it is studying a number of different transactions in the area of exploration and production, which include possible transactions with Talisman. No decision has yet been taken in this regard.

**Madrid, July 24, 2014**

A conference call has been scheduled with research analysts and institutional investors for today, July 24, 2014 at 1300 (CET) to report on the Repsol Group's second-quarter 2014 results. Anyone interested can follow the call live through Repsol's corporate website (www.repsol.com). A full recording of the event will also be available to investors and any other interested party at 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

## SECOND QUARTER 2014

# ADJUSTED NET INCOME BY BUSINESS SEGMENTS

(Unaudited figures)

| 2Q 2013 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **€ Million** | **Operating income** | **Financial Results** | **Income Tax** | **Income from equity affiliates and non-controlling interests** | **Adjusted net income** | **Inventory effect** | **Non Recurrent** | **Net Income** |
| Upstream | 514 | - | (234) | 5 | 285 | - | (74) | 211 |
| Downstream | 173 | - | (57) | 7 | 123 | (156) | 31 | (2) |
| Gas Natural Fenosa | - | - | - | 128 | 128 | - | (17) | 111 |
| Corporation & Others | (92) | (84) | 41 | - | (135) | - | 14 | (121) |
| **TOTAL** | **595** | **(84)** | **(250)** | **140** | **401** | **(156)** | **(46)** | **199** |
| Income from discontinued operations | | | | | | | 68 | 68 |
| **NET INCOME** | | | | | | | **22** | **267** |

| 1Q 2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **€ Million** | **Operating income** | **Financial Results** | **Income Tax** | | **Adjusted net income** | **Inventory effect** | **Non Recurrent** | **Net Income** |
| Upstream | 441 | - | (194) | 8 | 255 | - | 30 | 285 |
| Downstream | 426 | - | (133) | (3) | 290 | (59) | (1) | 230 |
| Gas Natural Fenosa | - | - | - | 123 | 123 | - | (2) | 121 |
| Corporation & Others | (70) | (130) | 64 | - | (136) | - | 8 | (128) |
| **TOTAL** | **797** | **(130)** | **(263)** | **128** | **532** | **(59)** | **35** | **508** |
| Income from discontinued operations | | | | | | | 299 | 299 |
| **NET INCOME** | | | | | | | **334** | **807** |

| 2Q 2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **€ Million** | **Operating income** | **Financial Results** | **Income Tax** | **Income from equity affiliates and non-controlling interests** | **Adjusted net income** | **Inventory effect** | **Non Recurrent** | **Net Income** |
| Upstream | 216 | - | (69) | (2) | 145 | - | (146) | (1) |
| Downstream | 205 | - | (40) | (3) | 162 | 5 | 47 | 214 |
| Gas Natural Fenosa | - | - | 0 | 159 | 159 | - | - | 159 |
| Corporation & Others | (60) | (46) | 30 | - | (76) | - | 255 | 179 |
| **TOTAL** | **361** | **(46)** | **(79)** | **154** | **390** | **5** | **156** | **551** |
| Income from discontinued operations | | | | | | | (31) | (31) |
| **NET INCOME** | | | | | | | **125** | **520** |

| JANUARY-JUNE 2013 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **€ Million** | **Operating income** | **Financial Results** | **Income Tax** | **Income from equity affiliates and non-controlling interests** | **Adjusted net income** | **Inventory effect** | **Non Recurrent** | **Net Income** |
| Upstream | 1,182 | - | (563) | 15 | 634 | - | (150) | 484 |
| Downstream | 487 | - | (157) | 20 | 350 | (153) | 72 | 269 |
| Gas Natural Fenosa | - | - | - | 253 | 253 | - | (19) | 234 |
| Corporation & Others | (193) | (248) | 129 | - | (312) | - | 10 | (302) |
| **TOTAL** | **1,476** | **(248)** | **(591)** | **288** | **925** | **(153)** | **(87)** | **685** |
| Income from discontinued operations | | | | | | | 216 | 216 |
| **NET INCOME** | | | | | | | **129** | **901** |

| JANUARY-JUNE 2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **€ Million** | **Operating income** | **Financial Results** | **Income Tax** | **Income from equity affiliates and non-controlling interests** | **Adjusted net income** | **Inventory effect** | **Non Recurrent** | **Net Income** |
| Upstream | 657 | - | (263) | 6 | 400 | - | (116) | 284 |
| Downstream | 631 | - | (173) | (6) | 452 | (54) | 46 | 444 |
| Gas Natural Fenosa | - | - | - | 282 | 282 | - | (2) | 280 |
| Corporation & Others | (130) | (176) | 94 | - | (212) | - | 263 | 51 |
| **TOTAL** | **1,158** | **(176)** | **(342)** | **282** | **922** | **(54)** | **191** | **1,059** |
| Income from discontinued operations | | | | | | | 268 | 268 |
| **NET INCOME** | | | | | | | **459** | **1,327** |

# NET SALES BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS

(Unaudited figures)

| | QUARTERLY DATA | | | JANUARY - JUNE | |
|---|---|---|---|---|---|
| **Millones de euros** | **2Q13** | **1Q14** | **2Q14** | **2013** | **2014** |
| **UPSTREAM** | **1,226** | **1,103** | **1,016** | **2,571** | **2,119** |
| USA and Brazil | 263 | 260 | 296 | 507 | 556 |
| North Africa | 281 | 180 | 19 | 615 | 199 |
| Rest of the World | 682 | 663 | 701 | 1,449 | 1,364 |
| Adjustments | 0 | 0 | 0 | 0 | 0 |
| | | | | | |
| **DOWNSTREAM** | **11,136** | **11,745** | **11,454** | **22,605** | **23,199** |
| Europe | 10,527 | 10,281 | 10,407 | 21,359 | 20,688 |
| Rest of the World | 1,238 | 2,181 | 1,669 | 2,708 | 3,850 |
| Adjustments | (629) | (717) | (622) | (1,462) | (1,339) |
| | | | | | |
| **CORPORATE AND OTHERS** | **(408)** | **(436)** | **(253)** | **(851)** | **(689)** |
| | | | | | |
| **TOTAL** | **11,954** | **12,412** | **12,217** | **24,325** | **24,629** |

## ADJUSTED NET INCOME BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS

(Unaudited figures)

| | QUARTERLY DATA | | | JANUARY - JUNE | |
|---|---|---|---|---|---|
| **€ Million** | **2Q13** | **1Q14** | **2Q14** | **2013** | **2014** |
| **UPSTREAM** | **285** | **255** | **145** | **634** | **400** |
| USA and Brazil | 7 | 74 | 80 | 94 | 154 |
| North Africa | 71 | 40 | (63) | 157 | (23) |
| Rest of the World | 207 | 141 | 128 | 383 | 269 |
| **DOWNSTREAM** | **123** | **290** | **162** | **350** | **452** |
| Europe | 105 | 134 | 165 | 240 | 299 |
| Rest of the World | 18 | 156 | (3) | 110 | 153 |
| **GAS NATURAL FENOSA** | **128** | **123** | **159** | **253** | **282** |
| **CORPORATE AND OTHERS** | **(135)** | **(136)** | **(76)** | **(312)** | **(212)** |
| **TOTAL** | **401** | **532** | **390** | **925** | **922** |

## EBITDA BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS

(Unaudited figures)

| | QUARTERLY DATA | | | JANUARY - JUNE | |
|---|---|---|---|---|---|
| **€ Million** | **2Q13** | **1Q14** | **2Q14** | **2013** | **2014** |
| **UPSTREAM** | **803** | **716** | **643** | **1,725** | **1,359** |
| USA and Brazil | 196 | 213 | 273 | 401 | 486 |
| North Africa | 258 | 149 | (14) | 562 | 135 |
| Rest of the World | 349 | 354 | 384 | 762 | 738 |
| **DOWNSTREAM** | **131** | **506** | **442** | **635** | **948** |
| Europe | 86 | 242 | 436 | 413 | 678 |
| Rest of the World | 45 | 264 | 6 | 222 | 270 |
| **CORPORATE AND OTHERS** | **(62)** | **(45)** | **(60)** | **(145)** | **(105)** |
| **TOTAL** | **872** | **1,177** | **1,025** | **2,215** | **2,202** |

## CAPEX BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS

(Unaudited figures)

| € Million | QUARTERLY DATA 2Q13 | QUARTERLY DATA 1Q14 | QUARTERLY DATA 2Q14 | JANUARY - JUNE 2013 | JANUARY - JUNE 2014 |
|---|---|---|---|---|---|
| **UPSTREAM** | **606** | **584** | **691** | **1,151** | **1,275** |
| USA and Brazil | 365 | 316 | 337 | 653 | 653 |
| North Africa | 19 | 25 | 14 | 38 | 39 |
| Rest of the World | 222 | 243 | 340 | 460 | 583 |
| **DOWNSTREAM** | **133** | **135** | **148** | **226** | **283** |
| Europe | 111 | 114 | 116 | 195 | 230 |
| Rest of the World | 22 | 21 | 32 | 31 | 53 |
| **CORPORATE AND OTHERS** | **7** | **9** | **21** | **19** | **30** |
| **TOTAL** | **746** | **728** | **860** | **1,396** | **1,588** |

# OPERATING INDICATORS

## SECOND QUARTER 2014

## UPSTREAM OPERATING INDICATORS

| | Unit | 1Q 2013 | 2Q 2013 | January - June 2013 | 1Q 2014 | 2Q 2014 | January - June 2013 | % Variation 2Q14/2Q13 | % Variation 2014/2013 |
|---|---|---|---|---|---|---|---|---|---|
| **HYDROCARBON PRODUCTION** | **Kboe/d** | **360** | **359** | **360** | **342** | **338** | **340** | **(5.8)** | **(5.5)** |
| **Liquid production** | Kboe/d | 151 | **149** | **150** | **131** | **122** | **126** | **(18.5)** | **(15.9)** |
| USA and Brazil | Kboe/d | 33 | 35 | 34 | 37 | 45 | 41 | 28.6 | 19.9 |
| North of Africa | Kboe/d | 43 | 41 | 42 | 21 | 2 | 12 | (94.9) | (72.5) |
| Rest of the World | Kboe/d | 75 | 73 | 74 | 73 | 75 | 74 | 1.6 | (0.3) |
| **Natural gas production** | **Kboe/d** | **210** | **210** | **210** | **211** | **217** | **214** | **3.1** | **1.9** |
| USA and Brazil | Kboe/d | 4 | 4 | 4 | 5 | 8 | 7 | 6.6 | 70.1 |
| North of Africa | Kboe/d | 5 | 6 | 6 | 6 | 5 | 5 | 5.3 | (5.0) |
| Rest of the World | Kboe/d | 201 | 200 | 200 | 200 | 204 | 202 | 2.0 | 0.8 |

# DOWNSTREAM OPERATING INDICATORS

| | Unit | 1Q 2013 | 2Q 2013 | January - June 2013 | 1Q 2014 | 2Q 2014 | January - June 2014 | % Variation 2Q14/2Q13 | % Variation 2014/2013 |
|---|---|---|---|---|---|---|---|---|---|
| **PROCESSED CRUDE OIL** | **Mtoe** | **9.5** | **9.8** | **19.3** | **9.1** | **10.1** | **19.2** | **3.5** | **(0.7)** |
| Europe | Mtoe | 8.8 | 8.9 | 17.7 | 8.2 | 9.3 | 17.6 | 4.8 | (0.8) |
| Rest of the world | Mtoe | 0.7 | 0.9 | 1.6 | 0.8 | 0.8 | 1.7 | (9.3) | 1.1 |
| **SALES OF OIL PRODUCTS** | **Kt** | **10,136** | **11,154** | **21,290** | **9,845** | **11,298** | **21,143** | **1.3** | **(0.7)** |
| **Europe Sales** | Kt | **9,105** | **10,043** | **19,148** | **8,803** | **10,243** | **19,046** | **2.0** | **(0.5)** |
| **Own network** | Kt | **4,493** | **4,747** | **9,240** | **4,574** | **4,772** | **9,346** | **0.5** | **1.1** |
| Light products | Kt | 3,893 | 4,098 | 7,991 | 3,985 | 4,062 | 8,047 | (0.9) | 0.7 |
| Other Products | Kt | 600 | 649 | 1,249 | 589 | 710 | 1,299 | 9.4 | 4.0 |
| **Other Sales to Domestic Market** | Kt | **1,584** | **1,583** | **3,167** | **1,706** | **1,924** | **3,630** | **21.5** | **14.6** |
| Light products | Kt | 1,532 | 1,525 | 3,057 | 1,629 | 1,878 | 3,507 | 23.1 | 14.7 |
| Other Products | Kt | 52 | 58 | 110 | 77 | 46 | 123 | (20.7) | 11.8 |
| **Exports** | Kt | **3,028** | **3,713** | **6,741** | **2,523** | **3,547** | **6,070** | **(4.5)** | **(10.0)** |
| Light products | Kt | 1,055 | 1,459 | 2,514 | 632 | 1,286 | 1,918 | (11.9) | (23.7) |
| Other Products | Kt | 1,973 | 2,254 | 4,227 | 1,891 | 2,261 | 4,152 | 0.3 | (1.8) |
| **Rest of the world sales** | Kt | **1,031** | **1,111** | **2,142** | **1,042** | **1,055** | **2,097** | **(5.0)** | **(2.1)** |
| **Own network** | Kt | **495** | **567** | **1,062** | **490** | **542** | **1,032** | **(4.4)** | **(2.8)** |
| Light products | Kt | 460 | 500 | 960 | 450 | 489 | 939 | (2.2) | (2.2) |
| Other Products | Kt | 35 | 67 | 102 | 40 | 53 | 93 | (20.9) | (8.8) |
| **Other Sales to Domestic Market** | Kt | **377** | **357** | **734** | **333** | **319** | **652** | **(10.6)** | **(11.2)** |
| Light products | Kt | 280 | 280 | 560 | 274 | 274 | 548 | (2.1) | (2.1) |
| Other Products | Kt | 97 | 77 | 174 | 59 | 45 | 104 | (41.6) | (40.2) |
| **Exports** | Kt | **159** | **187** | **346** | **219** | **194** | **413** | **3.7** | **19.4** |
| Light products | Kt | 66 | 70 | 136 | 80 | 124 | 204 | 77.1 | 50.0 |
| Other Products | Kt | 93 | 117 | 210 | 139 | 70 | 209 | (40.2) | (0.5) |
| **CHEMICALS** | | | | | | | | | |
| **Sales of petrochemical products** | Kt | **513** | **684** | **1,197** | **653** | **680** | **1,334** | **(0.6)** | **11.4** |
| **Europe** | Kt | **439** | **594** | **1,033** | **558** | **547** | **1,105** | (7.8) | 7.0 |
| Base | Kt | 121 | 210 | 330 | 205 | 188 | 392 | (10.4) | 18.7 |
| Derivate | Kt | 318 | 384 | 702 | 353 | 360 | 713 | (6.4) | 1.5 |
| **Rest of the world** | Kt | **74** | **91** | **164** | **96** | **133** | **229** | 46.2 | 39.0 |
| Base | Kt | 12 | 16 | 28 | 12 | 39 | 51 | 139.7 | 81.0 |
| Derivate | Kt | 62 | 75 | 136 | 84 | 94 | 178 | 26.0 | 30.3 |
| **LPG** | | | | | | | | | |
| **LPG sales** | Kt | **683** | **590** | **1,273** | **670** | **549** | **1,219** | **(6.9)** | **(4.2)** |
| Europe | Kt | 446 | 332 | 779 | 420 | 301 | 721 | (9.4) | (7.4) |
| Rest of the world | Kt | 237 | 258 | 494 | 250 | 248 | 498 | (3.7) | 0.7 |

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

# APPENDIX II – CONSOLIDATED FINANCIAL STATEMENTS

## SECOND QUARTER 2014

# STATEMENT OF FINANCIAL POSITION

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

| | DECEMBER 2013 | JUNE 2014 |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Goodwill | 490 | 486 |
| Other intangible assets | 1,239 | 1,208 |
| Property, plant and equipment | 16,026 | 15,982 |
| Investment property | 24 | 39 |
| Investments accounted for using the equity method | 10,340 | 10,652 |
| Non- current assets held for sale subject to expropiation | 3,625 | 0 |
| Non-current financial assets : | | |
| Non-current financial instruments | 665 | 460 |
| Others | 1,223 | 60 |
| Deferred tax assets | 4,079 | 4,097 |
| Other non-current assets | 60 | 119 |
| **CURRENT ASSETS** | | |
| Non-current assets held for sale | 1,692 | 87 |
| Inventories | 4,938 | 5,388 |
| Trade an other receivables | 4,935 | 6,120 |
| Other current assets | 141 | 151 |
| Other current financial assets | 354 | 1,616 |
| Cash and cash equivalents | 5,716 | 6,845 |
| **TOTAL ASSETS** | **55,547** | **53,310** |
| **TOTAL EQUITY** | | |
| Attributable to equity holders of the parent | 27,207 | 26,699 |
| Attributable to minority interests | 243 | 255 |
| **NON-CURRENT LIABILITIES** | | |
| Grants | 10 | 10 |
| Non-current provisions | 2,700 | 2,710 |
| Non-current financial debt | 8,469 | 7,222 |
| Deferred tax liabilities | 1,866 | 1,834 |
| Other non-current liabilities | | |
| Non-current debt for finance leases | 1,263 | 1,263 |
| Other | 413 | 446 |
| **CURRENT LIABILITIES** | | |
| Liabilities related to non-current assets held for sale | 1,457 | 0 |
| Current provisions | 249 | 168 |
| Current financial liabilities | 5,833 | 6,206 |
| Trade payables and other payables: | | |
| Current debt for finance leases | 154 | 154 |
| Other payables | 5,683 | 6,343 |
| **TOTAL LIABILITIES** | **55,547** | **53,310** |

# INCOME STATEMENT

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

| | QUARTERLY DATA | | | JANUARY - JUNE | |
|---|---|---|---|---|---|
| | 2Q 2013 | 1Q 2014 | 2Q 2014 | 2013 | 2014 |
| **Sales** | **11,500** | **11,960** | **11,749** | **23,394** | **23,709** |
| **Operating income** | **177** | **462** | **(32)** | **795** | **430** |
| Financial result | (69) | (143) | 353 | (245) | 210 |
| Income from equity affiliates | 180 | 356 | 323 | 404 | 679 |
| **Net income before tax** | **288** | **675** | **644** | **954** | **1,319** |
| Income tax | (103) | (163) | (87) | (285) | (250) |
| **Net income from continuing operations** | **185** | **512** | **557** | **669** | **1,069** |
| Net income from non-controlling interest | 14 | (4) | (6) | 16 | (10) |
| **NET INCOME FROM CONTINUING OPERATIONS** | **199** | **508** | **551** | **685** | **1,059** |
| Net income for the year from discontinuing operations | 68 | 299 | (31) | 216 | 268 |
| **NET INCOME** | **267** | **807** | **520** | **901** | **1,327** |
| **Earning per share attributible to the parent company** | | | | | |
| Euros/share | 0.20 | 0.60 | 0.39 | 0.68 | 0.98 |
| USD/ADR | 0.25 | 0.82 | 0.53 | 0.94 | 1.36 |
| Average number of shares | 1,349,461,552 | 1,349,176,508 | 1,349,727,306 | 1,327,594,713 | 1,349,453,429 |
| Exchange rates USD/EUR at the end of each quarter | 1.31 | 1.38 | 1.37 | 1.31 | 1.37 |

# CASH FLOW STATEMENT

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

| | JANUARY - JUNE 2013 | JANUARY - JUNE 2014 |
|---|---|---|
| **I. CASH FLOWS FROM OPERATING ACTIVITIES (*)** | | |
| Net income before taxes | 954 | 1,319 |
| Adjustments to net income | | |
| Depreciation and amortisation of non current assets | 725 | 942 |
| Other adjustments to results (net) | (65) | (702) |
| **EBITDA** | **1,614** | **1,559** |
| Changes in working capital | **(72)** | **(466)** |
| Dividends received | 170 | 199 |
| Income taxes received/ (paid) | (440) | (394) |
| Other proceeds from/ ( payments for) operating activities | (52) | (131) |
| **OTHER CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES** | **(322)** | **(326)** |
| | **1,220** | **767** |
| **II. CASH FLOWS USED IN INVESTMENT ACTIVITIES (*)** | | |
| Payments for investment activities | | |
| Group companies, associates and business units | (130) | (18) |
| Property, plant and equipment, intangible assets and investment properties | (870) | (1,171) |
| Other financial assets | (104) | (915) |
| Total investments | **(1,104)** | **(2,104)** |
| Proceeds from divestments | **147** | **4,725** |
| Other cashflow | **0** | **0** |
| | **(957)** | **2,621** |
| **III. CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES (*)** | | |
| Proceeds from/ (paynments for) equity instruments | 1,025 | 22 |
| Proceeds from issue of financial liabilities | 2,788 | 2,358 |
| Payments for financial liabilities | (2,191) | (3,258) |
| Payments for dividends and payments on other equity instruments | (238) | (1,350) |
| Interest payments | (356) | (410) |
| Other proceeds from/(payments for) financing activities | (124) | (88) |
| | **904** | **(2,726)** |
| **Effect of changes in exchange rates from continued operations** | **(12)** | **27** |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUED OPERATIONS** | **1,155** | **689** |
| Cash flows from operating activities from discontinued operations | 435 | **(72)** |
| Cash flows from investment activities from discontinued operations | 16 | **513** |
| Cash flows from financing activities from discontinued operations | (102) | **(1)** |
| Effect of changes in exchange rates from discontinued operations | (2) | **0** |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS** | **347** | **440** |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD** | **4,108** | **5,716** |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | **5,610** | **6,845** |

**(*) Cash flows from continued operations**

# 2013 RESTATED STATEMENT OF FINANCIAL POSITION

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

| | DECEMBER 2013 Publsihed | ADJUSTMENTS 2013 | DECEMBER 2013 Restated (*) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| 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 expropiation | 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 |
| **CURRENT ASSETS** | | | |
| Non-current assets held for sale | 1,851 | (159) | 1,692 |
| Inventories | 5,256 | (318) | 4,938 |
| Trade an 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 |
| **TOTAL ASSETS** | **65,086** | **(9,539)** | **55,547** |
| **TOTAL EQUITY** | | | |
| Attributable to equity holders of the parent | 27,207 | 0 | 27,207 |
| Attributable to minority interests | 713 | (470) | 243 |
| **NON-CURRENT LIABILITIES** | | | |
| 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 |
| **CURRENT LIABILITIES** | | | |
| 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 |
| **TOTAL LIABILITIES** | **65,086** | **(9,539)** | **55,547** |

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

# 2Q 2013 RESTATED INCOME STATEMENT

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

| | January - June 2013 Published | Adjustments | January - June 2013 Restated (*) |
|---|---|---|---|
| **Operating income** | **1,991** | **(1,196)** | **795** |
| Financial result | (385) | 140 | (245) |
| Share of result of companies accounted for using the equity method | 74 | 330 | 404 |
| **Net income before tax** | **1,680** | **(726)** | **954** |
| Income tax | (717) | 432 | (285) |
| **Net income for the year from continuing operations** | **963** | **(294)** | **669** |
| Net income from non-controlling interest | (18) | 34 | 16 |
| **NET INCOME FOR THE YEAR FROM CONTINUING OPERATIONS** | **945** | **(260)** | **685** |
| Net income for the year from discontinuing operations | (44) | 260 | 216 |
| **NET INCOME FOR THE YEAR** | **901** | **0** | **901** |

| | 2Q 2013 Published | Adjustments | 2Q 2013 Restated (*) |
|---|---|---|---|
| **Operating income** | **699** | **(522)** | **177** |
| Financial result | (150) | 81 | (69) |
| Share of result of companies accounted for using the equity method | 29 | 151 | 180 |
| **Net income before tax** | **578** | **(290)** | **288** |
| Income tax | (266) | 163 | (103) |
| **Net income for the year from continuing operations** | **312** | **(127)** | **185** |
| Net income from non-controlling interest | (4) | 18 | 14 |
| **NET INCOME FOR THE YEAR FROM CONTINUING OPERATIONS** | **308** | **(109)** | **199** |
| Net income for the year from discontinuing operations | (41) | 109 | 68 |
| **NET INCOME FOR THE YEAR** | **267** | **0** | **267** |

**(*)The Income Statement as of 2013 has been restated for comparative purposes due to the aplication NIIF 11"Joint Arrengements" 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.**

# 2Q 2013 RESTATED CASH FLOW STATEMENT

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

| | June 2013 Published | Adjustments | June 2013 Restated (*) |
|---|---|---|---|
| **I. CASH FLOWS FROM OPERATING ACTIVITIES (*)** | | | |
| Net income before taxes | 1,680 | (726) | 954 |
| Adjustments to net income | | | |
| Depreciation and amortisation of non current assets | 1,236 | (512) | 724 |
| Other adjustments to results (net) | 460 | (525) | (65) |
| **EBITDA** | **3,376** | **(1,763)** | **1,613** |
| Changes in working capital | **(158)** | **87** | **(71)** |
| Dividends received | 51 | 119 | 170 |
| Income taxes received/ (paid) | (616) | 176 | (440) |
| Other proceeds from/ ( payments for) operating activities | (63) | 11 | (52) |
| **OTHER CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES** | **(628)** | **306** | **(322)** |
| | | **(1,370)** | **1,220** |
| **II. CASH FLOWS USED IN INVESTMENT ACTIVITIES (*)** | | | |
| Payments for investment activities | | | |
| Group companies, associates and business units | (157) | 27 | (130) |
| Property, plant and equipment, intangible assets and investment properties | (1,553) | 683 | (870) |
| Other financial assets | (201) | 97 | (104) |
| Total investments | **(1,911)** | **807** | **(1,104)** |
| Proceeds from divestments | **377** | **(230)** | **147** |
| Other Cash Flows | **0** | **0** | **0** |
| | **(1,534)** | **577** | **(957)** |
| **III. CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES (*)** | | | |
| Proceeds from/ (paynments for) equity instruments | 1,025 | 0 | 1,025 |
| Proceeds from issue of financial liabilities | 3,950 | (1,162) | 2,788 |
| Payments for financial liabilities | (3,333) | 1,142 | (2,191) |
| Payments for dividends and payments on other equity instruments | (281) | 43 | (238) |
| Interest payments | (512) | 156 | (356) |
| Other proceeds from/(payments for) financing activities | (80) | (44) | (124) |
| | **769** | **135** | **904** |
| **Effect of changes in exchange rates from continued operations** | **(21)** | 9 | **(12)** |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUED OPERATIONS** | **1,804** | **(649)** | **1,155** |
| Cash flows from operating activities from discontinued operations | (11) | (446) | **435** |
| Cash flows from investment activities from discontinued operations | 0 | (16) | **16** |
| Cash flows from financing activities from discontinued operations | (3) | 99 | **(102)** |
| Effect of changes in exchange rates from discontinued operations | 0 | 2 | **(2)** |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS** | **(14)** | **(361)** | **347** |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD** | **5,903** | **(1,795)** | **4,108** |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | **7,693** | **(2,083)** | **5,610** |

**(*) The Cash Flow Statement as of 2013 has been restated for comparative purposes due to the aplication NIIF 11"Joint Arrangements" since 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.**
**(**) Cash flows from continued operations**

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

## SECOND QUARTER 2014

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

(Unaudited figures)

| | SECOND QUARTER 2013 | | | | | |
|---|---|---|---|---|---|---|
| | | ADJUSTMENTS | | | | |
| € Million | Adjusted result | Joint arrangements reclassification | Non-recurring items | Impact on equity | Total adjustments | Total consolidated |
| Operating income | 595 | (163) | (18) | (237) | (418) | 177 |
| Financial result | (84) | 4 | 11 | - | 15 | (69) |
| Income from equity affiliates | 137 | 62 | (19) | - | 43 | 180 |
| **Net income before tax** | **648** | **(97)** | **(26)** | **(237)** | **(360)** | **288** |
| Income tax | (250) | 97 | (20) | 70 | 147 | (103) |
| **Net income from continued operations** | **398** | **-** | **(46)** | **(167)** | **(213)** | **185** |
| Income attributed to minority interests | 3 | - | - | 11 | 11 | 14 |
| **NET INCOME FROM CONTINUED OPERATIONS** | **401** | **-** | **(46)** | **(156)** | **(202)** | **199** |
| Income from discontinued operations | | | | | | 68 |
| **ADJUSTED NET INCOME** | **401** | **-** | **(46)** | **(156)** | **(202)** | **267** |

| | FIRST QUARTER 2014 | | | | | |
|---|---|---|---|---|---|---|
| | | ADJUSTMENTS | | | | |
| € Million | Adjusted result | Joint arrangements reclassification | Non-recurring items | Impact on equity | Total adjustments | Total consolidated |
| Operating income | 797 | (232) | (15) | (88) | (335) | 462 |
| Financial result | (130) | (17) | 4 | - | (13) | (143) |
| Income from equity affiliates | 135 | 172 | 49 | - | 221 | 356 |
| **Net income before tax** | **802** | **(77)** | **38** | **(88)** | **(127)** | **675** |
| Income tax | (263) | 77 | (3) | 26 | 100 | (163) |
| **Net income from continued operations** | **539** | **-** | **35** | **(62)** | **(27)** | **512** |
| Income attributed to minority interests | (7) | - | - | 3 | 3 | (4) |
| **NET INCOME FROM CONTINUED OPERATIONS** | **532** | **-** | **35** | **(59)** | **(24)** | **508** |
| Income from discontinued operations | | | | | | 299 |
| **ADJUSTED NET INCOME** | **532** | **-** | **35** | **(59)** | **(24)** | **807** |

| | SECOND QUARTER 2014 | | | | | |
|---|---|---|---|---|---|---|
| | | ADJUSTMENTS | | | | |
| € Million | Adjusted result | Joint arrangements reclassification | Non-recurring items | Impact on equity | Total adjustments | Total consolidated |
| Operating income | 361 | (232) | (168) | 7 | (393) | (32) |
| Financial result | (46) | (40) | 439 | - | 399 | 353 |
| Income from equity affiliates | 160 | 163 | - | - | 163 | 323 |
| **Net income before tax** | **475** | **(109)** | **271** | **7** | **169** | **644** |
| Income tax | (79) | 109 | (115) | (2) | (8) | (87) |
| **Net income from continued operations** | **396** | **-** | **156** | **5** | **161** | **557** |
| Income attributed to minority interests | (6) | - | - | - | - | (6) |
| **NET INCOME FROM CONTINUED OPERATIONS** | **390** | **-** | **156** | **5** | **161** | **551** |
| Income from discontinued operations | | | | | | (31) |
| **ADJUSTED NET INCOME** | **390** | **-** | **156** | **5** | **161** | **520** |

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

| | JANUARY - JUNE 2013 | | | | | |
|---|---|---|---|---|---|---|
| | | ADJUSTMENTS | | | | |
| € Million | Adjusted result | Joint arragements reclassification | Non-recurring items | Impact on equity | Total adjustments | Total consolidated |
| Operating income | 1,476 | (407) | (42) | (232) | (681) | 795 |
| Financial result | (248) | - | 3 | - | 3 | (245) |
| Income from equity affiliates | 282 | 143 | (21) | - | 122 | 404 |
| **Net income before tax** | **1,510** | **(264)** | **(60)** | **(232)** | **(556)** | **954** |
| Income tax | (591) | 264 | (27) | 69 | 306 | (285) |
| **Net income from continued operations** | **919** | **-** | **(87)** | **(163)** | **(250)** | **669** |
| Income attributed to minority interests | 6 | - | - | 10 | 10 | 16 |
| **NET INCOME FROM CONTINUED OPERATIONS** | **925** | **-** | **(87)** | **(153)** | **(240)** | **685** |
| Income from discontinued operations | | | | | | 216 |
| **ADJUSTED NET INCOME** | **925** | **-** | **(87)** | **(153)** | **(240)** | **901** |

| | JANUARY - JUNE 2014 | | | | | |
|---|---|---|---|---|---|---|
| | | ADJUSTMENTS | | | | |
| € Million | Adjusted result | Joint arragements reclassification | Non-recurring items | Impact on equity | Total adjustments | Total consolidated |
| Operating income | 1,158 | (464) | (183) | (81) | (728) | 430 |
| Financial result | (176) | (57) | 443 | - | 386 | 210 |
| Income from equity affiliates | 295 | 335 | 49 | - | 384 | 679 |
| **Net income before tax** | **1,277** | **(186)** | **309** | **(81)** | **42** | **1,319** |
| Income tax | (342) | 186 | (118) | 24 | 92 | (250) |
| **Net income from continued operations** | **935** | **-** | **191** | **(57)** | **134** | **1,069** |
| Income attributed to minority interests | (13) | - | - | 3 | 3 | (10) |
| **NET INCOME FROM CONTINUED OPERATIONS** | **922** | **-** | **191** | **(54)** | **137** | **1,059** |
| Income from discontinued operations | | | | | | 268 |
| **ADJUSTED NET INCOME** | **922** | **-** | **191** | **(54)** | **137** | **1,327** |

# RECONCILIATION OF OTHER ECONOMIC DATA AND THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited figures)

| | QUARTERLY DATA | | | JANUARY - JUNE | |
|---|---|---|---|---|---|
| (€ Million) | 2Q13 | 1Q14 | 2Q14 | 2013 | 2014 |
| **Net sales by business segment** | **11,954** | **12,412** | **12,217** | **24,325** | **24,629** |
| Reclasification of joint ventures | (454) | (452) | (468) | (931) | (920) |
| **Net sales as fo the consolidates financial statements** | **11,500** | **11,960** | **11,749** | **23,394** | **23,709** |

| NET DEBT: Dicember 2013 (€ Million) | Net debt | Reclasification of joint ventures [1] | 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 | (3,498) | (2,335) | (5,833) |
| Net mark-to-market valuation of financial derivaties (excluding exchange rate) | 62 | | 62 |
| **Total** | **(5,358)** | **(2,147)** | **(7,505)** |

**(1) Mainly corresponding to the finantiation of Repsol Sinopec Brazil.**

| NET DEBT: June 2014 (€ Million) | Net debt | Reclasification of joint ventures [1] | Net debt excluding joint ventures |
|---|---|---|---|
| Non-current financial instruments | 280 | 180 | 460 |
| Other current financial assets | 1,033 | 583 | 1,616 |
| Cash and cash equivalents | 7,283 | (438) | 6,845 |
| Non-current financial liabilities | (7,227) | 5 | (7,222) |
| Current financial liabilities | (3,858) | (2,348) | (6,206) |
| Net mark-to-market valuation of financial derivaties (excluding exchange rate) | 97 | | 97 |
| **Total** | **(2,392)** | **(2,018)** | **(4,410)** |

**(1) Mainly corresponding to the finantiation of Repsol Sinopec Brazil.**

| OTHER ECONOMIC DATA JUNE 2014 (€ Million) | According the net debt evolution | Joint arragement adjustments | Financial investments/divestments | Free cash flow according to CFS IASB-UE |
|---|---|---|---|---|
| EBITDA | 2,202 | (643) | | 1,559 |
| CHANGE IN TRADING WORKING CAPITAL | (547) | 81 | | (466) |
| DIVIDENDS RECEIVED (*) | 133 | 66 | | 199 |
| INCOME TAX RECEIVED /PAID | (542) | 148 | | (394) |
| OTHER CASH FLOWS FROM OPERATING ACTIVITIES (*) | (132) | 1 | | (131) |
| INVESTMENTS (**) | (1,658) | 458 | (904) | (2,104) |
| DIVESTMENTS (***) | 4,731 | (6) | | 4,725 |

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

**(**) At June 30 , 2014, the Group had financial investments of €904 million, of which €900 million correspond to deposits at financial institutions which for accounting purposes are classified as investments on account of their term structure; however, from a management perspective they are considered as cash equivalent given their high liquidity.**

**(***) Includes €139 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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