



# Q3 2016 RESULTS

*3 November, 2016*

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

The definition of the Repsol Group's operating segments is based on the delimitation of the different activities performed and from which the Group earns revenue or incurs expenses, as well as on the organizational structure approved by the Board of Directors for business management purposes. Using these segments as a reference point, Repsol's management team (the Corporate Executive, E&P and Downstream Committees) analyzes the main operating and financial indicators in order to make decisions about segment resource allocation and to assess how the Company is performing.

Against this backdrop, following the closing of the sale of 10% of *Gas Natural SDG, S.A* and termination of the shareholder agreement with *La Caixa* on September 21, 2016, *Gas Natural Fenosa* no longer qualifies as an operating segment. From that date on, the remaining interest in *Gas Natural Fenosa* is included under **Corporate and others**. The Group did not aggregate any operating segments for presentation purposes.

The Group's operating segments are:

- Upstream, corresponding to exploration and development of crude oil and natural gas reserves and;
- Downstream, corresponding, mainly, to the following activities: (i) refining and petrochemistry, (ii) trading and transportation of crude oil and oil products, (iii) commercialization of oil products, petrochemical and LPG, (iv) the commercialization, transport and regasification of natural gas and liquefied natural gas (LNG).

Finally, **Corporate and others** includes activities not attributable to the aforementioned businesses, and specifically, corporate expenses, earnings and other metrics related to the remaining interest in *Gas Natural SDG*<sup>1</sup>, net finance costs and inter-segment consolidation adjustments.

Repsol presents its operating segments results by including those corresponding to its joint ventures and other managed companies operated as such, in accordance with the percentage interest held by the Group, considering their business and financial metrics in the same manner and with the same level of detail as for fully-consolidated companies. The Group believes that so doing adequately reflects the nature of its businesses and the way in which their performance is analyzed for decision-making purposes.

In addition, the Group, considering its business reality and in order to make its disclosures more comparable with those in the sector, utilizes as a measure of segment profit the so-called **Adjusted Net Income**, which corresponds to net income from continuing operations at current cost of supply or *CCS* after taxes and minority interests and not including certain items of income and expense (**Special Items**). Net finance cost is allocated to the **Corporate and others** segment's Adjusted Net Income/Loss.

Although this measure of profit (*CCS*), widely used in the industry to report the earnings generated in Downstream businesses which necessarily work with significant volumes of inventories that are subject to constant price fluctuations, is not accepted in *European accounting standards*, it does facilitate

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<sup>1</sup> It includes the net income of the company according to the equity method. The other metrics (EBITDA, Free Cash Flow, etc.) only reflect the cash flows affecting the Group on its capacity as shareholder in *Gas Natural SDG, S.A*.

comparison with the earnings of sector peers and enables analysis of the underlying business performance by stripping out the impact of price fluctuations on reported inventory levels. Using the CCS method, the cost of volumes sold during the reporting period is calculated using the costs of procurement and production incurred during that same period. As a result, Adjusted Net Income does not include the so-called *Inventory Effect*. This *Inventory Effect* is presented separately, net of tax and minority interests, and corresponds to the difference between income at CCS and that arrived at using the Average Weighted Cost accounting method. This European accounting method measures inventories contemplating purchase prices and historic production costs and values inventory at the lower between the abovementioned cost and its market value.

Likewise, *Adjusted Net Income* does not include the so-called *Special Items*, i.e., certain significant items whose separate presentation is considered convenient to facilitate the monitoring of the ordinary business performance. It includes gains/losses on disposals, personnel restructuring costs, impairments and relevant provisions for risks and expenses. Special Items are presented separately, net of the tax effect and minority interests.

All of the information presented in this *Q3 2016 Results Earnings Release* has been prepared in accordance with the abovementioned criteria, with the exception of the information provided in Appendix II “Consolidated Financial Statements” which has been prepared according to the *International Financial Reporting Standards adopted by the European Union (IFRS-EU)*.

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

In addition, the Group is consolidating the results of the acquired company *Talisman Energy Inc.*<sup>2</sup> (“*Talisman*”) since the date of closing of the transaction, 8 May 2015. The accounting of this business combination is final, once the IFRS 3 “Business combination” prescribed 12-month period has elapsed.

In accordance with IFRS 6 “Exploration for and evaluation of mineral resources”, the Group has considered that the capitalization of geology and geophysics costs (G&G) during the exploratory phase provides a fairer presentation of the assets’ economic reality and performance of its businesses. For more information about this change in the accounting policies, see the *Interim Condensed Consolidated Financial Statements* for the nine-month period ended 30 September 2016.

In October 2015, the *European Securities Markets Authority (ESMA)* published the *Guidelines on Alternative Performance Measures (APM)*, of mandatory application for the regulated information to be published from 3 July 2016. Information and disclosures related to APM used on the present *Q3 2016 Results Earnings Release* are included in Appendix V “Alternative Performance Measures” of the *Interim Condensed Consolidated Financial Statements* for the nine-month period ended 30 September 2016.

Repsol will publish today the *Interim Condensed Consolidated Financial Statements* for the nine-month period ended 30 September 2016 and they will be available on Repsol’s and CNMV’s (*Comisión Nacional del Mercado de Valores*) websites.

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<sup>2</sup> The registered name of *Talisman Energy Inc.* was changed to *Repsol Oil&Gas Canada Inc. (ROGCI)* on 1 January, 2016.

**KEY METRICS FOR THE PERIOD**
*(Unaudited figures)*

Results (€ Million)	Q3 2015	Q2 2016	Q3 2016	% Change Q3 16/Q3 15	January - September 2015	January - September 2016	% Change 2016/2015
Upstream	(395)	46	(28)	92.9	(633)	35	-
Downstream	682	378	395	(42.1)	1,655	1,329	(19.7)
Corporate and others	(128)	(79)	(60)	53.1	377	(140)	-
<b>ADJUSTED NET INCOME</b>	<b>159</b>	<b>345</b>	<b>307</b>	<b>93.1</b>	<b>1,399</b>	<b>1,224</b>	<b>(12.5)</b>
Inventory effect	(272)	159	(6)	97.8	(329)	(4)	98.8
Special items	(108)	(299)	180	-	(238)	(100)	58.0
<b>NET INCOME</b>	<b>(221)</b>	<b>205</b>	<b>481</b>	<b>-</b>	<b>832</b>	<b>1,120</b>	<b>34.6</b>

Economic data (€ Million)	Q3 2015	Q2 2016	Q3 2016	% Change Q3 16/Q3 15	January - September 2015	January - September 2016	% Change 2016/2015
EBITDA	1,011	1,390	1,141	12.9	3,394	3,558	4.8
EBITDA CCS	1,417	1,167	1,148	(19.0)	3,888	3,557	(8.5)
NET INVESTMENT	695	329	(1,645)	-	10,696	(607)	-
NET DEBT	13,123	11,709	9,988	(23.9)	13,123	9,988	(23.9)
NET DEBT / EBITDA CCS (x)	2.32	2.51	2.18	(6.2)	2.47	2.11	(14.7)

Operational data	Q3 2015	Q2 2016	Q3 2016	% Change Q3 16/Q3 15	January - September 2015	January - September 2016	% Change 2016/2015
LIQUIDS PRODUCTION (Thousand bbl/d)	244	246	239	(2.0)	193	247	27.5
GAS PRODUCTION <sup>(*)</sup> (Million scf/d)	2,298	2,530	2,423	5.4	1,790	2,510	40.3
<b>TOTAL PRODUCTION (Thousand boe/d)</b>	<b>653</b>	<b>697</b>	<b>671</b>	<b>2.6</b>	<b>512</b>	<b>694</b>	<b>35.5</b>
CRUDE OIL REALIZATION PRICE (\$/Bbl)	44.4	40.1	41.5	(6.6)	48.3	37.2	(23.0)
GAS REALIZATION PRICE (\$/Thousand scf)	2.8	2.3	2.2	(19.8)	2.9	2.3	(21.8)
DISTILLATION UTILIZATION Spanish Refining (%)	94.5	77.0	91.8	(2.7)	88.8	84.9	(3.9)
CONVERSION UTILIZATION Spanish Refining (%)	106.4	92.5	106.9	0.5	103.5	100.8	(2.7)
REFINING MARGIN INDICATOR IN SPAIN (\$/Bbl)	8.8	6.5	5.1	(42.0)	8.9	6.0	(32.6)

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

**KEY MILESTONES FOR THE THIRD QUARTER OF 2016**

- **Adjusted net income** in the third quarter was €307 million, 93% higher year-on-year. **Net income** amounted to €481 million, €702 million higher year-on-year.
- **Adjusted net income** in the first nine months of the year was €1,224 million, 13% lower year-on-year mainly due to the positive effect of exchange rate positions taken in the first nine months of 2015. **Net income** amounted to €1,120 million, 35% higher compared to the same period last year.
- Quarterly results for the business units are summarized as follows:
  - Adjusted net income from **Upstream** was €367 million higher than in the same period in 2015 at €-28 million, mainly due to lower exploration expenses, lower technical amortization rates and lower costs, partially offset by lower realized oil and gas prices and a negative tax effect from the mix of fiscal environments partially compensated by the effect, in the third quarter of last year, of local currencies devaluation. **Operating income** in the third quarter was €64 million positive.

- In **Downstream**, adjusted net income was €395 million, 42% lower year-on-year because of lower margins obtained in the quarter in the Refining and Chemicals while the Commercial businesses, Marketing and LPG, remained stable.
- In **Corporate and others**, adjusted net income was €68 million higher than in the same period in 2015 at €-60 million, principally due to lower interest partially offset by lower results from **Gas Natural Fenosa**.
- Upstream **production** averaged 671 kboe/d, 3% higher year-on-year. Primarily due to the ramp-up of the Cardón IV project in Venezuela and Sapinhoá in Brazil, higher production in Perú and acquired production from Gudrun in Norway. This was partially offset by maintenance work in Trinidad and Tobago, Vietnam and Malaysia, cessation of production at Varg in Norway and a lower working interest in the Eagle Ford in the United States.
- **EBITDA CCS** was €1.15 billion, 19% lower compared to the third quarter of 2015. **EBITDA CCS** in the first nine months of 2016 was €3.56 billion, 9% lower compared to the same period in 2015.
- The Group's **net debt** at the end of the quarter was under €10 billion and was €1.7 billion lower than the second quarter of 2016. At the end of the quarter the **net debt to capital employed ratio** stood at 25%.
- **Cash flow from operating activities**, together with divestments in the period, more than covered investments, interests and dividend payments during the first nine months of 2016 and reduced net debt by €1.9 billion. *To aid understanding, please find on page 11 of this document a section regarding Adjusted Cash Flow Statement.*
- In the **Synergy and Efficiency** Program, by the end of the third quarter, over 98% of the initial full year target of €1.1 billion had been posted in the financial statements. Based on our experiences to date, we now expect to realize savings earlier than initially expected in the three year program. As such, we are now raising our forecast savings from the program to €1.4 billion in 2016.

**NET INCOME PERFORMANCE BY BUSINESS SEGMENT**
**UPSTREAM**
*[Unaudited figures]*

Results (€ Million)	Q3 2015	Q2 2016	Q3 2016	% Change Q3 16/Q3 15	January - September 2015	January - September 2016	% Change 2016/2015
<b>ADJUSTED NET INCOME</b>	<b>(395)</b>	<b>46</b>	<b>(28)</b>	<b>92.9</b>	<b>(633)</b>	<b>35</b>	<b>-</b>
Operating income	(395)	16	64	-	(577)	(15)	97.4
Income tax	5	31	(91)	-	(51)	46	-
Income from equity affiliates and non-controlling interests	(5)	(1)	(1)	80.0	(5)	4	-
<b>EBITDA</b>	<b>334</b>	<b>529</b>	<b>502</b>	<b>50.3</b>	<b>1,237</b>	<b>1,435</b>	<b>16.0</b>
<b>NET INVESTMENT</b>	<b>803</b>	<b>643</b>	<b>444</b>	<b>(44.7)</b>	<b>10,452</b>	<b>1,725</b>	<b>(83.5)</b>
<b>EFFECTIVE TAX RATE (%)</b>	<b>(1)</b>	<b>(196)</b>	<b>140</b>	<b>141.0</b>	<b>9</b>	<b>(317)</b>	<b>-</b>
<b>International prices</b>	<b>Q3 2015</b>	<b>Q2 2016</b>	<b>Q3 2016</b>	<b>% Change Q3 16/Q3 15</b>	<b>January - September 2015</b>	<b>January - September 2016</b>	<b>% Change 2016/2015</b>
Brent (\$/Bbl)	50.5	45.6	45.9	(9.1)	55.3	41.9	(24.3)
WTI (\$/Bbl)	46.5	45.6	44.9	(3.4)	51.0	41.5	(18.6)
Henry Hub (\$/MBtu)	2.8	2.0	2.8	1.7	2.8	2.3	(18.2)
Average exchange rate (\$/€)	1.11	1.13	1.12	(0.4)	1.11	1.12	(0.2)
<b>Realization prices</b>	<b>Q3 2015</b>	<b>Q2 2016</b>	<b>Q3 2016</b>	<b>% Change Q3 16/Q3 15</b>	<b>January - September 2015</b>	<b>January - September 2016</b>	<b>% Change 2016/2015</b>
CRUDE OIL (\$/Bbl)	44.4	40.1	41.5	(6.6)	48.3	37.2	(23.0)
GAS (\$/Thousand scf)	2.8	2.3	2.2	(19.8)	2.9	2.3	(21.8)
<b>Exploration (*)</b>	<b>Q3 2015</b>	<b>Q2 2016</b>	<b>Q3 2016</b>	<b>% Change Q3 16/Q3 15</b>	<b>January - September 2015</b>	<b>January - September 2016</b>	<b>% Change 2016/2015</b>
BONUS, DRY WELLS AND G&A	266	46	108	(59.4)	688	173	(74.9)
<b>Production</b>	<b>Q3 2015</b>	<b>Q2 2016</b>	<b>Q3 2016</b>	<b>% Change Q3 16/Q3 15</b>	<b>January - September 2015</b>	<b>January - September 2016</b>	<b>% Change 2016/2015</b>
LIQUIDS (Thousand bbl/d)	244	246	239	(2.0)	193	247	27.5
GAS (**) (Million scf/d)	2,298	2,530	2,423	5.4	1,790	2,510	40.3
<b>TOTAL (Thousand boe/d)</b>	<b>653</b>	<b>697</b>	<b>671</b>	<b>2.6</b>	<b>512</b>	<b>694</b>	<b>35.5</b>

(\*) Only direct costs attributable to exploration projects. The Group has capitalized G&G by an amount of €140 million during the first nine months of 2016. For more information about this change in the accounting policies, see the *Interim Condensed Consolidated Financial Statements* for the nine-month period ended 30 September 2016. (\*\*) 1,000 Mcf/d = 28.32 Mm<sup>3</sup>/d = 0.178 Mboe/d

**Adjusted net income** in the quarter was €367 million higher than the same period in 2015 at €-28 million, mainly due to lower exploration expenses, lower technical amortization rates and lower costs, partially offset by lower realized oil and gas prices and a negative tax impact from the mix of fiscal environments partially compensated by the effect, in the third quarter of last year, of local currencies devaluation. **Operating income** was again positive and stood at €64 million.

The main variances in year-on-year performance in the Upstream division are as follows:

- Lower **crude oil and gas realization prices**, net of royalties, had a negative impact on the operating income of €121 million.
- Although there has been **higher production** thanks to the contribution from the ramp-ups of the Cardón IV in Venezuela and Sapinhoá in Brazil, the contribution from Gudrun in Norway and higher production in Perú, this was partially offset by maintenance work in several assets and the volume mix contributed to a decrease in operating income of €35 million.

- As a result of lower **exploration** activity, principally due to lower amortization of dry wells, the operating income increased by €157 million, excluding exchange rate effect.
- Lower **depreciation and amortization** charges, principally as a consequence of a lower amortization rate in North America, increased the operating income by €88 million.
- **Income tax expense** impacted the adjusted net income negatively by €95 million, mainly because of the increase in results and the higher effective tax rate, due to geographic mix, partially compensated by the effect, in the third quarter of last year, of the devaluation of local currencies.
- **Income of equity affiliates and non-controlling interests, exchange rate and other costs** contains the balance of remaining differences compared to the third quarter of last year.

Upstream **production** averaged 671 kboe/d in the third quarter of 2016, 3% higher year-on-year.

During the third quarter of 2016, four wells - three exploratory and one appraisal - were concluded. The appraisal well was deemed unsuccessful while the three exploratory wells are still under evaluation. Also during the third quarter, one well finalized in the second quarter was written off in Angola. As of today, four wells are on-going: three exploratory and one appraisal.

#### **January – September 2016 results**

The **adjusted net income** for the first nine months of 2016 amounted to €35 million, €668 million higher than in the same period of 2015, mainly due to lower exploration expenses, lower technical amortization rates, lower costs, higher production volumes and a positive impact from taxes, partially offset by lower realized prices.

**Average production** in the first nine months of 2016 (694 Kboe/d) was 36% higher than the same period in 2015 (512 Kboe/d), mainly due to the contribution from acquired assets.

#### **Net investment**

**Net investment** in Upstream in the third quarter of 2016 amounted to €444 million, a 45% decrease compared to the third quarter of 2015.

Excluding divestments, **Development investment** accounted for 82% of the total investment and was concentrated mainly in Trinidad and Tobago (23%), Brazil (18%), UK (12%), Algeria (11%), the U.S. (10%), Bolivia (6%), Canada (6%) and Peru (5%); and **Exploration investment** represented 17% of the total and was allocated primarily in Malaysia (32%), Bulgaria (19%), Indonesia (17%), Colombia (10%), Morocco (7%), Norway (6%) and Papua New Guinea (5%).

**Net investment** in Upstream in the first nine months of 2016 amounted to €1.7 billion, a 30% decrease, excluding the payment for the acquisition of *Talisman*, compared to the first nine months of 2015.

Excluding divestments, **Development investment** accounted for 77% of the total investment and was concentrated mainly in Trinidad and Tobago (23%), the U.S. (15%), Brazil (12%), UK (11%), Algeria (10%), Venezuela (6%), Bolivia (5%) and Canada (5%); and **Exploration investment** represented 20% of the total and was allocated primarily in the U.S. (15%), Indonesia (11%), Bulgaria (9%), Angola (8%), Malaysia (8%), Brazil (7%), Colombia (7%), Norway (4%), Australia (4%) and Algeria (3%).



**DOWNSTREAM**
*[Unaudited figures]*

Results (€ Million)	Q3 2015	Q2 2016	Q3 2016	% Change Q3 16/Q3 15	January - September 2015	January - September 2016	% Change 2016/2015
<b>ADJUSTED NET INCOME</b>	<b>682</b>	<b>378</b>	<b>395</b>	<b>(42.1)</b>	<b>1,655</b>	<b>1,329</b>	<b>(19.7)</b>
Operating income	963	511	522	(45.8)	2,336	1,751	(25.0)
Income tax	(260)	(125)	(129)	50.4	(632)	(410)	35.1
Income from equity affiliates and non-controlling interests	(21)	(8)	2	-	(49)	(12)	75.5
<b>AVERAGE WEIGHTED COST ADJUSTED NET INCOME</b>	<b>410</b>	<b>537</b>	<b>389</b>	<b>(5.1)</b>	<b>1,326</b>	<b>1,325</b>	<b>(0.1)</b>
Inventory effect	(272)	159	(6)	97.8	(329)	(4)	98.8
EBITDA	748	914	688	(8.0)	2,403	2,273	(5.4)
EBITDA CCS	1,154	691	695	(39.8)	2,897	2,272	(21.6)
NET INVESTMENT	(122)	(344)	(196)	(60.7)	161	(454)	-
EFFECTIVE TAX RATE (%)	27	24	25	(2.0)	27	23	(4.0)
<b>Operational data</b>	<b>Q3 2015</b>	<b>Q2 2016</b>	<b>Q3 2016</b>	<b>% Change Q3 16/Q3 15</b>	<b>January - September 2015</b>	<b>January - September 2016</b>	<b>% Change 2016/2015</b>
REFINING MARGIN INDICATOR IN SPAIN (\$/Bbl)	8.8	6.5	5.1	(42.0)	8.9	6.0	(32.6)
DISTILLATION UTILIZATION Spanish Refining (%)	94.5	77.0	91.8	(2.7)	88.8	84.9	(3.9)
CONVERSION UTILIZATION Spanish Refining (%)	106.4	92.5	106.9	0.5	103.5	100.8	(2.7)
OIL PRODUCT SALES (Thousand tons)	12,571	10,926	12,471	(0.8)	35,292	34,522	(2.2)
PETROCHEMICAL PRODUCT SALES (Thousand tons)	701	713	702	0.0	2,125	2,178	2.5
LPG SALES (Thousand tons)	459	422	327	(28.8)	1,689	1,379	(18.3)
NORTH AMERICA NATURAL GAS SALES (Tbtu)	62.1	105.3	89.9	44.8	226.3	310.7	37.3
<b>International prices (\$/Mbtu)</b>	<b>Q3 2015</b>	<b>Q2 2016</b>	<b>Q3 2016</b>	<b>% Change Q3 16/Q3 15</b>	<b>January - September 2015</b>	<b>January - September 2016</b>	<b>% Change 2016/2015</b>
Henry Hub	2.8	2.0	2.8	1.7	2.8	2.3	(18.2)
Algonquin	2.4	2.4	2.8	19.0	5.4	2.9	(46.9)

**Adjusted net income** in the third quarter of 2016 amounted to €395 million, 42% lower compared to the third quarter of 2015.

The principal impacts on the quarterly earnings performance year-on-year are:

- In **Refining**, lower refining margins and lower utilization rates reduced operating income by €289 million. The Refining Margin Indicator declined in the period compared to the same period last year, due to narrower middle distillate, gasolines and light-heavy crude spreads partially offset by lower energy costs.
- In **Chemicals**, lower international margins, while still high, generated a negative effect on the operating income of €45 million.
- In **Marketing and LPG**, operating income was in line compared to the third quarter of 2015.
- In **Trading and Gas & Power**, the operating income was €24 million lower than the third quarter of 2015 due to a challenging environment.
- **Results in other activities, equity affiliates and non-controlling interests, exchange rate and taxes** account for the remaining variance.

**January – September 2016 results**

**Adjusted net income** for the first nine months of 2016 was €1,329 million, 20% lower year-on-year. The decrease in results is mainly driven by lower margin and lower utilization in refining and lower results in Trading and Gas & Power partially offset by better petrochemical margins and volumes, enhanced performance in the commercial businesses and a lower tax rate in Spain.

**Net investment**

**Investment** in Downstream in the third quarter of 2016 amounted to €140 million.

**Net investment** amounted to €-196 million, including €336 million of divestments, mainly from the sale of part of the piped LPG business in Spain. Repsol expects to close the outstanding piped LPG transactions in the fourth quarter of 2016.

**Net investment** in the first nine months of the year stood at €-454 million, including €923 million of divestments.

**CORPORATE AND OTHERS**

*(Unaudited figures)*

Results (€ Million)	Q3 2015	Q2 2016	Q3 2016	% Change Q3 16/Q3 15	January - September 2015	January - September 2016	% Change 2016/2015
<b>ADJUSTED NET INCOME</b>	<b>(128)</b>	<b>(79)</b>	<b>(60)</b>	<b>53.1</b>	<b>377</b>	<b>(140)</b>	-
Corporate and adjustments	(57)	(90)	(80)	(40.4)	(139)	(233)	(67.6)
Financial result	(223)	(185)	(123)	44.8	233	(385)	-
Income tax	49	100	63	28.6	(47)	203	-
Gas Natural Fenosa	103	96	80	(22.3)	330	275	(16.7)
EBITDA	(71)	(53)	(49)	31.0	(246)	(150)	39.0
NET INTERESTS	(136)	(108)	(104)	23.5	(317)	(328)	(3.5)
NET INVESTMENT	14	30	(1,893)	-	83	(1,878)	-
EFFECTIVE TAX RATE (%)	(18)	(36)	(31)	(13.0)	50	(33)	(83.0)

**CORPORATE AND ADJUSTMENTS**

**Corporate and adjustments** accounted for €-80 million in the third quarter of 2016, compared to €-57 million in the same quarter of the previous year.

In the first nine months of 2016, **Corporate and adjustments** accounted for a net expense of €233 million which compares to a net expense of €139 million in the same period of last year, mainly due to the inclusion of *Talisman* corporate costs since 8 May, 2015.

**FINANCIAL RESULTS**

**Net financial** result in the third quarter of 2016 amounted to €-123 million, lower than the third quarter of 2015 and lower than the previous quarter, principally due to lower interests paid.

**Net financial result** in the first nine months of 2016 has been €-385 million, €618 million lower than in the same period of last year, principally due to the positive results obtained in the first quarter of 2015 from the appreciation of the dollar against the euro.

**GAS NATURAL FENOSA**

**Adjusted net income** in the third quarter of 2016 amounted to €80 million, 22% lower year-on-year mainly due to lower profits in the gas commercialization business owing to lower margins.

**Adjusted net income** for the first nine months of 2016 was €275 million, 17% lower year-on-year, in line with the quarter on quarter reduction as noted above.

**NET INCOME ANALYSIS: SPECIAL ITEMS**
**SPECIAL ITEMS**

*(Unaudited figures)*

Results (€ Million)	Q3 2015	Q2 2016	Q3 2016	% Change Q3 16/Q3 15	January - September 2015	January - September 2016	% Change 2016/2015
Divestments	339	191	383	13	349	633	81
Indemnities and workforce restructuring	(8)	(316)	(25)	(213)	(42)	(370)	-
Impairment of assets	(444)	(9)	(24)	95	(527)	(34)	94
Provisions and others	5	(165)	(154)	-	(18)	(329)	-
<b>SPECIAL ITEMS</b>	<b>(108)</b>	<b>(299)</b>	<b>180</b>	<b>-</b>	<b>(238)</b>	<b>(100)</b>	<b>138</b>

**Special items** in the third quarter of 2016 included a net gain of €180 million, mainly due to the sale of a 10% of *Gas Natural SDG* and a partial sale of the piped LPG business compensated by the impacts of currency devaluation in Venezuela and rig stand-by costs.

**Special items** in the first nine months of 2016 resulted in a net loss of €100 million, in line with the quarter on quarter variance as noted above, the divestments already booked in previous quarters but partially compensated by workforce restructuring costs.

**CASH FLOW ANALYSIS: ADJUSTED CASH FLOW STATEMENT**

This section presents the Group's Adjusted Cash Flow Statement:

*(Unaudited figures)*

	JANUARY - SEPTEMBER	
	2015	2016
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
EBITDA CCS	3,888	3,557
Changes in working capital	(348)	(1,071)
Dividends received	279	383
Income taxes received/ (paid)	(401)	54
Other proceeds from/ ( payments for) operating activities	(358)	(493)
	<b>3,060</b>	<b>2,430</b>
<b>II. CASH FLOWS USED IN INVESTMENT ACTIVITIES</b>		
	<b>(10,516)</b>	<b>462</b>
<b>FREE CASH FLOW (I. + II.)</b>	<b>(7,456)</b>	<b>2,892</b>
Payments for dividends and payments on other equity instruments	(488)	(415)
Net interest payments and leases	(497)	(530)
Financing operations	5,784	(1,144)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUED OPERATIONS</b>	<b>(2,657)</b>	<b>803</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>5,027</b>	<b>2,769</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>2,370</b>	<b>3,572</b>

**NET DEBT ANALYSIS: NET DEBT EVOLUTION**

This section presents the changes in the Group's adjusted net debt:

*[Unaudited figures]*

NET DEBT EVOLUTION (€ Million)	Q3 2016	January - September 2016
NET DEBT AT THE START OF THE PERIOD	11,709	11,934
EBITDA CCS	(1,148)	(3,557)
CHANGE IN WORKING CAPITAL	348	1,071
INCOME TAX RECEIVED /PAID	65	(54)
NET INVESTMENT <sup>(1)</sup>	(1,445)	(480)
DIVIDENDS PAID AND OTHER EQUITY INSTRUMENTS PAYOUTS	144	415
OWN SHARES TRANSACTIONS	42	91
FOREIGN EXCHANGE RATE EFFECT	14	(60)
INTEREST AND OTHER MOVEMENTS <sup>(2)</sup>	259	628
NET DEBT AT THE END OF THE PERIOD	9,988	9,988
		<b>2016</b>
CAPITAL EMPLOYED CONTINUED OPERATIONS (€ Million)		39,170
NET DEBT / CAPITAL EMPLOYED (%)		25.5
NET DEBT / EBITDA CCS (x)		2.11

(1) As of 30 September 2016, there were net financial investments amounting to €17 million, not included in this caption.

(2) Principally includes interest expense on borrowings, dividends received, provisions used and companies' acquisition/sale effect.

The Group's **net debt** at the end of the third quarter of 2016 stood at €9.988 billion, €1.721 billion lower compared to the second quarter of 2016.

**Cash flow from operating activities**, together with divestments in the period, more than covered investments, interests and dividend payments during the first nine months of 2016 and reduced the net debt in €1.9 billion.

The Group's **liquidity** at the end of the first nine months of 2016 was approximately €7.9 billion (including undrawn committed credit lines), and covered by 1.9 times gross debt maturities in the short term.

**RELEVANT EVENTS**

Material company-related events since the second quarter 2016 results release were as follows:

In **Upstream**, during October, Repsol reached agreement for the sale of “*Repsol E&P T&T Limited*” which operates and owns equity rights in the *Teak, Samaan and Poui (TSP)* assets in Trinidad and Tobago. As of today, the sale remains conditional on the waiving of the preferential rights from existing partners.

In **Corporation**, on 12 September 2016, Repsol and *Criteria Caixa, S.A.U.* reached an agreement with *GIP III Canary 1 S.À R.L.*, a corporation controlled by *Global Infrastructure Management LLC*, to sell a combined 20% stake in *Gas Natural SDG, S.A.* for total aggregate consideration of 3,802,619,492 euros. Each of Repsol and *Criteria*, respectively, sold 100,068,934 shares, representing 10% of *Gas Natural*’s share capital, for consideration of 1,901,309,746 euros, based on a price of 19 euros per share.

On 21 September 2016, we notified that *Criteria Caixa, S.A.U.* and Repsol, S.A. completed the transfer to *GIP III Canary 1, S.à r.l.* of shares representing 20% (10% in the case of *Criteria* and 10% in the case of Repsol) of *Gas Natural SDG, S.A.*’s share capital, in accordance with the share purchase agreement signed on September 12, 2016. *Criteria Caixa, S.A.U.* and Repsol also confirmed that, following the transfer of shares representing 20% of *Gas Natural*’s share capital, the agreement between “*la Caixa*” and Repsol regarding *Gas Natural* dated 11 January 2000, as amended on 16 May 2002, 16 December 2002 and 20 June 2003, was terminated after fulfillment, through this transfer, of the condition to which its termination was subject.

Additionally on 21 September Mr. Isidro Fainé Casas, External Proprietary Director appointed under a proposal of *CaixaBank, S.A.*, notified his resignation as a member of the Board of Directors of Repsol, S.A. In addition, *CaixaBank, S.A.* proposed the appointment of Mr. Antonio Massanell Lavilla as Director of Repsol, S.A., to fill the vacancy created by the resignation of Mr. Isidro Fainé Casas.

Finally, on 28 September Repsol informed that its Board of Directors approved, based on the proposal submitted by its shareholder *CaixaBank, S.A.* and the favorable report of Repsol’s *Nomination Committee*, the appointment of Mr. Antonio Massanell Lavilla as a new External Proprietary Director –to fill the vacancy resulting from the resignation of Mr. Isidro Fainé Casas on September 21– and as a member of the *Nomination Committee* and the *Sustainability Committee*. In addition, the Board of Directors approved the appointment of Mr. Gonzalo Gortázar Rotaèche as *First Vice-Chairman of the Board of Directors* and as member of its *Delegate Committee*, pursuant to a favorable report of the *Nomination Committee*.

On 13 October 2016, Repsol’s “*Trading Statement*” was published; it provided provisional information for the third quarter of 2016, including data on the economic environment as well as company performance during the period.

**Madrid, 3 November, 2016**

A conference call has been scheduled for research analysts and institutional investors for today, 3 November 2016 at 13.00 (CET) to report on the Repsol Group’s third quarter 2016 results. Shareholders and other interested parties 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**

**THIRD QUARTER 2016**

**ADJUSTED NET INCOME BY BUSINESS SEGMENTS**
*[Unaudited figures]*

€ Million	Q3 2015							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Special Items	Net Income
Upstream	(395)	-	5	(5)	(395)	-	(116)	(511)
Downstream	963	-	(260)	(21)	682	(272)	18	428
Corporation & Others	(57)	(223)	49	103	(128)	-	(10)	(138)
<b>TOTAL</b>	<b>511</b>	<b>(223)</b>	<b>(206)</b>	<b>77</b>	<b>159</b>	<b>(272)</b>	<b>(108)</b>	<b>(221)</b>
Income from discontinued operations							-	-
<b>NET INCOME</b>							<b>(108)</b>	<b>(221)</b>

€ Million	Q2 2016							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Special Items	Net Income
Upstream	16	-	31	(1)	46	-	(172)	(126)
Downstream	511	-	(125)	(8)	378	159	60	597
Corporation & Others	(90)	(185)	100	96	(79)	-	(187)	(266)
<b>TOTAL</b>	<b>437</b>	<b>(185)</b>	<b>6</b>	<b>87</b>	<b>345</b>	<b>159</b>	<b>(299)</b>	<b>205</b>
Income from discontinued operations							-	-
<b>NET INCOME</b>							<b>(299)</b>	<b>205</b>

€ Million	Q3 2016							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Special Items	Net Income
Upstream	64	-	(91)	(1)	(28)	-	(286)	(314)
Downstream	522	-	(129)	2	395	(6)	159	548
Corporation & Others	(80)	(123)	63	80	(60)	-	307	247
<b>TOTAL</b>	<b>506</b>	<b>(123)</b>	<b>(157)</b>	<b>81</b>	<b>307</b>	<b>(6)</b>	<b>180</b>	<b>481</b>
Income from discontinued operations							-	-
<b>NET INCOME</b>							<b>180</b>	<b>481</b>



€ Million	January - September 2015							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Special Items	Net Income
Upstream	(577)	-	(51)	(5)	(633)	-	(221)	(854)
Downstream	2,336	-	(632)	(49)	1,655	(329)	47	1,373
Corporation & Others	(139)	233	(47)	330	377	-	(64)	313
<b>TOTAL</b>	<b>1,620</b>	<b>233</b>	<b>(730)</b>	<b>276</b>	<b>1,399</b>	<b>(329)</b>	<b>(238)</b>	<b>832</b>
Income from discontinued operations							-	-
<b>NET INCOME</b>							<b>(238)</b>	<b>832</b>

€ Million	January - September 2016							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Special Items	Net Income
Upstream	(15)	-	46	4	35	-	(496)	(461)
Downstream	1,751	-	(410)	(12)	1,329	(4)	267	1,592
Corporation & Others	(233)	(385)	203	275	(140)	-	129	(11)
<b>TOTAL</b>	<b>1,503</b>	<b>(385)</b>	<b>(161)</b>	<b>267</b>	<b>1,224</b>	<b>(4)</b>	<b>(100)</b>	<b>1,120</b>
Income from discontinued operations							-	-
<b>NET INCOME</b>							<b>(100)</b>	<b>1,120</b>

**OPERATING RESULT BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS**
*[Unaudited figures]*

€ Million	QUARTERLY DATA			JANUARY - SEPTEMBER	
	Q3 15	Q2 16	Q3 16	2015	2016
<b>UPSTREAM</b>	<b>(395)</b>	<b>16</b>	<b>64</b>	<b>(577)</b>	<b>(15)</b>
Europe, Africa & Brazil	(5)	2	170	(19)	151
Latin America & Caribbean	(35)	129	12	170	181
North America	(70)	(65)	(13)	(100)	(181)
Asia & Russia	38	33	25	93	63
Exploration & Others	(323)	(83)	(130)	(721)	(229)
<b>DOWNSTREAM</b>	<b>963</b>	<b>511</b>	<b>522</b>	<b>2,336</b>	<b>1,751</b>
Europe	887	554	530	2,206	1,774
Rest of the World	76	(43)	(8)	130	(23)
<b>CORPORATE AND OTHERS</b>	<b>(57)</b>	<b>(90)</b>	<b>(80)</b>	<b>(139)</b>	<b>(233)</b>
<b>TOTAL</b>	<b>511</b>	<b>437</b>	<b>506</b>	<b>1,620</b>	<b>1,503</b>

**ADJUSTED NET INCOME BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS**
*(Unaudited figures)*

€ Million	QUARTERLY DATA			JANUARY - SEPTEMBER	
	Q3 15	Q2 16	Q3 16	2015	2016
<b>UPSTREAM</b>	<b>(395)</b>	<b>46</b>	<b>(28)</b>	<b>(633)</b>	<b>35</b>
Europe, Africa & Brazil	(45)	34	51	(100)	109
Latin America & Caribbean	(62)	107	18	25	190
North America	(54)	(46)	(11)	(73)	(125)
Asia & Russia	5	13	13	34	32
Exploration & Others	(239)	(62)	(99)	(519)	(171)
<b>DOWNSTREAM</b>	<b>682</b>	<b>378</b>	<b>395</b>	<b>1,655</b>	<b>1,329</b>
Europe	643	412	405	1,594	1,345
Rest of the World	39	(34)	(10)	61	(16)
<b>CORPORATE AND OTHERS</b>	<b>(128)</b>	<b>(79)</b>	<b>(60)</b>	<b>377</b>	<b>(140)</b>
<b>TOTAL</b>	<b>159</b>	<b>345</b>	<b>307</b>	<b>1,399</b>	<b>1,224</b>

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

€ Million	QUARTERLY DATA			JANUARY - SEPTEMBER	
	Q3 15	Q2 16	Q3 16	2015	2016
<b>UPSTREAM</b>	<b>334</b>	<b>529</b>	<b>502</b>	<b>1,237</b>	<b>1,435</b>
Europe, Africa & Brazil	109	94	102	275	261
Latin America & Caribbean	101	252	148	549	572
North America	174	125	174	462	376
Asia & Russia	130	121	118	264	345
Exploration & Others	(180)	(63)	(40)	(313)	(119)
<b>DOWNSTREAM <sup>(1)</sup></b>	<b>748</b>	<b>914</b>	<b>688</b>	<b>2,403</b>	<b>2,273</b>
Europe	685	909	670	2,252	2,219
Rest of the World	63	5	18	151	54
<b>CORPORATE AND OTHERS</b>	<b>(71)</b>	<b>(53)</b>	<b>(49)</b>	<b>(246)</b>	<b>(150)</b>
<b>TOTAL</b>	<b>1,011</b>	<b>1,390</b>	<b>1,141</b>	<b>3,394</b>	<b>3,558</b>
<b>(1) EBITDA CCS M€</b>					
<b>DOWNSTREAM</b>	<b>1,154</b>	<b>691</b>	<b>695</b>	<b>2,897</b>	<b>2,272</b>
<b>TOTAL</b>	<b>1,417</b>	<b>1,167</b>	<b>1,148</b>	<b>3,888</b>	<b>3,557</b>

**NET INVESTMENTS BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS**
*(Unaudited figures)*

€ Million	QUARTERLY DATA			JANUARY - SEPTEMBER	
	Q3 15	Q2 16	Q3 16	2015	2016
<b>UPSTREAM</b>	<b>803</b>	<b>643</b>	<b>444</b>	<b>10,452</b>	<b>1,725</b>
Europe, Africa & Brazil	166	182	149	359	444
Latin America & Caribbean	262	215	122	812	526
North America	184	25	61	437	255
Asia & Russia	46	85	23	82	130
Exploration and Others <sup>(*)</sup>	145	136	89	8,762	370
<b>DOWNSTREAM</b>	<b>(122)</b>	<b>(344)</b>	<b>(196)</b>	<b>161</b>	<b>(454)</b>
Europe	(188)	(189)	(195)	17	(332)
Rest of the World	66	(155)	(1)	144	(122)
<b>CORPORATE AND OTHERS</b>	<b>14</b>	<b>30</b>	<b>(1,893)</b>	<b>83</b>	<b>(1,878)</b>
<b>TOTAL</b>	<b>695</b>	<b>329</b>	<b>(1,645)</b>	<b>10,696</b>	<b>(607)</b>

(\*) Includes €8,005 million of the cost of the acquisition of Talisman in Q2 2015

**CAPITAL EMPLOYED BY BUSINESS SEGMENTS**
*(Unaudited figures)*

€ Million	CUMULATIVE DATA	
	Q4 15	Q3 16
Upstream	23,280	23,614
Downstream	9,758	9,801
Corporate and others	7,664	5,755
<b>TOTAL</b>	<b>40,702</b>	<b>39,170</b>
		2016
<b>ROACE (%)</b>		<b>5.0</b>
<b>ROACE at CCS (%)</b>		<b>5.0</b>

**OPERATING INDICATORS**

**THIRD QUARTER 2016**

**UPSTREAM OPERATING INDICATORS**

	Unit	Q1 2015	Q2 2015	Q3 2015	Q 4 2015	January - December 2015	Q1 2016	Q2 2016	3Q 2016	January - September 2016	% Variation M9 2016/ M9 2015
<b>HYDROCARBON PRODUCTION</b>	<b>kboe/d</b>	<b>355</b>	<b>525</b>	<b>653</b>	<b>697</b>	<b>559</b>	<b>714</b>	<b>697</b>	<b>671</b>	<b>694</b>	<b>35.5</b>
<b>Liquids production</b>	<b>kboe/d</b>	<b>132</b>	<b>203</b>	<b>244</b>	<b>246</b>	<b>207</b>	<b>255</b>	<b>246</b>	<b>239</b>	<b>247</b>	<b>27.5</b>
Europe, Africa & Brazil	kboe/d	33	61	81	80	64	94	89	90	91	56.0
Latin America & Caribbean	kboe/d	61	66	67	71	66	69	69	66	68	4.7
North America	kboe/d	27	49	62	62	50	58	57	54	56	21.1
Asia & Russia	kboe/d	11	27	34	34	26	35	32	28	32	32.4
<b>Natural gas production</b>	<b>kboe/d</b>	<b>222</b>	<b>322</b>	<b>409</b>	<b>451</b>	<b>352</b>	<b>459</b>	<b>451</b>	<b>432</b>	<b>447</b>	<b>40.3</b>
Europe, Africa & Brazil	kboe/d	10	12	15	13	12	22	19	16	19	53.1
Latin America & Caribbean	kboe/d	196	186	198	231	203	233	238	227	233	20.2
North America	kboe/d	9	80	130	136	89	130	129	126	128	75.3
Asia & Russia	kboe/d	7	44	66	71	47	74	64	63	67	69.8
<b>Natural gas production</b>	<b>(Million scf/d)</b>	<b>1,249</b>	<b>1,811</b>	<b>2,298</b>	<b>2,533</b>	<b>1,977</b>	<b>2,579</b>	<b>2,530</b>	<b>2,423</b>	<b>2,510</b>	<b>40.3</b>



**DOWNSTREAM OPERATING INDICATORS**

	Unit	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Jan - Dec 2015	Q1 2016	Q2 2016	3Q 2016	Jan - Sept 2016	% Variation M9 2016/ M9 2015
<b>PROCESSED CRUDE OIL</b>	Mtoe	9.9	10.9	11.5	10.9	43.3	10.4	9.4	11.3	31.0	(4.0)
Europe	Mtoe	9.1	9.9	10.7	10.1	39.8	9.6	8.6	10.3	28.5	(4.1)
Rest of the world	Mtoe	0.8	1.0	0.9	0.9	3.5	0.8	0.8	0.9	2.6	(2.5)
<b>SALES OF OIL PRODUCTS</b>	kt	10,731	11,990	12,571	12,313	47,605	11,125	10,926	12,471	34,522	(2.2)
Europe Sales	kt	9,667	10,821	11,354	11,177	43,019	9,927	9,810	11,155	30,892	(3.0)
Own network	kt	5,079	5,235	5,529	5,281	21,124	4,854	5,109	5,319	15,282	(3.5)
Light products	kt	4,176	4,280	4,480	4,390	17,326	4,021	4,260	4,506	12,787	(1.2)
Other Products	kt	903	955	1,049	891	3,798	833	849	813	2,495	(14.2)
Other Sales to Domestic Market	kt	1,924	1,874	2,014	1,959	7,771	1,920	1,965	2,069	5,954	2.4
Light products	kt	1,852	1,814	1,946	1,896	7,508	1,873	1,895	2,024	5,792	3.2
Other Products	kt	72	60	68	63	263	47	70	45	162	(19.0)
Exports	kt	2,664	3,712	3,811	3,937	14,124	3,153	2,736	3,767	9,656	(5.2)
Light products	kt	1,219	1,512	1,721	1,843	6,295	1,370	940	1,428	3,738	(16.0)
Other Products	kt	1,445	2,200	2,090	2,094	7,829	1,783	1,796	2,339	5,918	3.2
Rest of the world sales	kt	1,064	1,169	1,217	1,136	4,586	1,198	1,116	1,316	3,630	5.2
Own network	kt	469	535	520	549	2,073	570	508	569	1,647	8.1
Light products	kt	446	477	482	512	1,917	518	470	538	1,526	8.6
Other Products	kt	23	58	38	37	156	52	38	31	121	1.7
Other Sales to Domestic Market	kt	276	305	312	328	1,221	312	328	341	981	9.9
Light products	kt	241	265	269	274	1,049	252	271	286	809	4.4
Other Products	kt	35	40	43	54	172	60	57	55	172	45.8
Exports	kt	319	329	385	259	1,292	316	280	406	1,002	(3.0)
Light products	kt	165	108	132	63	468	128	130	126	384	(5.2)
Other Products	kt	154	221	253	196	824	188	150	280	618	(1.6)
<b>CHEMICALS</b>											
Sales of petrochemical products	kt	741	683	701	697	2,822	764	713	702	2,178	2.5
Europe	kt	615	599	600	582	2,396	641	615	589	1,844	1.7
Base	kt	196	219	225	198	838	238	224	213	676	5.6
Derivative	kt	419	381	375	384	1,559	402	391	376	1,169	(0.5)
Rest of the world	kt	125	84	102	114	426	124	98	112	334	7.4
Base	kt	34	23	21	32	110	35	21	18	74	(4.6)
Derivative	kt	92	61	81	82	316	89	76	95	260	11.4
<b>LPG</b>											
LPG sales	kt	704	526	459	571	2,260	631	422	327	1,379	(18.3)
Europe	kt	453	273	217	342	1,285	427	256	215	898	(4.8)
Rest of the world	kt	251	254	242	229	975	204	166	112	482	(35.5)

Other sales to the domestic market: includes sales to operators and bunker

Exports: expressed from the country of origin

**APPENDIX II – CONSOLIDATED FINANCIAL  
STATEMENTS**

**THIRD QUARTER 2016**

**STATEMENT OF FINANCIAL POSITION**
*[€ millions]*
*Prepared according to International Financial Reporting Standards (IFRS-EU)*

	DECEMBER	SEPTEMBER
	2015 (*)	2016
<b>NON-CURRENT ASSETS</b>		
Goodwill	3,099	3,010
Other intangible assets	1,691	2,036
Property, plant and equipment	28,202	26,763
Investment property	26	27
Investments accounted for using the equity method	11,798	10,207
Non-current financial assets :		
Non-current financial instruments	633	672
Others	82	82
Deferred tax assets	4,743	4,693
Other non-current assets	179	300
<b>CURRENT ASSETS</b>		
Non-current assets held for sale	262	418
Inventories	2,853	3,397
Trade and other receivables	5,680	4,862
Other current assets	271	334
Other current financial assets	1,237	1,287
Cash and cash equivalents	2,448	3,387
<b>TOTAL ASSETS</b>	<b>63,204</b>	<b>61,475</b>
<b>TOTAL EQUITY</b>		
Attributable to equity holders of the parent	28,540	28,950
Attributable to minority interests	228	232
<b>NON-CURRENT LIABILITIES</b>		
Grants	7	6
Non-current provisions	5,827	6,076
Non-current financial debt	10,581	9,571
Deferred tax liabilities	1,602	1,482
Other non-current liabilities		
Non-current debt for finance leases	1,540	1,476
Other	402	437
<b>CURRENT LIABILITIES</b>		
Liabilities related to non-current assets held for sale	8	160
Current provisions	1,377	1,024
Current financial liabilities	7,073	6,751
Trade payables and other payables:		
Current debt for finance leases	206	194
Other payables	5,813	5,116
<b>TOTAL LIABILITIES</b>	<b>63,204</b>	<b>61,475</b>

(\*) According to IAS 8, it includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2015 in relation to the capitalization of geological and geophysical costs.

**INCOME STATEMENT**
*(€ millions)*
*Prepared according to International Financial Reporting Standards (IFRS-EU)*

	QUARTERLY DATA			JANUARY - SEPTEMBER	
	Q3 15	Q2 16	Q3 16	2015	2016
<b>Operating income</b>	<b>(185)</b>	<b>336</b>	<b>740</b>	<b>498</b>	<b>1,418</b>
Financial result	(199)	(138)	(92)	242	(288)
Income from equity affiliates	(23)	53	40	235	252
<b>Net income before tax</b>	<b>(407)</b>	<b>251</b>	<b>688</b>	<b>975</b>	<b>1,382</b>
Income tax	195	(32)	(198)	(104)	(232)
<b>Net income from continuing operations</b>	<b>(212)</b>	<b>219</b>	<b>490</b>	<b>871</b>	<b>1,150</b>
Net income from non-controlling interest	(9)	(14)	(9)	(39)	(30)
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>(221)</b>	<b>205</b>	<b>481</b>	<b>832</b>	<b>1,120</b>
Net income for the year from discontinuing operations	-	-	-	-	-
<b>NET INCOME</b>	<b>(221)</b>	<b>205</b>	<b>481</b>	<b>832</b>	<b>1,120</b>
<b>Earning per share attributable to the parent company</b>					
Euros/share (*)	(0.16)	0.14	0.33	0.56	0.76
USD/ADR	(0.18)	0.15	0.37	0.63	0.85
Average number of shares (**)	1,454,647,401	1,444,438,486	1,441,840,759	1,458,913,283	1,444,563,746
Exchange rates USD/EUR at the end of each quarter	1.12	1.11	1.12	1.12	1.12

(\*) To calculate EPS the interest expense from the perpetual obligations (€7 million after taxes as of Q3 15, Q2 16 and Q3 16) has been adjusted.

(\*\*) A capital increase for the shareholder's remuneration scheme known as "Repsol dividendo flexible" was carried out in January 2015 and January 2016 accordingly, thus share capital is currently represented by 1,441,783,307 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]

Prepared according to International Financial Reporting Standards (IFRS-EU)

	JANUARY - SEPTEMBER	
	2015	2016
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES (*)</b>		
Net income before taxes	975	1,382
Adjustments to net income		
Depreciation and amortisation of non current assets	2,193	1,758
Other adjustments to results (net)	(302)	(137)
<b>EBITDA</b>	<b>2,866</b>	<b>3,003</b>
Changes in working capital	85	(756)
Dividends received	407	385
Income taxes received/ (paid)	(296)	69
Other proceeds from/ ( payments for) operating activities	(333)	(459)
<b>OTHER CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES</b>	<b>(222)</b>	<b>(5)</b>
	<b>2,729</b>	<b>2,242</b>
<b>II. CASH FLOWS USED IN INVESTMENT ACTIVITIES (*)</b>		
Payments for investment activities		
Companies of the Group, equity affiliates and business units	(8,648)	(629)
Fixed assets, intangible assets and real estate investments	(2,026)	(1,379)
Other financial assets	(246)	(142)
Payments for investment activities	<b>(10,920)</b>	<b>(2,150)</b>
Proceeds from divestments	1,585	2,995
Other cashflow	494	(1)
	<b>(8,841)</b>	<b>844</b>
<b>III. CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES (*)</b>		
Issuance of own capital instruments	995	-
Proceeds from/(payments for) equity instruments	(135)	(114)
Proceeds from issue of financial liabilities	8,970	10,115
Payments for financial liabilities	(6,426)	(11,164)
Payments for dividends and payments on other equity instruments	(488)	(415)
Interest payments	(498)	(463)
Other proceeds from/(payments for) financing activities	1,017	(96)
	<b>3,435</b>	<b>(2,137)</b>
<b>Effect of changes in exchange rates from continued operations</b>	<b>58</b>	<b>(10)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUED OPERATIONS</b>	<b>(2,619)</b>	<b>939</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>4,638</b>	<b>2,448</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>2,019</b>	<b>3,387</b>

(\*) Cash flows from continued operations

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

**THIRD QUARTER 2016**

**RECONCILIATION OF ADJUSTED RESULTS AND THE CORRESPONDING CONSOLIDATED FINANCIAL STATEMENT HEADINGS**
*[Unaudited figures]*

Q3 2015						
€ Million	Adjusted result	ADJUSTMENTS			Total adjustments	Total consolidated
		Joint arrangements reclassification	Special Items	Inventory Effect		
Operating income	511	13	(303)	(406)	(696)	(185)
Financial result	(223)	24	-	-	24	(199)
Income from equity affiliates	105	(128)	-	-	(128)	(23)
<b>Net income before tax</b>	<b>393</b>	<b>(91)</b>	<b>(303)</b>	<b>(406)</b>	<b>(800)</b>	<b>(407)</b>
Income tax	(206)	91	195	115	401	195
<b>Net income from continued operations</b>	<b>187</b>	-	<b>(108)</b>	<b>(291)</b>	<b>(399)</b>	<b>(212)</b>
Income attributed to minority interests	(28)	-	-	19	19	(9)
<b>NET INCOME FROM CONTINUED OPERATIONS</b>	<b>159</b>	-	<b>(108)</b>	<b>(272)</b>	<b>(380)</b>	<b>(221)</b>
Income from discontinued operations	-	-	-	-	-	-
<b>NET INCOME</b>	<b>159</b>	-	<b>(108)</b>	<b>(272)</b>	<b>(380)</b>	<b>(221)</b>

Q2 2016						
€ Million	Adjusted result	ADJUSTMENTS			Total adjustments	Total consolidated
		Joint arrangements reclassification	Special Items	Inventory Effect		
Operating income	437	(83)	(241)	223	(101)	336
Financial result	(185)	87	(40)	-	47	(138)
Income from equity affiliates	95	(42)	-	-	(42)	53
<b>Net income before tax</b>	<b>347</b>	<b>(38)</b>	<b>(281)</b>	<b>223</b>	<b>(96)</b>	<b>251</b>
Income tax	6	38	(20)	(56)	(38)	(32)
<b>Net income from continued operations</b>	<b>353</b>	-	<b>(301)</b>	<b>167</b>	<b>(134)</b>	<b>219</b>
Income attributed to minority interests	(8)	-	2	(8)	(6)	(14)
<b>NET INCOME FROM CONTINUED OPERATIONS</b>	<b>345</b>	-	<b>(299)</b>	<b>159</b>	<b>(140)</b>	<b>205</b>
Income from discontinued operations	-	-	-	-	-	-
<b>NET INCOME</b>	<b>345</b>	-	<b>(299)</b>	<b>159</b>	<b>(140)</b>	<b>205</b>

Q3 2016						
€ Million	Adjusted result	ADJUSTMENTS			Total adjustments	Total consolidated
		Joint arrangements reclassification	Special Items	Inventory Effect		
Operating income	506	(8)	249	(7)	234	740
Financial result	(123)	(89)	120	-	31	(92)
Income from equity affiliates	88	(48)	-	-	(48)	40
<b>Net income before tax</b>	<b>471</b>	<b>(145)</b>	<b>369</b>	<b>(7)</b>	<b>217</b>	<b>688</b>
Income tax	(157)	145	(188)	2	(41)	(198)
<b>Net income from continued operations</b>	<b>314</b>	-	<b>181</b>	<b>(5)</b>	<b>176</b>	<b>490</b>
Income attributed to minority interests	(7)	-	(1)	(1)	(2)	(9)
<b>NET INCOME FROM CONTINUED OPERATIONS</b>	<b>307</b>	-	<b>180</b>	<b>(6)</b>	<b>174</b>	<b>481</b>
Income from discontinued operations	-	-	-	-	-	-
<b>NET INCOME</b>	<b>307</b>	-	<b>180</b>	<b>(6)</b>	<b>174</b>	<b>481</b>

January - September 2015						
€ Million	Adjusted result	ADJUSTMENTS			Total adjustments	Total consolidated
		Joint arrangements reclassification	Special Items	Inventory Effect		
Operating income	1,620	(89)	(539)	(494)	(1,122)	498
Financial result	233	(13)	22	-	9	242
Income from equity affiliates	340	(105)	-	-	(105)	235
<b>Net income before tax</b>	<b>2,193</b>	<b>(207)</b>	<b>(517)</b>	<b>(494)</b>	<b>(1,218)</b>	<b>975</b>
Income tax	(730)	207	279	140	626	(104)
<b>Net income from continued operations</b>	<b>1,463</b>	-	<b>(238)</b>	<b>(354)</b>	<b>(592)</b>	<b>871</b>
Income attributed to minority interests	(64)	-	-	25	25	(39)
<b>NET INCOME FROM CONTINUED OPERATIONS</b>	<b>1,399</b>	-	<b>(238)</b>	<b>(329)</b>	<b>(567)</b>	<b>832</b>
Income from discontinued operations	-	-	-	-	-	-
<b>ADJUSTED NET INCOME</b>	<b>1,399</b>	-	<b>(238)</b>	<b>(329)</b>	<b>(567)</b>	<b>832</b>

January - September 2016						
€ Million	Adjusted result	ADJUSTMENTS			Total adjustments	Total consolidated
		Joint arrangements reclassification	Special Items	Inventory Effect		
Operating income	1,503	(116)	30	1	(85)	1,418
Financial result	(385)	(5)	102	-	97	(288)
Income from equity affiliates	294	(42)	-	-	(42)	252
<b>Net income before tax</b>	<b>1,412</b>	<b>(163)</b>	<b>132</b>	<b>1</b>	<b>(30)</b>	<b>1,382</b>
Income tax	(161)	163	(233)	(1)	(71)	(232)
<b>Net income from continued operations</b>	<b>1,251</b>	-	<b>(101)</b>	-	<b>(101)</b>	<b>1,150</b>
Income attributed to minority interests	(27)	-	1	(4)	(3)	(30)
<b>NET INCOME FROM CONTINUED OPERATIONS</b>	<b>1,224</b>	-	<b>(100)</b>	<b>(4)</b>	<b>(104)</b>	<b>1,120</b>
Income from discontinued operations	-	-	-	-	-	-
<b>ADJUSTED NET INCOME</b>	<b>1,224</b>	-	<b>(100)</b>	<b>(4)</b>	<b>(104)</b>	<b>1,120</b>



**RECONCILIATION OF OTHER ECONOMIC DATA AND THE CONSOLIDATED FINANCIAL STATEMENTS**
*[Unaudited figures]*

	DECEMBER 2015			SEPTEMBER 2016		
	Adjusted Net Debt	Reclassification of JV <sup>(1)</sup>	IFRS-EU	Adjusted Net Debt	Reclassification of JV <sup>(1)</sup>	IFRS-EU
<b>NON-CURRENT ASSETS</b>						
Non-current financial instruments	121	512	633	79	593	672
<b>CURRENT ASSETS</b>						
Other current financial assets	118	1,119	1,237	26	1,261	1,287
Cash and cash equivalents	2,771	(323)	2,448	3,574	(187)	3,387
<b>NON-CURRENT LIABILITIES</b>						
Non-current financial debt	(10,716)	135	(10,581)	(9,627)	56	(9,571)
<b>CURRENT LIABILITIES</b>						
Current financial liabilities	(4,320)	(2,753)	(7,073)	(4,150)	(2,601)	(6,751)
<b>CAPTIONS NOT INCLUDED IN THE BALANCE SHEET</b>						
Net mark-to-market valuation of financial derivatives (excluding exchange rate) <sup>(2)</sup>	92	0	92	110	0	110
<b>NET DEBT</b>	<b>(11,934)</b>		<b>(13,244)</b>	<b>(9,988)</b>		<b>(10,866)</b>

(1) Mainly corresponding to the financial contribution by Repsol Sinopec Brazil which is detailed in the following captions:  
2015: "Cash and cash equivalents" amounting to €11 million; "Current financial liabilities" for intragroup loans amounting to €2,819 million, reduced in €300 million in loans with third parties.  
2016: "Cash and cash equivalents" amounting to €30 million and "Current financial liabilities" for intragroup loans amounting to €2,772 million, reduced in €393 million due to loans with third parties.

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

	January - September					
	2015			2016		
	Adjusted Cash flow	Reclassification of JV & Others	IFRS-EU	Adjusted Cash flow	Reclassification of JV & Others	IFRS-EU
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>3,060</b>	<b>(331)</b>	<b>2,729</b>	<b>2,430</b>	<b>(188)</b>	<b>2,242</b>
<b>II. CASH FLOWS USED IN INVESTMENT ACTIVITIES</b>	<b>(10,516)</b>	<b>1,675</b>	<b>(8,841)</b>	<b>462</b>	<b>382</b>	<b>844</b>
<b>FREE CASH FLOW (I. + II.)</b>	<b>(7,456)</b>	<b>1,344</b>	<b>(6,112)</b>	<b>2,892</b>	<b>194</b>	<b>3,086</b>
<b>III. CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES AND OTHERS <sup>(1)</sup></b>	<b>4,799</b>	<b>(1,306)</b>	<b>3,493</b>	<b>(2,089)</b>	<b>(58)</b>	<b>(2,147)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,657)</b>	<b>38</b>	<b>(2,619)</b>	<b>803</b>	<b>136</b>	<b>939</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>5,027</b>	<b>(389)</b>	<b>4,638</b>	<b>2,769</b>	<b>(321)</b>	<b>2,448</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>2,370</b>	<b>(351)</b>	<b>2,019</b>	<b>3,572</b>	<b>(185)</b>	<b>3,387</b>

(1) This caption includes payments for dividends and payment on other equity instruments, interest payments, proceeds from/(payments for) equity instruments, proceeds from/ (payments for) issue of financial liabilities, other proceeds from/(payments for) financing activities and the effect of changes in the exchange rate.

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