



Q4 & FY 2016 RESULTS

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BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

The definition of the Repsol Group's operating segments is based on the different activities performed and from where 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 Repsol ("the Company") is performing. In 2016, 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'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) 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*¹, net finance costs and inter-segment consolidation adjustments.

The Group did not aggregate any operating segments for presentation purposes.

Repsol presents its operating segments results by including those corresponding to its joint ventures² and other managed companies operated as such³, 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* but it does facilitate comparison with the earnings of sector peers and enables analysis of the underlying business

¹ 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 generated in the Group as shareholder of *Gas Natural SDG, S.A*.

² In Repsol Group's operating segments model, joint ventures are consolidated proportionally in accordance with the Group's percent holding.

³ It corresponds to Petrocarabobo, S.A., (Venezuela), an associated entity of the Group..

performance by stripping out the impact of price fluctuations on reported inventory levels. In net income from continuing operations *CCS*, 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 (*AWC*, which is an inventory valuation method used by the Company to determine its results in accordance with *European accounting regulations*).

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 *Q4 & FY 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.*⁴ (“*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, therefore the comparative amounts for Q4 2015 and for the full year 2015 have been restated. For more information about this change in the accounting policies, see Note 2 of the *Consolidated Financial Statements* for the full year 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 *Q4 & FY 2016 Results Earnings Release* are included in Appendix I “Alternative Performance Measures” of the *Management Report* for the full year 2016.

Repsol will publish today the *Consolidated Financial Statements* and *Management Report* for the full year 2016 and they will be available on Repsol’s and *CNMV’s (Comisión Nacional del Mercado de Valores)* websites.

⁴ 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)	Q4 2015 (*)	Q3 2016	Q4 2016	% Change Q4 16/Q4 15	January - December 2015 (*)	January - December 2016	% Change 2016/2015
Upstream	(292)	(28)	17	-	(925)	52	-
Downstream	495	395	554	11.9	2,150	1,883	(12.4)
Corporate and others	250	(60)	127	(49.2)	627	(13)	-
ADJUSTED NET INCOME	453	307	698	54.1	1,852	1,922	3.8
Inventory effect	(130)	(6)	137	-	(459)	133	-
Special items	(2,553)	180	(219)	91.4	(2,791)	(319)	88.6
NET INCOME	(2,230)	481	616	-	(1,398)	1,736	-

Economic data (€ Million)	Q4 2015 (*)	Q3 2016	Q4 2016	% Change Q4 16/Q4 15	January - December 2015 (*)	January - December 2016	% Change 2016/2015
EBITDA	1,022	1,141	1,668	63.2	4,416	5,226	18.3
EBITDA CCS	1,224	1,148	1,475	20.5	5,112	5,032	(1.6)
NET INVESTMENT	1,264	(1,645)	107	(91.5)	11,960	(500)	-
NET DEBT	11,934	9,988	8,144	(31.8)	11,934	8,144	(31.8)
NET DEBT / EBITDA CCS (x)	2.44	2.18	1.38	(43.4)	2.33	1.62	(30.7)

Operational data	Q4 2015	Q3 2016	Q4 2016	% Change Q4 16/Q4 15	January - December 2015	January - December 2016	% Change 2016/2015
LIQUIDS PRODUCTION (Thousand bbl/d)	246	239	233	(5.4)	207	243	17.6
GAS PRODUCTION (**) (Million scf/d)	2,533	2,423	2,506	(1.1)	1,977	2,509	26.9
TOTAL PRODUCTION (Thousand boe/d)	697	671	679	(2.6)	559	690	23.5
CRUDE OIL REALIZATION PRICE (\$/Bbl)	37.8	41.5	44.7	18.3	45.2	39.0	(13.6)
GAS REALIZATION PRICE (\$/Thousand scf)	2.5	2.2	2.8	9.2	2.8	2.4	(13.9)
DISTILLATION UTILIZATION Spanish Refining (%)	89.3	91.8	97.4	8.2	88.9	88.0	(0.9)
CONVERSION UTILIZATION Spanish Refining (%)	104.3	106.9	109.2	4.9	103.7	102.9	(0.7)
REFINING MARGIN INDICATOR IN SPAIN (\$/Bbl)	7.3	5.1	7.2	(1.4)	8.5	6.3	(25.9)

(*) Includes the necessary modifications, compared to the published information of FY 2015, in relation with the capitalization of G&G of €-8 million in the Adjusted Net Income (€-16 million in Upstream and €8 million in Corporate and others) and €-163 million in Special Items. (**) 1,000 Mcf/d = 28.32 Mm³/d = 0.178 Mboe/d.

KEY MILESTONES FOR THE FOURTH QUARTER OF 2016

- **Adjusted net income** in the fourth quarter was €698 million, 54% higher year-on-year. **Net income** amounted to €616 million, €2,846 million higher year-on-year.
- Quarterly results for the operating segments are summarized as follows:
 - Adjusted net income from **Upstream** was €309 million higher than in the same period in 2015 at €17 million, mainly due to higher realized oil and gas prices, lower technical amortization rates and lower costs, partially offset by lower volumes and higher exploration expenses. Additionally, this result was positively impacted by lower taxes in the United States partially compensated by the effect of local currency devaluation mainly in Brazil, Malaysia and Colombia.

Upstream **production** averaged 679 kboe/d, 3% lower year-on-year. Primarily due to lower activity and higher maintenance in the U.S., higher maintenance in Trinidad and Tobago, U.K. and Asia; sale of TSP in Trinidad and Tobago, Tangguh in Indonesia and a stake in Eagle Ford in the U.S.; and cessation of production at Varg in Norway partially offset by the ramp-up of Cardón IV in

Venezuela and Sapinhoá in Brazil, higher production in Perú and acquired production from Gudrun in Norway. It is worth noting that Libya restarted production on 20 December, 2016.

- In **Downstream**, adjusted net income was €554 million, 12% higher year-on-year because of higher volumes in Refining, higher margins in Chemicals and higher results in the Commercial businesses partially offset by lower results in Trading and Gas & Power.
- In **Corporate and others**, adjusted net income was €123 million lower than in the same period in 2015 at €127 million, principally due to the reduced equity stake in **Gas Natural Fenosa**.
- **EBITDA CCS** was €1,475 million, 21% higher compared to the fourth quarter of 2015.
- **Cash flow from operating activities** more than covered investment and interest during the fourth quarter of 2016 and, together with divestments, helped to reduce the Group's **net debt** to €8,144 million, €1,844 million lower than at the end of the third quarter of 2016.
- The **Synergy and Efficiency** Program, by the end of the fourth quarter, delivered more than €1.6 billion, almost 150% of the budgeted full year target of €1.1 billion.

KEY MILESTONES FOR THE FULL YEAR 2016

- **Adjusted net income** in 2016 was €1,922 million, 4% higher year-on-year. **Net income** amounted to €1,736 million, €3.1 billion higher compared to previous year.
- Full year results for the operating segments are summarized as follows:
 - Adjusted net income from **Upstream** was €977 million higher than in the same period in 2015 at €52 million, mainly due to lower exploration expenses, lower technical amortization rates, higher volumes and lower costs, partially offset by lower realized oil and gas prices. Additionally, this result was positively impacted by tax effects from exchange rate fluctuations mainly in Brazil, Colombia and Malaysia and lower taxes in the United States.

Upstream **production** averaged 690 kboe/d, 23% higher year-on-year. Primarily due to acquired assets, the ramp-up of Cardón IV in Venezuela and Sapinhoá in Brazil and higher production in Perú partially offset by maintenance works in Trinidad and Tobago.

Organic **Reserve Replacement Ratio** in the year 2016 stood at 124%.

- In **Downstream**, adjusted net income was €1,883 million, 12% lower year-on-year because of lower margins in Refining and lower results in Trading and Gas & Power partially offset by higher margins and volumes in Chemicals and higher results in the Commercial businesses, Marketing and LPG.

- In **Corporate and others**, adjusted net income was €640 million lower than in the same period in 2015 at €-13 million, principally due to the financial results from the exchange rate position taken in the first quarter of 2015, and the lower stake in **Gas Natural Fenosa**, partially offset by lower interest and results obtained in 2016 from exchange rate positions.
- **EBITDA CCS** was €5,032 million in 2016, broadly in line with 2015, despite lower oil and gas prices and lower refining margins and thanks to lower costs and the contribution of acquired assets.
- **Cash flow from operating activities and divestments** more than covered investment, dividends and interest during 2016 and helped to reduce the Group's **net debt** to €8,144 million, €3,790 million lower than at the end of 2015. *To aid understanding, please find on page 12 of this document a section regarding Adjusted Cash Flow Statement.*
- At the end of the year the **net debt to capital employed ratio** has been reduced to 21%.

NET INCOME PERFORMANCE BY BUSINESS SEGMENT
UPSTREAM
(Unaudited figures)

Results (€ Million)	Q4 2015 (**)	Q3 2016	Q4 2016	% Change Q4 16/Q4 15	January - December 2015 (**)	January - December 2016	% Change 2016/2015
ADJUSTED NET INCOME	(292)	(28)	17	-	(925)	52	-
Operating income	(530)	64	(72)	86.4	(1,107)	(87)	92.1
Income tax	233	(91)	101	(56.7)	182	147	(19.2)
Income from equity affiliates and non-controlling interests	5	(1)	(12)	-	-	(8)	-
EBITDA	374	502	637	70.3	1,611	2,072	28.6
NET INVESTMENT	918	444	164	(82.1)	11,370	1,889	(83.4)
EFFECTIVE TAX RATE (%)	(44)	140	(138)	(94.0)	(16)	(168)	(152.0)
International prices	Q4 2015	Q3 2016	Q4 2016	% Change Q4 16/Q4 15	January - December 2015	January - December 2016	% Change 2016/2015
Brent (\$/Bbl)	43.8	45.9	49.3	12.7	52.4	43.7	(16.5)
WTI (\$/Bbl)	42.2	44.9	49.3	16.9	48.8	43.5	(10.9)
Henry Hub (\$/MBtu)	2.3	2.8	3.0	31.5	2.7	2.5	(7.7)
Average exchange rate (\$/€)	1.10	1.12	1.08	(1.3)	1.11	1.11	0.2
Realization prices	Q4 2015	Q3 2016	Q4 2016	% Change Q4 16/Q4 15	January - December 2015	January - December 2016	% Change 2016/2015
CRUDE OIL (\$/Bbl)	37.8	41.5	44.7	18.3	45.2	39.0	(13.6)
GAS (\$/Thousand scf)	2.5	2.2	2.8	9.2	2.8	2.4	(13.9)
Exploration (*)	Q4 2015	Q3 2016	Q4 2016	% Change Q4 16/Q4 15	January - December 2015	January - December 2016	% Change 2016/2015
G&A and Amortization of Bonus and Dry Wells	130	108	270	107.7	818	443	(45.8)
Production	Q4 2015	Q3 2016	Q4 2016	% Change Q4 16/Q4 15	January - December 2015	January - December 2016	% Change 2016/2015
LIQUIDS (Thousand bbl/d)	246	239	233	(5.4)	207	243	17.6
GAS (***) (Million scf/d)	2,533	2,423	2,506	(1.1)	1,977	2,509	26.9
TOTAL (Thousand boe/d)	697	671	679	(2.6)	559	690	23.5

(*) Only direct costs attributable to exploration projects. For more information about this change in the accounting policies, see the *Consolidated Financial Statements and Management Report* for the full year 2016. (**) Includes the modifications, compared to the published information of FY 2015, in relation with the capitalization of G&G of €-16 million in the Adjusted Net Income in Upstream. (***) 1,000 Mcf/d = 28.32 Mm³/d = 0.178 Mboe/d

Adjusted net income in the quarter was €309 million higher than the same period in 2015 at €17 million.

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

- Higher **crude oil and gas realization prices**, net of royalties, had a positive impact on the operating income of €218 million.
- **Lower production** contributed to a decrease in operating income of €34 million, due to lower activity and higher maintenance in the U.S., higher maintenance in Trinidad and Tobago, U.K. and Asia; sale of TSP in Trinidad and Tobago, Tangguh in Indonesia and a stake in Eagle Ford; and cessation of production at Varg in Norway partially offset by the ramp-up of Cardón IV in Venezuela and Sapinhoá in Brazil, higher production in Perú and acquired production from Gudrun in Norway. Upstream **production** averaged 679 kboe/d, 3% lower year-on-year.
- As a result of the **exploration** activity, principally due to higher amortization of dry wells and bonus, the operating income decreased by €141 million, excluding the impact of exchange rate fluctuations.

- Lower **depreciation and amortization** charges, principally as a consequence of lower amortization rates, increased the operating income by €219 million.
- **Income tax expense** impacted the adjusted net income negatively by €132 million, mainly because of the increase in results and the effect of the exchange rate fluctuations in local currencies partially offset by lower taxes in the United States.
- **Income from equity affiliates and non-controlling interests, exchange rate and other costs** contains the balance of remaining differences compared to the fourth quarter of last year.

During the fourth quarter of 2016, five wells - four exploratory and one appraisal - were completed. The appraisal well and three exploratory wells were deemed unsuccessful and one exploratory is still under evaluation. Also during the fourth quarter, one well completed in the third quarter was written off in Indonesia. As of today, three wells are on-going: two exploratory and one appraisal.

Full Year 2016 results

The **adjusted net income** for 2016 amounted to €52 million, €977 million higher than in 2015, mainly due to lower exploration expenses, lower technical amortization rates, higher volumes and lower costs, partially offset by lower realized oil and gas prices. Additionally, this result was positively impacted by tax effects from exchange rate fluctuations mainly in Brazil, Colombia and Malaysia and lower taxes in the United States.

Average production in 2016 (690 Kboe/d) was 23% higher than 2015 (559 Kboe/d), due to acquired assets, the ramp-up of Cardón IV in Venezuela and Sapinhoá in Brazil and higher production in Perú partially offset principally by maintenance works in Trinidad and Tobago.

Net investment

Net investment in Upstream in the fourth quarter of 2016 amounted to €164 million, €754 million lower than the fourth quarter of 2015.

Excluding divestments of €435 million, **Development investment** accounted for 76% of the total investment and was concentrated mainly in Trinidad and Tobago (24%), Brazil (15%), the U.S. (11%), Algeria (11%), Canada (9%), UK (6%), Indonesia (6%), Bolivia (4%) and Peru (4%); and **Exploration investment** represented 14% of the total and was allocated primarily in Papua New Guinea (27%), Colombia (12%), Peru (9%), Malaysia (9%), Bolivia (7%), Algeria (5%), Russia (4%) and Vietnam (4%).

Net investment in Upstream in 2016 amounted to €1,889 million, a 44% decrease, excluding the payment for the acquisition of *Talisman*, compared to 2015.

Excluding divestments of €475 million, **Development investment** accounted for 76% of the total investment and was concentrated mainly in Trinidad and Tobago (24%), the U.S. (14%), Brazil (13%), Algeria (10%), UK (10%), Canada (6%), Venezuela (5%) and Bolivia (5%); and **Exploration investment** represented 18% of the total and was allocated primarily in the U.S. (13%), Indonesia (8%), Malaysia (8%), Colombia (8%), Bulgaria (7%), Papua New Guinea (7%), Angola (6%), Brazil (6%), Algeria (4%), Peru (3%), Bolivia (3%) and Russia (3%).

DOWNSTREAM
[Unaudited figures]

Results (€ Million)	Q4 2015	Q3 2016	Q4 2016	% Change Q4 16/Q4 15	January - December 2015	January - December 2016	% Change 2016/2015
ADJUSTED NET INCOME	495	395	554	11.9	2,150	1,883	(12.4)
Operating income	705	522	716	1.6	3,041	2,467	(18.9)
Income tax	(189)	(129)	(155)	18.0	(821)	(565)	31.2
Income from equity affiliates and non-controlling interests	(21)	2	(7)	66.7	(70)	(19)	72.9
AVERAGE WEIGHTED COST ADJUSTED NET INCOME	365	389	691	89.3	1,691	2,016	19.2
Inventory effect	(130)	(6)	137	-	(459)	133	-
EBITDA	689	688	1,094	58.8	3,092	3,367	8.9
EBITDA CCS	891	695	901	1.1	3,788	3,173	(16.2)
NET INVESTMENT	332	(196)	(42)	-	493	(496)	-
EFFECTIVE TAX RATE (%)	27	25	22	(5.0)	27	23	(4.0)
Operational data	Q4 2015	Q3 2016	Q4 2016	% Change Q4 16/Q4 15	January - December 2015	January - December 2016	% Change 2016/2015
REFINING MARGIN INDICATOR IN SPAIN (\$/Bbl)	7.3	5.1	7.2	(1.4)	8.5	6.3	(25.9)
DISTILLATION UTILIZATION Spanish Refining (%)	89.3	91.8	97.4	8.2	88.9	88.0	(0.9)
CONVERSION UTILIZATION Spanish Refining (%)	104.3	106.9	109.2	4.9	103.7	102.9	(0.7)
OIL PRODUCT SALES (Thousand tons)	12,313	12,471	13,526	9.9	47,605	48,048	0.9
PETROCHEMICAL PRODUCT SALES (Thousand tons)	697	702	714	2.5	2,822	2,892	2.5
LPG SALES (Thousand tons)	571	327	368	(35.5)	2,260	1,747	(22.7)
NORTH AMERICA NATURAL GAS SALES (Tbtu)	72.3	89.9	102.9	42.3	298.7	413.6	38.5
International prices (\$/Mbtu)	Q4 2015	Q3 2016	Q4 2016	% Change Q4 16/Q4 15	January - December 2015	January - December 2016	% Change 2016/2015
Henry Hub	2.3	2.8	3.0	31.5	2.7	2.5	(7.7)
Algonquin	3.0	2.8	3.8	26.1	4.8	3.1	(35.3)

Adjusted net income in the fourth quarter of 2016 amounted to €554 million, 12% higher compared to the fourth quarter of 2015.

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

- In **Refining**, lower margins partially offset by higher utilization rates reduced operating income by €22 million. The Refining Margin Indicator declined in the period compared to the same period last year due to narrower light-heavy crude, gasolines and naphtha spreads partially offset by stronger fuel oil spreads and lower energy costs.
- In **Chemicals**, higher margins increased operating income by €31 million.
- In **Marketing and LPG**, operating income was €10 million higher compared to the fourth quarter of 2015.
- In **Trading and Gas & Power**, the operating income was €75 million lower than the fourth quarter of 2015 due to the challenging business environment.
- **Results in other activities, equity affiliates and non-controlling interests, exchange rate and taxes** account for the remaining variance.

Full Year 2016 results

Adjusted net income for 2016 was €1,883 million, 12% lower year-on-year. The decrease in results is mainly driven by lower margins in Refining and lower results in Trading and Gas & Power partially offset by higher margins and volumes in Chemicals and higher results in the Commercial businesses, Marketing and LPG.

Net investment

Net investment amounted to €-42 million, including €316 million of divestments mainly from the sale of part of the piped LPG business in Spain.

Net investment in the year stood at €-496 million, including €1,239 million of divestments.

CORPORATE AND OTHERS

(Unaudited figures)

Results (€ Million)	Q4 2015	Q3 2016	Q4 2016	% Change Q4 16/Q4 15	January - December 2015	January - December 2016	% Change 2016/2015
ADJUSTED NET INCOME	250	(60)	127	(49.2)	627	(13)	-
Corporate and adjustments	(31)	(80)	(80)	(158.1)	(170)	(313)	(84.1)
Financial result	11	(123)	70	-	244	(315)	-
Income tax	147	63	51	(65.3)	100	254	154.0
Gas Natural Fenosa	123	80	86	(30.1)	453	361	(20.3)
EBITDA	(41)	(49)	(63)	(53.7)	(287)	(213)	25.8
NET INTERESTS	(126)	(104)	(98)	22.2	(443)	(426)	3.8
NET INVESTMENT	14	(1,893)	(15)	-	97	(1,893)	-
EFFECTIVE TAX RATE (%)	(774)	(31)	(522)	252.0	(133)	(41)	92.0

CORPORATE AND ADJUSTMENTS

Corporate and adjustments accounted for €-80 million in the fourth quarter of 2016, compared to €-31 million in the same quarter of the previous year.

In 2016, **Corporate and adjustments** accounted for a net expense of €313 million which compares to a net expense of €170 million in the same period of last year. The increase is mainly due to the inclusion of *Talisman* corporate costs since 8 May, 2015.

FINANCIAL RESULTS

Net financial result in the fourth quarter of 2016 amounted to €70 million, higher than the fourth quarter of 2015 principally due to exchange rate positions and lower interest.

Net financial result in 2016 was €-315 million, €559 million lower than in 2015, principally due to a €789 million income obtained in 2015 from the fluctuations of the exchange rates mainly the appreciation of the US dollar against the Euro.

GAS NATURAL FENOSA

Adjusted net income attributable to Repsol, in the fourth quarter of 2016, amounted to €86 million, 30% lower year-on-year principally due to the lower equity stake in the company.

Adjusted net income for 2016 was €361 million, 20% lower year-on-year, mainly due to lower profits in the gas commercialization business, owing to lower margins, and in the gas distribution business in Latin America due to the devaluation of local currencies and a reduction of Repsol's stake in the company since the end of the third quarter.

NET INCOME ANALYSIS: SPECIAL ITEMS
SPECIAL ITEMS

[Unaudited figures]

Results (€ Million)	Q4 2015	Q3 2016	Q4 2016	% Change Q4 16/Q4 15	January - December 2015	January - December 2016	% Change 2016/2015
Divestments	14	383	104	-	364	737	102.5
Indemnities and workforce restructuring	(7)	(25)	(22)	(214.3)	(49)	(393)	-
Impairment of assets	(2,592)	(24)	(400)	84.6	(3,119)	(434)	86.1
Provisions and others	32	(154)	99	209.4	13	(229)	-
SPECIAL ITEMS	(2,553)	180	(219)	91.4	(2,791)	(319)	88.6

Special items in the fourth quarter of 2016 included a net expense of €219 million, mainly due to impairments booked in upstream assets in Venezuela and non-conventional assets in North America and in downstream assets in the commercial services of North America partially compensated by reversal of tax provisions.

Special items in 2016 resulted in a net loss of €319 million, in line with the quarter on quarter reduction as noted above and due to the workforce restructuring costs but partially compensated by divestments.

CASH FLOW ANALYSIS: ADJUSTED CASH FLOW STATEMENT

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

(Unaudited figures)

	JANUARY - DECEMBER	
	2015	2016
I. CASH FLOWS FROM OPERATING ACTIVITIES		
EBITDA CCS	5,112	5,032
Changes in working capital	790	(583)
Dividends received	279	383
Income taxes received/ (paid)	(246)	(283)
Other proceeds from/ (payments for) operating activities	(422)	(717)
	5,513	3,832
II. CASH FLOWS USED IN INVESTMENT ACTIVITIES		
Payments for investment activities	(12,264)	(3,157)
Proceeds from divestments	733	3,648
	(11,531)	491
FREE CASH FLOW (I. + II.)	(6,018)	4,323
Payments for dividends and payments on other equity instruments	(488)	(420)
Net interest payments and leases	(716)	(657)
Financing operations	4,964	(1,097)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(2,258)	2,149
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,027	2,769
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,769	4,918

NET DEBT ANALYSIS: NET DEBT EVOLUTION

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

[Unaudited figures]

NET DEBT EVOLUTION (€ Million)	Q4 2016	January - December 2016
NET DEBT AT THE START OF THE PERIOD	9,988	11,934
EBITDA CCS	(1,475)	(5,032)
CHANGE IN WORKING CAPITAL	(488)	583
INCOME TAX RECEIVED /PAID	337	283
NET INVESTMENT ⁽¹⁾	(43)	(523)
DIVIDENDS PAID AND OTHER EQUITY INSTRUMENTS PAYOUTS	5	420
OWN SHARES TRANSACTIONS	1	92
FOREIGN EXCHANGE RATE EFFECT	187	127
INTEREST AND OTHER MOVEMENTS ⁽²⁾	(368)	260
NET DEBT AT THE END OF THE PERIOD	8,144	8,144
		2016
CAPITAL EMPLOYED CONTINUED OPERATIONS (€ Million)		39,255
NET DEBT / CAPITAL EMPLOYED (%)		20.7
NET DEBT / EBITDA CCS (x)		1.62

(1) As of 31 December 2016, there were net financial investments amounting to €16 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 quarter was €8,144 million, €1,844 million lower than at the end of the third quarter of 2016. At the end of the year the **net debt to capital employed ratio** has been reduced to 20.7%.

Cash flow from operating activities together with divestments more than covered investment, dividend payments and interest in 2016 and helped to reduce the net debt by €3,790 million.

The Group's **liquidity** at the end of 2016 was approximately €9.3 billion (including undrawn committed credit lines), representing approximately 2.3 times gross debt maturities in the short term.

RELEVANT EVENTS

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

In **Upstream**, on 27 October 2016, Repsol announced that its Chairman, Antonio Brufau, and the Bolivian President, Evo Morales, signed an extension of the Caipipendi operations contract in Bolivia. The new contract was signed by the Bolivian government and the Caipipendi consortium, operated by Repsol with a 37.5% stake and also comprising its partners *Shell* (37.5%) and *PAE* (25%). This contract extension confirms continued operations at Caipipendi for an additional 15 years until 2046.

On 2 December, Repsol sold its 3.06% stake in the integrated LNG Project called *Tanguuh LNG* located in West Papua (Indonesia), for a consideration of \$305.4 million.

On 19 December, production started at *Lapa* field in *BM-S-9* block in Brazil. *Lapa* field is located in the *Santos* offshore deepwater basin and its production is being carried out through the *FPSO (Floating Production, Storage and Offloading) Cidade de Caraguatatuba*. The consortium holding the *Lapa* field is formed by *Petrobras* (45% and operator), *Shell* (30%) and *Repsol Sinopec Brasil* (25%).

On 20 December, production in Libya was restarted at field A in the block NC-115 and by the end of the year production was also restarted at three more fields (M, H and north H) in block NC-115. On January 4 it was also restarted production in the field I/R (block NC-186 & NC-115).

In **Corporation**, on 2 November 2016, Repsol announced the expected timetable of the paid-up capital increase that was approved in the framework of the "*Repsol Flexible Dividend*" program by the 2016 *Annual Shareholders' Meeting* held on May 20, 2016, under item six of the Agenda, to be implemented in December 2016 and January 2017, coinciding with the dates on which the traditional interim dividend of the year was typically paid to shareholders.

On 30 November 2016, the *Board of Directors* of Repsol, S.A. approved the payment of remuneration equivalent to €0.35 gross per share to its shareholders within the framework of the *Repsol Flexible Dividend Program* (in replacement of the traditional interim dividend of 2016), subject to the applicable rounding in accordance with the formulas approved by the *Annual Shareholders' Meeting* held on May 20, 2016, under item six on its Agenda.

On 14 December 2016, the Board of Directors of the Company agreed to implement the aforementioned capital increase in the framework of the *Repsol Flexible Dividend Program*. The number of free-of-charge allocation rights needed to receive one new share was 38 and the guaranteed price of Repsol's purchase commitment of rights was €0.335 gross per right.

On 10 January 2016, the Company reported the closing of mentioned paid up capital increase (in replacement of the traditional interim dividend of 2016). Holders of 79.75% of free-of-charge allocation rights opted to receive new shares of Repsol. Therefore, the final number of shares of one (1) euro par value issued in the capital increase was 30,760,751, representing an increase of approximately 2.10% of the share capital of Repsol. Moreover, during the period established for that purpose, holders of 20.25% of free-of-charge allocation rights accepted the irrevocable commitment to purchase rights taken by Repsol. Consequently, Repsol acquired 296,735,539 rights for a total amount of 99,406,405.565 euros. Repsol waived the shares corresponding to the free-of-charge allocation rights acquired by virtue of the mentioned commitment.

On 30 January 2017, Repsol's "*Trading Statement*" was published; it provided provisional information for the fourth quarter of 2016, including data on the economic environment as well as company performance during the period.

Madrid, 23 February, 2017

A conference call has been scheduled for research analysts and institutional investors for today, 23 February 2017 at 13.00 (CET) to report on the Repsol Group's fourth quarter and full year 2016 results. Shareholders and other interested parties can follow the call live through Repsol's corporate website (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 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**

Q4 & FY 2016

ADJUSTED NET INCOME BY BUSINESS SEGMENTS
[Unaudited figures]

€ Million	Q4 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	(530)	-	233	5	(292)	-	(2,605)	(2,897)
Downstream	705	-	(189)	(21)	495	(130)	(28)	337
Corporation & Others	(31)	11	147	123	250	-	80	330
TOTAL	144	11	191	107	453	(130)	(2,553)	(2,230)
NET INCOME							(2,553)	(2,230)

€ 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
TOTAL	506	(123)	(157)	81	307	(6)	180	481
NET INCOME							180	481

€ Million	Q4 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	(72)	-	101	(12)	17	-	(517)	(500)
Downstream	716	-	(155)	(7)	554	137	(6)	685
Corporation & Others	(80)	70	51	86	127	-	304	431
TOTAL	564	70	(3)	67	698	137	(219)	616
NET INCOME							(219)	616

€ Million	January - December 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	(1,107)	-	182	-	(925)	-	(2,826)	(3,751)
Downstream	3,041	-	(821)	(70)	2,150	(459)	19	1,710
Corporation & Others	(170)	244	100	453	627	-	16	643
TOTAL	1,764	244	(539)	383	1,852	(459)	(2,791)	(1,398)
NET INCOME							(2,791)	(1,398)

€ Million	January - December 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	(87)	-	147	(8)	52	-	(1,013)	(961)
Downstream	2,467	-	(565)	(19)	1,883	133	261	2,277
Corporation & Others	(313)	(315)	254	361	(13)	-	433	420
TOTAL	2,067	(315)	(164)	334	1,922	133	(319)	1,736
NET INCOME							(319)	1,736

(*) Includes the modifications, compared to the published information of FY 2015, in relation with the capitalization of G&G of €42 million in the Operating Income, €11 million in Financial results, €23 million in Income Tax and €163 million in Special Items (Q4 and FY 2015).

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

€ Million	QUARTERLY DATA			JANUARY - DECEMBER	
	Q4 15 (*)	Q3 16	Q4 16	2015 (*)	2016
UPSTREAM	(530)	64	(72)	(1,107)	(87)
Europe, Africa & Brazil	(126)	170	73	(145)	224
Latin America & Caribbean	(61)	12	57	109	238
North America	(82)	(13)	(8)	(182)	(189)
Asia & Russia	(1)	25	64	92	127
Exploration & Others	(260)	(130)	(258)	(981)	(487)
DOWNSTREAM	705	522	716	3,041	2,467
Europe	613	530	706	2,819	2,480
Rest of the World	92	(8)	10	222	(13)
CORPORATE AND OTHERS	(31)	(80)	(80)	(170)	(313)
TOTAL	144	506	564	1,764	2,067

(*) Includes the modifications, compared to the published information of FY 2015, in relation with the capitalization of G&G of €42 million in Upstream (Q4 and FY 2015).

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

€ Million	QUARTERLY DATA			JANUARY - DECEMBER	
	Q4 15 (*)	Q3 16	Q4 16	2015 (*)	2016
UPSTREAM	(292)	(28)	17	(925)	52
Europe, Africa & Brazil	(24)	51	58	(124)	167
Latin America & Caribbean	(52)	18	44	(27)	234
North America	(51)	(11)	134	(124)	9
Asia & Russia	(15)	13	(36)	19	(4)
Exploration & Others	(150)	(99)	(183)	(669)	(354)
DOWNSTREAM	495	395	554	2,150	1,883
Europe	452	405	550	2,046	1,895
Rest of the World	43	(10)	4	104	(12)
CORPORATE AND OTHERS	250	(60)	127	627	(13)
TOTAL	453	307	698	1,852	1,922

(*) Includes the modifications, compared to the published information of FY 2015, in relation with the capitalization of G&G of €-16 million in Upstream and €8 million in Corporate and Others (Q4 and FY 2015).

EBITDA BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS
[Unaudited figures]

€ Million	QUARTERLY DATA			JANUARY - DECEMBER	
	Q4 15 (*)	Q3 16	Q4 16	2015 (*)	2016
UPSTREAM	374	502	637	1,611	2,072
Europe, Africa & Brazil	34	102	164	309	425
Latin America & Caribbean	128	148	193	677	765
North America	110	174	167	572	543
Asia & Russia	139	118	144	403	489
Exploration & Others	(37)	(40)	(31)	(350)	(150)
DOWNSTREAM ⁽¹⁾	689	688	1,094	3,092	3,367
Europe	613	670	1,044	2,865	3,263
Rest of the World	76	18	50	227	104
CORPORATE AND OTHERS	(41)	(49)	(63)	(287)	(213)
TOTAL	1,022	1,141	1,668	4,416	5,226

(*) Includes the modifications, compared to the published information of FY 2015, in relation with the capitalization of G&G of €99 million in Upstream (Q4 and FY 2015).

(1) EBITDA CCS M€					
DOWNSTREAM	891	695	901	3,788	3,173
TOTAL	1,224	1,148	1,475	5,112	5,032

NET INVESTMENTS BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS
[Unaudited figures]

€ Million	QUARTERLY DATA			JANUARY - DECEMBER	
	Q4 15 (**)	Q3 16	Q4 16	2015 (**)	2016
UPSTREAM	918	444	164	11,370	1,889
Europe, Africa & Brazil	415	149	150	774	594
Latin America & Caribbean	327	122	52	1,139	578
North America	(228)	61	128	209	383
Asia & Russia	30	23	(247)	112	(117)
Exploration and Others (*)	374	89	81	9,136	451
DOWNSTREAM	332	(196)	(42)	493	(496)
Europe	255	(195)	(110)	272	(442)
Rest of the World	77	(1)	68	221	(54)
CORPORATE AND OTHERS	14	(1,893)	(15)	97	(1,893)
TOTAL	1,264	(1,645)	107	11,960	(500)

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

(**) Includes the modifications, compared to the published information of FY 2015, in relation with the capitalization of G&G of €100 million in Upstream (Q4 and FY 2015).

CAPITAL EMPLOYED BY BUSINESS SEGMENTS
[Unaudited figures]

€ Million	CUMULATIVE DATA	
	Q4 15 (*)	Q4 16
Upstream	23,275	23,853
Downstream	9,758	9,469
Corporate and others	7,664	5,933
TOTAL	40,697	39,255
		2016
ROACE (%)		5.8
ROACE at CCS (%)		5.4

(*) Includes the modifications, compared to the published information of FY 2015, in relation with the capitalization of G&G of €73 million in Upstream and €1 million in Corporate and others

OPERATING INDICATORS

Q4 & FY 2016

UPSTREAM OPERATING INDICATORS

	Unit	Q1 2015	Q2 2015	Q3 2015	Q4 2015	January - December 2015	Q1 2016	Q2 2016	3Q 2016	Q4 2016	January - December 2016	% Variation 2016/2015
HYDROCARBON PRODUCTION	kboe/d	355	525	653	697	559	714	697	671	679	690	23.5
Liquids production	kboe/d	132	203	244	246	207	255	246	239	233	243	17.6
Europe, Africa & Brazil	kboe/d	33	61	81	80	64	94	89	90	88	90	41.8
Latin America & Caribbean	kboe/d	61	66	67	71	66	69	69	66	67	68	1.9
North America	kboe/d	27	49	62	62	50	58	57	54	50	54	8.4
Asia & Russia	kboe/d	11	27	34	34	26	35	32	28	28	31	16.4
Natural gas production	kboe/d	222	322	409	451	352	459	451	432	446	447	26.9
Europe, Africa & Brazil	kboe/d	10	12	15	13	12	22	19	16	18	18	48.8
Latin America & Caribbean	kboe/d	196	186	198	231	203	233	238	227	238	234	15.2
North America	kboe/d	9	80	130	136	89	130	129	126	125	127	43.0
Asia & Russia	kboe/d	7	44	66	71	47	74	64	63	66	67	41.0
Natural gas production	(Million scf/d)	1,249	1,811	2,298	2,533	1,977	2,579	2,530	2,423	2,506	2,509	26.9

DOWNSTREAM OPERATING INDICATORS

	Unit	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Jan - Dec 2015	Q1 2016	Q2 2016	3Q 2016	Q4 2016	Jan - Dec 2016	% Variation 2016/2015
PROCESSED CRUDE OIL	Mtoe	9.9	10.9	11.5	10.9	43.3	10.4	9.4	11.3	12.2	43.2	(0.1)
Europe	Mtoe	9.1	9.9	10.7	10.1	39.8	9.6	8.6	10.3	11.0	39.4	(0.9)
Rest of the world	Mtoe	0.8	1.0	0.9	0.9	3.5	0.8	0.8	0.9	1.2	3.8	8.3
SALES OF OIL PRODUCTS	kt	10,731	11,990	12,571	12,313	47,605	11,125	10,926	12,471	13,526	48,048	0.9
Europe Sales	kt	9,667	10,821	11,354	11,177	43,019	9,927	9,810	11,155	11,895	42,787	(0.5)
Own network	kt	5,079	5,235	5,529	5,281	21,124	4,854	5,109	5,319	5,186	20,468	(3.1)
Light products	kt	4,176	4,280	4,480	4,390	17,326	4,021	4,260	4,506	4,327	17,114	(1.2)
Other Products	kt	903	955	1,049	891	3,798	833	849	813	859	3,354	(11.7)
Other Sales to Domestic Market	kt	1,924	1,874	2,014	1,959	7,771	1,920	1,965	2,069	2,129	8,083	4.0
Light products	kt	1,852	1,814	1,946	1,896	7,508	1,873	1,895	2,024	2,075	7,867	4.8
Other Products	kt	72	60	68	63	263	47	70	45	54	216	(17.9)
Exports	kt	2,664	3,712	3,811	3,937	14,124	3,153	2,736	3,767	4,580	14,236	0.8
Light products	kt	1,219	1,512	1,721	1,843	6,295	1,370	940	1,428	2,201	5,939	(5.7)
Other Products	kt	1,445	2,200	2,090	2,094	7,829	1,783	1,796	2,339	2,379	8,297	6.0
Rest of the world sales	kt	1,064	1,169	1,217	1,136	4,586	1,198	1,116	1,316	1,631	5,261	14.7
Own network	kt	469	535	520	549	2,073	570	508	569	591	2,238	8.0
Light products	kt	446	477	482	512	1,917	518	470	538	546	2,072	8.1
Other Products	kt	23	58	38	37	156	52	38	31	45	166	6.4
Other Sales to Domestic Market	kt	276	305	312	328	1,221	312	328	341	360	1,341	9.8
Light products	kt	241	265	269	274	1,049	252	271	286	297	1,106	5.4
Other Products	kt	35	40	43	54	172	60	57	55	63	235	36.6
Exports	kt	319	329	385	259	1,292	316	280	406	680	1,682	30.2
Light products	kt	165	108	132	63	468	128	130	126	177	561	19.9
Other Products	kt	154	221	253	196	824	188	150	280	503	1,121	36.0
CHEMICALS												
Sales of petrochemical products	kt	741	683	701	697	2,822	764	713	702	714	2,892	2.5
Europe	kt	615	599	600	582	2,396	641	615	589	584	2,428	1.3
Base	kt	196	219	225	198	838	238	224	213	218	893	6.6
Derivative	kt	419	381	375	384	1,559	402	391	376	366	1,535	(1.5)
Rest of the world	kt	125	84	102	114	426	124	98	112	130	464	9.1
Base	kt	34	23	21	32	110	35	21	18	27	101	(8.3)
Derivative	kt	92	61	81	82	316	89	76	95	103	363	15.1
LPG												
LPG sales	kt	704	526	459	571	2,260	631	422	327	368	1,747	(22.7)
Europe	kt	453	273	217	342	1,285	427	256	215	363	1,261	(1.9)
Rest of the world	kt	251	254	242	229	975	204	166	112	5	487	(50.1)

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

Exports: expressed from the country of origin

**APPENDIX II – CONSOLIDATED FINANCIAL
STATEMENTS**

Q4 & FY 2016

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

	DECEMBER	DECEMBER
	2015 (*)	2016
NON-CURRENT ASSETS		
Goodwill	3,099	3,115
Other intangible assets	1,683	1,994
Property, plant and equipment	28,202	27,297
Investment property	26	66
Investments accounted for using the equity method	11,797	10,176
Non-current financial assets :		
Non-current financial instruments	633	1,081
Others	82	123
Deferred tax assets	4,743	4,746
Other non-current assets	179	323
CURRENT ASSETS		
Non-current assets held for sale	262	144
Inventories	2,853	3,605
Trade and other receivables	5,681	5,885
Other current assets	271	327
Other current financial assets	1,237	1,280
Cash and cash equivalents	2,448	4,687
TOTAL ASSETS	63,196	64,849
TOTAL EQUITY		
Attributable to equity holders of the parent company	28,534	30,867
Attributable to minority interests	228	244
NON-CURRENT LIABILITIES		
Grants	7	4
Non-current provisions	5,827	6,127
Non-current financial debt	10,581	9,482
Deferred tax liabilities	1,600	1,379
Other non-current liabilities		
Non-current debt for finance leases	1,540	1,550
Other	402	459
CURRENT LIABILITIES		
Liabilities related to non-current assets held for sale	8	146
Current provisions	1,377	872
Current financial liabilities	7,073	6,909
Trade payables and other payables:		
Current debt for finance leases	206	208
Other payables	5,813	6,602
TOTAL LIABILITIES	63,196	64,849

(*) 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 - DECEMBER	
	Q4 15	Q3 16	Q4 16	2015	2016
Operating income	(3,222)	740	493	(2,724)	1,911
Financial result	219	(92)	54	461	(234)
Income from equity affiliates	(324)	40	(58)	(89)	194
Net income before tax	(3,327)	688	489	(2,352)	1,871
Income tax	1,100	(198)	(159)	996	(391)
Net income from continuing operations	(2,227)	490	330	(1,356)	1,480
Net income from non-controlling interest	(3)	(9)	(13)	(42)	(43)
NET INCOME FROM CONTINUING OPERATIONS	(2,230)	481	317	(1,398)	1,437
Net income for the year from discontinuing operations	-	-	299	-	299
NET INCOME	(2,230)	481	616	(1,398)	1,736
Earning per share attributable to the parent company (*)					
Euros/share (*)	(1.51)	0.32	0.41	(0.96)	1.16
USD/ADR	(1.65)	0.36	0.43	(1.04)	1.22
Average number of shares (**)	1,478,260,142	1,472,599,096	1,484,013,180	1,486,795,302	1,477,506,730
Exchange rates USD/EUR at the end of each quarter	1.09	1.12	1.05	1.09	1.05

(*) To calculate EPS the interest expense from the perpetual obligations (€7 million after taxes in Q4 15, Q3 16 and Q4 16; €22 million in 2015 and €29 million in 2016) 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 and December 2016 accordingly, thus share capital is currently represented by 1,496,404,851 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 - DECEMBER	
	2015	2016
I. CASH FLOWS FROM OPERATING ACTIVITIES (*)		
Net income before taxes	(2,352)	1,871
Adjustments to net income		
Depreciation and amortisation of non current assets	3,124	2,529
Other adjustments to results (net)	2,957	18
EBITDA	3,729	4,418
Changes in working capital	1,370	(517)
Dividends received	363	920
Income taxes received/ (paid)	(128)	(264)
Other proceeds from/ (payments for) operating activities	(398)	(667)
OTHER CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES	(163)	(11)
	4,936	3,890
II. CASH FLOWS USED IN INVESTMENT ACTIVITIES (*)		
Payments for investment activities		
Companies of the Group, equity affiliates and business units	(8,974)	(842)
Fixed assets, intangible assets and real estate investments	(2,991)	(2,003)
Other financial assets	(267)	(804)
Payments for investment activities	(12,232)	(3,649)
Proceeds from divestments	2,778	4,056
Other cashflow	494	(16)
	(8,960)	391
III. CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES (*)		
Issuance of own capital instruments	996	0
Proceeds from/(payments for) equity instruments	(135)	(92)
Proceeds from issue of financial liabilities	12,244	12,712
Payments for financial liabilities	(10,989)	(13,622)
Payments for dividends and payments on other equity instruments	(488)	(420)
Interest payments	(682)	(591)
Other proceeds from/(payments for) financing activities	829	(40)
	1,775	(2,053)
Effect of changes in exchange rates from continued operations	59	11
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUED OPERATIONS	(2,190)	2,239
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4,638	2,448
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,448	4,687

(*) Cash flows from continued operations

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

Q4 & FY 2016

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

Q4 2015						
€ Million	Adjusted result	ADJUSTMENTS			Total adjustments	Total consolidated
		Joint arrangements reclassification	Special Items	Inventory Effect		
Operating income	144	444	(3,608)	(202)	(3,366)	(3,222)
Financial result	11	57	151	-	208	219
Income from equity affiliates	129	(453)	-	-	(453)	(324)
Net income before tax	284	48	(3,457)	(202)	(3,611)	(3,327)
Income tax	191	(48)	903	54	909	1,100
Net income from continued operations	475	-	(2,554)	(148)	(2,702)	(2,227)
Income attributed to minority interests	(22)	-	1	18	19	(3)
NET INCOME FROM CONTINUED OPERATIONS	453	-	(2,553)	(130)	(2,683)	(2,230)
Income from discontinued operations	-	-	-	-	-	-
NET INCOME	453	-	(2,553)	(130)	(2,683)	(2,230)

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
Net income before tax	471	(145)	369	(7)	217	688
Income tax	(157)	145	(188)	2	(41)	(198)
Net income from continued operations	314	-	181	(5)	176	490
Income attributed to minority interests	(7)	-	(1)	(1)	(2)	(9)
NET INCOME FROM CONTINUED OPERATIONS	307	-	180	(6)	174	481
Income from discontinued operations	-	-	-	-	-	-
NET INCOME	307	-	180	(6)	174	481

Q4 2016						
€ Million	Adjusted result	ADJUSTMENTS			Total adjustments	Total consolidated
		Joint arrangements reclassification	Special Items	Inventory Effect		
Operating income	564	214	(478)	193	(71)	493
Financial result	70	(63)	47	-	(16)	54
Income from equity affiliates	77	(135)	-	-	(135)	(58)
Net income before tax	711	16	(431)	193	(222)	489
Income tax	(3)	(16)	(90)	(50)	(156)	(159)
Net income from continued operations	708	-	(521)	143	(378)	330
Income attributed to minority interests	(10)	-	3	(6)	(3)	(13)
NET INCOME FROM CONTINUED OPERATIONS	698	-	(518)	137	(381)	317
Income from discontinued operations	-	-	299	-	299	299
NET INCOME	698	-	(219)	137	(82)	616

January - December 2015						
€ Million	Adjusted result	ADJUSTMENTS				Total consolidated
		Joint arrangements reclassification	Special Items	Inventory Effect	Total adjustments	
Operating income	1,764	355	(4,147)	(696)	(4,488)	(2,724)
Financial result	244	44	173	-	217	461
Income from equity affiliates	469	(558)	-	-	(558)	(89)
Net income before tax	2,477	(159)	(3,974)	(696)	(4,829)	(2,352)
Income tax	(539)	159	1,182	194	1,535	996
Net income from continued operations	1,938	-	(2,792)	(502)	(3,294)	(1,356)
Income attributed to minority interests	(86)	-	1	43	44	(42)
NET INCOME FROM CONTINUED OPERATIONS	1,852	-	(2,791)	(459)	(3,250)	(1,398)
Income from discontinued operations	-	-	-	-	-	-
ADJUSTED NET INCOME	1,852	-	(2,791)	(459)	(3,250)	(1,398)

January - December 2016						
€ Million	Adjusted result	ADJUSTMENTS				Total consolidated
		Joint arrangements reclassification	Special Items	Inventory Effect	Total adjustments	
Operating income	2,067	98	(448)	194	(156)	1,911
Financial result	(315)	(68)	149	-	81	(234)
Income from equity affiliates	371	(177)	-	-	(177)	194
Net income before tax	2,123	(147)	(299)	194	(252)	1,871
Income tax	(164)	147	(323)	(51)	(227)	(391)
Net income from continued operations	1,959	-	(622)	143	(479)	1,480
Income attributed to minority interests	(37)	-	4	(10)	(6)	(43)
NET INCOME FROM CONTINUED OPERATIONS	1,922	-	(618)	133	(485)	1,437
Income from discontinued operations	-	-	299	-	299	299
ADJUSTED NET INCOME	1,922	-	(319)	133	(186)	1,736

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

	DECEMBER 2015			DECEMBER 2016		
	Adjusted Net Debt	Reclasification of JV ⁽¹⁾	IFRS-EU	Adjusted Net Debt	Reclasification of JV ⁽¹⁾	IFRS-EU
NON-CURRENT ASSETS						
Non-current financial instruments	121	512	633	424	657	1,081
CURRENT ASSETS						
Other current financial assets	118	1,119	1,237	52	1,228	1,280
Cash and cash equivalents	2,771	(323)	2,448	4,918	(231)	4,687
NON-CURRENT LIABILITIES						
Non-current financial debt	(10,716)	135	(10,581)	(9,540)	58	(9,482)
CURRENT LIABILITIES						
Current financial liabilities	(4,320)	(2,753)	(7,073)	(4,085)	(2,824)	(6,909)
CAPTIONS NOT INCLUDED IN THE BALANCE SHEET						
Net mark-to-market valuation of financial derivatives (excluding exchange rate) ⁽²⁾	92	-	92	87	-	87
NET DEBT	(11,934)		(13,244)	(8,144)		(9,256)

(1) Mainly corresponding to the financial contribution by Repsol Sinopec Brasil 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 €43 million and "Current financial liabilities" for intragroup loans amounting to €2,942 million, reduced in €344 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 - December					
	2015			2016		
	Adjusted Cash flow	Reclasification of JV & Others	IFRS-EU	Adjusted Cash flow	Reclasification of JV & Others	IFRS-EU
I. CASH FLOWS FROM OPERATING ACTIVITIES	5,513	(577)	4,936	3,832	58	3,890
II. CASH FLOWS USED IN INVESTMENT ACTIVITIES	(11,531)	2,571	(8,960)	491	(100)	391
FREE CASH FLOW (I. + II.)	(6,018)	1,994	(4,024)	4,323	(42)	4,281
III. CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES AND OTHERS⁽¹⁾	3,760	(1,926)	1,834	(2,174)	132	(2,042)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(2,258)	68	(2,190)	2,149	90	2,239
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,027	(389)	4,638	2,769	(321)	2,448
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,769	(321)	2,448	4,918	(231)	4,687

(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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