



► Analysis of the financial statements of Repsol



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Abstract

This work aims to study the evolution and subsequent diagnosis of the situation of the Repsol group, to respond to if this company has a sustainable debt level in the current situation facing the market of the oil. This is going to carry out by analyzing of the most relevant aspects that reflect their annual accounts documents over the past 6 years. Knowing the origin of the changes that have occurred its and showing its consequence. We will briefly analyze the current situation of the sector and two of its competitors, BP and Total, as well as the connections among them, and, finally, drawing some conclusions that allow create expectations about the future of the company Repsol with the current situation of the market in the fall of oil prices and holding constant the other factors to take into account.

Index

| | |
|--|----|
| Introduction..... | 3 |
| “Vaca muerta” oilfield | 4 |
| Evolution and analysis of Repsol | 5 |
| Horizontal and vertical variations..... | 5 |
| Segmentation of the outcome of the exercise..... | 18 |
| Financial Ratios..... | 24 |
| Evolution of the quote..... | 28 |
| Oil sector | 31 |
| Current situation in the market of oil and its causes..... | 31 |
| Factors and structure of fuel prices | 33 |
| Main competitors..... | 35 |
| Conclusions | 41 |
| Bibliography..... | 44 |

Introduction

The oil industry is an interesting sector, since it is a topic that directly or indirectly affects many sectors and consumers. The petroleum is essential for many industries, and is in some respects a great unknown in terms of its structure, its cost and the factors that make your quote suffer in occasions variations.

Repsol group is important (in later Repsol) by its magnitude in Spain, because it is a petrochemical and energetic multinational that carries out activities of exploration, production, transportation and refining of oil and gas. In addition it produces, distributes and markets derivatives of petroleum, petrochemicals, liquefied gas and sells natural gas.

It has its origins in the 1970s and was the name that the company Repesa (Refinerías de Petróleos de Escombreras, SA) gave to its range of lubricants. The first step for the birth of the company, was the creation in 1981 of the NIH, the National Institute of hydrocarbons. This entity was a holding company in which are grouped all public enterprises of the oil and gas sector. The entry of Spain into the European Community, requires liberalization of the oil market. In 1986 the first step occurs when the NIH creates a energetic group with intent to unite public and private capital. To give it name it was decided to use Repsol, from its sonority and be less related with the old state oil monopoly, since Campsa was created to administer the grant of the monopoly.

The objective of this work is to study its consolidated financial statements to extract the most important conclusions and thus to provide a perspective for the future to Repsol about the sustainability of its debt, since that in this last period acquired the company Talisman Energy Inc. and increased their debt levels at the same time that fall crude oil prices. To know the situation in which the company is currently, it analyze the main documents that make up the annual accounts since 2010, break down the way that obtains its operating profits, detailing the areas of their exploitation activities, examining the most significant ratios and showing critical information for their behavior in the market, by comparing its quote with other factors to consider whether or not they are determining in their behavior.

It is also necessary to make a good analysis, a small emphasis on the current situation of the sector, meet your pricing structure and perform a small comparison with two companies in the sector.

“Vaca muerta” oilfield

In 2011, Repsol reported the discovery of a deposit of non-conventional resources called "Vaca Muerta". The fields of oil and gas from cow dead are found mainly in the province of Neuquén, Argentina.

In February 2012, Repsol-YPF increases its estimate of oil and gas resources to more than 22.807 million barrels. April 15, YPF has 17% of free float¹ and two major shareholders: Repsol (57,43%) and Petersen Group (25.46%). But the next day, the Argentine Government ordered the intervention of YPF and sent to Parliament a provision to expropriate a 51% of the shares of YPF to Repsol. On 20 April the Spanish Government Announces measures aimed at restricting imports of biodiesel from Argentina in response to the expropriation. In the month of may the Chamber of Deputies of argentina approves the law on expropriation, Repsol initiated the process to take to arbitration the nationalization of YPF and demand to the company before a U.S. court for expropriation. Which it is admitted to processing by ICSID² on December 21.

At the end of March of the year 2013, Repsol rejects the Argentine offer to compensate you for the expropriation of YPF, although at the end of November, the Argentine Government and the oil company Repsol are aimed to achieve a "tentative agreement" for the compensation for the expropriation of 51% of the shares of YPF, which is finally ratified with compensation, on March 27, 2014 , by 5,000 million in the Chamber of deputies of Argentina. (REPSOL, 2016)

¹ Free float: amount of outstanding shares of a listed company that are available for purchase through the market. I.e., total shares less the portion in the hands of the dominant group and strategic investors, such as the Government in the case of privatized companies, members of direction or long-term investors.

² The International Centre for settlement of disputes to investments (ICSID) is an institution of the World Bank in Washington.

Evolution and analysis of Repsol

Horizontal and vertical variations

To carry out a preliminary study of the company we will analyze the different documents that make up the annual accounts of Repsol, with performing a vertical analysis, to understand the importance of each element. Then a horizontal or dynamic analysis, will be used to observe how the elements that compose the documents, progress during a certain period of time, in this case the interval between 2010 and 2015.

The balance sheet has been always like an x-ray of the structure of the company. In this case it reflects an asset with more noticeable horizontal variations in 2012 by the expropriation of YPF as mentioned above, in 2014 due to the divestment of the LNG area, are produced a nearly 20 percent decrease in its volume with respect to the previous year and in 2015 which increased by the acquisition of Talisman Energy Inc.

The Non-current Asset has meant more than 65% of the composition of the total assets in the company during the interval. What means that a company of the oil sector, requires a large investment in land and infrastructure, for its activity, therefore there is a high volume of long-term assets, although it has suffered important decreases in the years 2012-2014. On the other hand the current asset, which provides liquidity in the short term to the structure of the balance sheet, accounts for about 20-35% of the assets in the analyzed period. This is composed mainly by Debtors receivables and by one-third by stocks. Throughout the range 2010-2015 it has been reduced considerably, almost half of the amount in 2010.

Table 1: Variations of Total Assets

| | 2010 | | 2011 | | 2012 | | 2013 | | 2014 | | 2015 | | | | | | |
|---|---------------|------------|------------|---------------|------------|-------------|---------------|------------|------------|---------------|------------|-------------|---------------|------------|-------------|---------------|------------|
| | % V | % H | % V | % H | % V | % H | % V | % H | % V | % H | % V | % H | | | | | |
| NON CURRENT ASSETS | 46.763 | 68% | 11% | 60.628 | 71% | -12% | 44.760 | 69% | -8% | 42.682 | 65% | -18% | 34.848 | 67% | 44% | 50.326 | 80% |
| Intangible Assets | 7.453 | 16% | 4% | 7.783 | 15% | -29% | 5.514 | 12% | -3% | 5.325 | 13% | -65% | 1.859 | 5% | 143% | 4.522 | 9% |
| Fixed Assets | 33.585 | 73% | 9% | 36.759 | 73% | -23% | 28.227 | 63% | -7% | 26.244 | 62% | -35% | 17.141 | 49% | 66% | 28.437 | 57% |
| Investments in group companies and associated long term | 2.374 | 5% | -71% | 699 | 1% | 5% | 737 | 2% | -44% | 412 | 1% | 2597% | 11.110 | 32% | 6% | 11.758 | 23% |
| CURRENT ASSETS | 21.878 | 32% | -7% | 20.329 | 29% | -1% | 20.161 | 31% | 12% | 22.504 | 35% | -24% | 17.041 | 33% | -25% | 12.751 | 20% |
| Stocks | 5.837 | 27% | 25% | 7.278 | 33% | -24% | 5.501 | 25% | -4% | 5.256 | 24% | -25% | 3.931 | 18% | -27% | 2.853 | 13% |
| Commercial debts and others bills to receive the pay | 8.569 | 39% | 10% | 9.442 | 46% | -15% | 8.002 | 40% | -2% | 7.870 | 35% | -26% | 5.861 | 34% | 2% | 5.951 | 47% |
| Cash | 6.448 | 29% | -58% | 2.677 | 13% | 121% | 5.903 | 29% | 26% | 7.434 | 33% | -38% | 4.638 | 27% | -47% | 2.448 | 19% |

SOURCE: Compiled by author. (REPSOL, 2016)

Regarding the other side of the balance sheet, the Equity has experienced small increases in each year, according to the horizontal analysis. This item has an importance of between 38% and 54% with respect to the total liabilities and net equity.

Which means that in the periods in which you get to exceed 50 percent, half of the debts of the company are supported by the contributions made by the partners to the own funds.

Non-current liabilities has not exceeded 40% of the total of the balance, in any exercise, according to the vertical analysis. Being higher in the years 2010 and 2011, for long-term debt acquired with credit institutions that have been around 70% of the non-current liabilities. It has been reduced both debt level as the provisions, above all in the years 2012 and 2014, but in 2015 there was an increase of 48%.

The current liabilities have barely exceeded 25% of the composition of the balance in a period. The commercial creditors is the sub-partida having more importance in the composition of the current liabilities, more than 55% of short term debts are outstanding loans.

Table 2: Variations of Total Equity and Liabilities

| | 2010 | | 2011 | | 2012 | | 2013 | | 2014 | | 2015 | | | | | | |
|---|--------|-----|------|--------|------|------|--------|-----|------|--------|------|-------|--------|------|-------|--------|------|
| | % V | % H | % V | % H | % V | % H | % V | % H | % V | % H | % V | % H | | | | | |
| EQUITY | 28.098 | 39% | 4% | 27.161 | 38% | 1% | 27.633 | 42% | 2% | 27.066 | 43% | 1% | 28.163 | 54% | 2% | 28.098 | 45% |
| Own Funds | 25.257 | 97% | -5% | 24.068 | 89% | 12% | 27.053 | 98% | 3% | 27.733 | 99% | -1% | 27.502 | 98% | -3% | 26.789 | 93% |
| Issue premium | 6.428 | 25% | 0% | 6.428 | 27% | 0% | 6.428 | 24% | 0% | 6.428 | 23% | 0% | 6.428 | 23% | 0% | 6.428 | 24% |
| Result of exercise | 4.693 | 19% | -53% | 2.193 | 9% | -6% | 2.060 | 8% | -91% | 195 | 1% | 727% | 1.612 | 6% | -176% | -1.227 | -5% |
| Exchange different | -992 | 89% | -65% | -345 | 65% | -43% | -198 | 56% | 382% | -954 | 181% | -163% | 603 | 139% | 214% | 1.896 | 113% |
| NON CURRENT LIABILITIES | 28.768 | 38% | 4% | 26.682 | 39% | -10% | 24.078 | 36% | -7% | 22.281 | 33% | -39% | 19.483 | 20% | 48% | 19.904 | 29% |
| Long term Provisions | 3.772 | 15% | 1% | 3.826 | 14% | -41% | 2.258 | 9% | 61% | 3.625 | 16% | -34% | 2.386 | 18% | 144% | 5.827 | 29% |
| Long term Debts | 18.603 | 72% | 0% | 18.642 | 70% | 1% | 18.757 | 78% | -18% | 15.304 | 69% | -38% | 9.413 | 70% | 33% | 12.523 | 63% |
| Deferred tax liabilities | 3.387 | 13% | 13% | 3.839 | 14% | -20% | 3.063 | 13% | 9% | 3.352 | 15% | -50% | 1.684 | 12% | -8% | 1.554 | 8% |
| CURRENT LIABILITIES | 18.773 | 23% | 8% | 17.104 | 25% | -22% | 13.310 | 20% | 11% | 14.819 | 22% | -31% | 10.243 | 15% | 41% | 14.477 | 21% |
| Short terms Debts | 4.362 | 28% | 14% | 4.985 | 29% | -19% | 4.014 | 30% | 19% | 4.778 | 32% | -8% | 4.406 | 43% | 61% | 7.073 | 49% |
| Trade creditors and other accounts to pay | 10.854 | 69% | 7% | 11.635 | 68% | -23% | 8.978 | 67% | -9% | 8.205 | 55% | -32% | 5.597 | 55% | 8% | 6.019 | 42% |

SOURCE: Compiled by author (REPSOL, 2016)

Into the **Income statement** of the company, the amount of turnover is considered one of most important items, as it shows the volume of transactions in the period, although this does not mean that your balance is paid. In 2011 increased 11% from the year before and since then has been decreasing. This amount, according to show the vertical variation, is composed in more than 95% from sales made by the company of its products. While procurements have been reduced in recent years, these item represents for more than 70% of the cost with reference to the amount of turnover, according to the vertical variations.

In operating expenses, different of personal expenses, have been reduced significantly since 9.916 million euros in 2010, to 4.847 million of euros in 2014, whose tendency worse in 2015, as these expenses doubled .

The decline in sales along with an increase in the volume of procurements and other expenses of operating in 2015, led at this year to register a lousy Operating Result, confirming the downward trend of recent years. This evolution of the operating result will be explained more in detail below in the section on segmentation by business areas.

Table 3: Variations of Result of exploitation, Income Statement

| A) Continuing operations | 2010 | | 2011 | | 2012 | | 2013 | | 2014 | | 2015 | | | | | | |
|---|---------|------|------|---------|------|-------|---------|------|-------|---------|------|------|---------|------|--------|---------|------|
| | % V | % H | % V | % H | % V | % H | % V | % H | % V | % H | % V | | | | | | |
| 1. Turnover | 55.535 | 100% | 11% | 61.502 | 100% | -4% | 58.924 | 100% | -5% | 55.746 | 100% | -18% | 45.842 | 100% | -13% | 39.737 | 100% |
| a) Sales | 53.663 | 97% | 12% | 60.122 | 98% | -5% | 57.193 | 97% | -4% | 54.683 | 98% | -17% | 45.433 | 99% | -13% | 39.582 | 100% |
| 4. Procurements | -36.184 | -65% | 19% | -42.904 | -70% | 4% | -44.471 | -75% | -3% | -43.170 | -77% | -11% | -38.254 | -83% | -25% | -28.833 | -73% |
| 5. Other operating income | 1.175 | 2% | -15% | 1.001 | 2% | -23% | 772 | 1% | -4% | 744 | 1% | 86% | 1.383 | 3% | 35% | 1.869 | 5% |
| 7. Other operating expenses | -9.916 | -18% | -2% | -9.740 | -16% | -36% | -6.272 | -11% | -8% | -5.796 | -10% | -16% | -4.847 | -11% | 111% | -10.231 | -26% |
| 8. Amortization of fixed assets | -3.947 | -7% | -11% | -3.519 | -6% | -26% | -2.587 | -4% | -1% | -2.559 | -5% | -30% | -1.796 | -4% | 66% | -2.988 | -8% |
| 11. Impairment and loss on disposal of fixed assets | 2.837 | 5% | -99% | 23 | 0% | 1087% | 273 | 0% | -151% | -140 | 0% | 113% | -298 | -1% | -321% | 659 | 2% |
| A1) Result of exploitation | 1.325 | 14% | -37% | 1.325 | 8% | -11% | 1.325 | 7% | -40% | 1.325 | 5% | -97% | 1.325 | 0% | -3228% | 1.325 | -6% |

SOURCE: Compiled by author (REPSOL, 2016)

The Financial Result by contrast has improved over the years to record positive results that until 2014 is not generated, although its importance, in terms of volume with respect to turnover, is only 1% in 2015. This is because financial expenses exceed income, but sometimes they are compensated by the positive result of the departure of variation in financial instruments.

Table 4: Variations of Financial Result, Income Statement

| A) Continuing Operations | 2010 | | 2011 | | 2012 | | 2013 | | 2014 | | 2015 | | | | | | |
|---|--------|--------|-------|--------|--------|--------|------|-------|-------|------|--------|-------|------|-------|------|-------|-------|
| | % V | % H | % V | % H | % V | % H | % V | % H | % V | % H | % V | | | | | | |
| 14. Financial Income | 159 | 0,30% | 64% | 261 | 0,40% | -51% | 128 | 0,20% | 27% | 162 | 0,30% | -17% | 134 | 0,30% | 12% | 150 | 0,40% |
| 15. Financial Expenses | -1.086 | -2% | -5% | -1.035 | -2% | -4% | -994 | -2% | -3% | -963 | -2% | -40% | -576 | -1% | 25% | -718 | -2% |
| 16. Change in fair value of financial instruments | -255 | -0,50% | -130% | 76 | 0,10% | -66% | 26 | 0% | -604% | -131 | -0,20% | -504% | 529 | 1% | 99% | 1.052 | 3% |
| 17. Exchange differences | 173 | 0,30% | -172% | -125 | -0,20% | -109% | 11 | 0% | 791% | 98 | 0,20% | -410% | -304 | -1% | -33% | -204 | -1% |
| 18. Impairment and gains on disposal of financial instruments | 1 | 0% | 0% | 1 | 0% | -2900% | -28 | 0% | -382% | 79 | 0,10% | 367% | 369 | 1% | -54% | 170 | 0,40% |
| A2) Financial Result | -1.000 | -2% | -18% | -900 | -1% | 4% | -967 | -1% | -12% | -960 | -1% | -120% | -950 | 0% | 196% | -950 | 1% |

SOURCE: Compiled by author (REPSOL, 2016)

Because of the bad trend of operating result, by include the financial results it is not enough to make up for this problem and finally in 2015, the result before tax shows negative. The expenditure of income tax is has been reduced in the same direction that the result.

The Result from discontinued operations it shown, for the first time in 2012 it including result net income tax and external partners contributed by YPF SA, as well as the effects reported as a consequence of the expropriation of shares.

In 2013 appears registered a negative balance corresponding for a reclassification of the shares of YPF SA as "...held for sale subject to expropriation" so it register a deterioration in the value of the shares.

Finally, in 2014 the results generated by the assets and business of LNG sold or classified as held for sale, as well as the capital gains generated for sale and provisions for impairment are the registered result.

Table 5: Variations of Discontinued operations. Income statement.

| | 2010 | | 2011 | | 2012 | | 2013 | | 2014 | | 2015 | | | | | | |
|----------------------------------|--------|-----|------|--------|------|------|--------|-------|-------|-------|-------|-------|-------|----|-------|--------|-----|
| | % V | % H | % V | % H | % V | % H | % V | % H | % V | % H | % V | % H | | | | | |
| A3) Profit before tax | 1.698 | 12% | -39% | -1.395 | 7% | -13% | 1.345 | 6% | -47% | 1.854 | 3% | -40% | 1.122 | 2% | -286% | -2.001 | -5% |
| 19. Tax of benefits | -1.742 | -3% | -13% | -1.514 | -2% | 4% | -1.581 | -3% | -40% | -947 | -2% | -85% | -146 | 0% | -716% | 899 | 2% |
| A4) Result continuing operations | 1.698 | 9% | -49% | -1.395 | 4% | -23% | 1.345 | 3% | -53% | 907 | 2% | 6% | 976 | 2% | -221% | -1.102 | -3% |
| B) Discontinued operations | 0 | 0% | - | 0 | 0% | - | 279 | 0,50% | -345% | -684 | -1% | -187% | 597 | 1% | -100% | 0 | 0% |
| A5) Result of exercise | 1.698 | 9% | -49% | -1.395 | 4% | -12% | 1.345 | 4% | -90% | 213 | 0,40% | 575% | 1.523 | 3% | -175% | -1.102 | -3% |

SOURCE: Compiled by author (REPSOL, 2016)

The **Cash flow statement**, reports on the origin and the use of monetary assets representative of cash and other liquid assets equivalent, classifying the movements by activities and indicating the net change of this magnitude in the exercise.

2010 it records an increase in cash of 4.140 million euros from the beginning at the end of exercise. This is due to the good result of operating activities and which were not exceeded by payments of investment and financing activities.

On the other hand, in 2011 was recorded a decrease of 3.771 million of cash, almost back to the level that the beginning of the year 2010. This was a consequence of the reduction of 27% of cash flows of operating activities. The benefit of exercise, as it is shown above in the income statement, decreases almost 40%, and although the result adjustments increased, this increase did not have the necessary importance since changes in the working capital, which shows the differences between the actual flow of goods and its monetary current, has registered higher spending than the annotated in 2010. Also the expenses for investment flows increased to 5.304 million of euros, especially increases payments by desinvestment of tangible fixed assets by 22% and a lower income of 81% was recorded in divestments cash receipts from tangible fixed assets. The Flows in financing activities increased spending by 72%, due to amortization on instruments of the heritage, which does not suffer changes in the run-up but this year register higher spending.

And although the receipts for passive instruments reflected an increase in cash, this was not enough due to the fact that dividend payments also increased.

Table 6: Variations of Statement of cash Flows in 2010-2011

| | 2010 | | 2011 | |
|--|-----------|--------|-------|----------------|
| | | % V | % H | % V |
| A) Cash flows from operating activities | 5.642 € | 100% | -27% | 4.120 € 100% |
| 1. Profit for the period before taxes | 6.689 € | 119% | -39% | 4.058 € 98% |
| 2. Adjustment of result | 2.507 € | 44% | 75% | 4.382 € 106% |
| a) Amortization of the fixed assets | 3.947 € | 157% | -11% | 3.519 € 80% |
| 3. Changes in the current capital | - 1.693 € | -30% | 32% | - 2.239 € -54% |
| 4. Other cash flows of operating activities | - 1.861 € | -33% | 12% | - 2.081 € -51% |
| B) Cash flows of investment activities | - 73 € | 100% | 7166% | - 5.304 € 100% |
| 6. Payments for investments | - 5.133 € | 7032% | 22% | - 6.255 € 118% |
| c) Fixed Assets | - 4.858 € | 95% | 14% | - 5.516 € 88% |
| 7. Receipts for disposals | 5.060 € | -6932% | -81% | 951 € -18% |
| C) Cash flows from financing activities | - 1.459 € | 100% | 72% | - 2.503 € 100% |
| 9. Receipts and payments for instruments of heritage | - € | 0% | - | - 2.557 € 102% |
| a) Issuance of heritage | - € | - | - | 146 € -6% |
| b) Amortization of instruments of heritage | - € | - | - | - 2.703 € 106% |
| 10. Receipts and payments by financial liability instruments | - 653 € | 45% | -366% | 1.740 € -70% |
| a) Issue | 11.200 € | -1715% | 18% | 13.225 € 760% |
| b) Repayment and amortization | -11.853 € | 812% | -3% | -11.485 € 459% |
| 11. Payments for dividends and remuneration of other instruments of heritage | - 806 € | 55% | 109% | - 1.686 € 67% |
| D) Effect of changes in exchange rates | 30 € | | -380% | - 84 € |
| E) Net increase/decrease in cash or equivalents | 4.140 € | | -191% | - 3.771 € |
| Cash and equivalents at the beginning of the year | 2.308 € | | 179% | 6.448 € |
| Cash and equivalents at the end of the year | 6.448 € | | -58% | 2.677 € |

SOURCE: Compiled by author (REPSOL, 2016)

The increase in cash in 2012 was the effect of the increase in cash flows from the activities of operation and financing by 43% and 125% respectively. While they descended the amortization adjustments, increased receipts in the working capital, from sales on credit, and net income tax payments were reduced with respect to 2011. The flow by instruments of heritage of financing activities increased in 1.388 million more of income, in another way, the receipts of passive instruments are reduced 56% registered one income lower than the previous period, in the same way that the dividend payments decrease. Flow from investing activities was the only one who suffered recorded expenditure of cash even if less than in the previous period. Since the payments were reduced by investment and increased receipts for divestitures 20%.

The increase of cash in this exercise does not coincide with the proposed variation in the cash flow statement, because that were generated flows of activities interrupted as a result of the expropriation of YPF, therefore differ in 358 million of more spending.

Table 7: Variations of Statement of cash Flows in 2011-2012

| | 2011 | | 2012 | |
|--|-----------|-------|----------|--------|
| | | % H | | % V |
| A) Cash flows from operating activities | 4.120 € | 43% | 5.911 € | 100% |
| 1. Profit for the period before taxes | 4.058 € | -13% | 3.546 € | 60% |
| 2. Adjustment of result | 4.382 € | -22% | 3.410 € | 58% |
| a) Amortization of the fixed assets | 3.519 € | -26% | 2.587 € | 76% |
| 3. Changes in the current capital | - 2.239 € | -131% | 696 € | 12% |
| 4. Other cash flows of operating activities | - 2.081 € | -16% | -1.741 € | -29% |
| B) Cash flows of investment activities | - 5.304 € | -46% | -2.885 € | 100% |
| 6. Payments for investments | - 6.255 € | -38% | -3.907 € | 135% |
| c) Fixed Assets | - 5.516 € | -100% | - € | 0% |
| 7. Receipts for disposals | 951 € | 20% | 1.144 € | -40% |
| C) Cash flows from financing activities | - 2.503 € | -125% | 636 € | 100% |
| 9. Receipts and payments for instruments of heritage | - 2.557 € | -154% | 1.388 € | 218% |
| a) Issuance of heritage | 146 € | -100% | - € | 0% |
| b) Amortization of instruments of heritage | - 2.703 € | -100% | - € | 0% |
| 10. Receipts and payments by financial liability instruments | 1.740 € | -56% | 759 € | 119% |
| a) Issue | 13.225 € | -40% | 7.988 € | 1052% |
| b) Repayment and amortization | -11.485 € | -37% | -7.229 € | -1137% |
| 11. Payments for dividends and remuneration of other instruments of heritage | - 1.686 € | -44% | - 947 € | -149% |
| D) Effect of changes in exchange rates | - 84 € | -7% | - 78 € | |
| E) Net increase/decrease in cash or equivalents | - 3.771 € | -195% | 3.584 € | |
| Cash and equivalents at the beginning of the year | 6.448 € | -58% | 2.677 € | |
| Cash and equivalents at the end of the year | 2.677 € | 121% | 5.903 € | |

SOURCE: Compiled by author (REPSOL, 2016)

In 2013, the result was a disminuicon of net cash 1.159 billion compared to the previous period.

This is due, in part, of the decline in cash on the activities of operating, the income before taxes fell by 47%, result settings have increased compared to the previous year by 7%, by the registration of less spending from amortization, working capital recorded 502 million of lower income and other cash flows as the tax payment that was reduced. The lower increase of cash was also because of the reduction by the investment activities of 14%, mainly due to the increase in payments for investments that the company made in R+D and the decrease of income by 40% from the sale of the assets

and business of LNG uncollected, the receipts for financial assets also they weaken due to the revaluation of the stock in YPF SA subject to expropriation to adjust your value which would be recoverable.

Cash from financing activities are also a expenditure, thus payments for passive instruments are superior to the receipts by instruments of heritage.

In this exercise the same occurs as in above in relation to differences in cash by operations interrupted, in this case by the results generated by the assets and business of LNG sold or classified as held for sale at the end of 2013, as well as capital gains generated by the sale, and provisions for impairment and onerosity, registered in relation to the assets of LNG.

Table 8: Variations of Statement of cash Flows in 2012-2013

| | 2012 | | 2013 | |
|--|----------|-------|-----------|-------|
| | | % H | | % V |
| A) Cash flows from operating activities | 5.911 € | -32% | 3.996 € | 100% |
| 1. Profit for the period before taxes | 3.546 € | -47% | 1.864 € | 47% |
| 2. Adjustment of result | 3.410 € | 7% | 3.639 € | 91% |
| a) Amortization of the fixed assets | 2.587 € | -1% | 2.559 € | 70% |
| 3. Changes in the current capital | 696 € | -172% | - 502 € | -13% |
| 4. Other cash flows of operating activities | -1.741 € | -42% | - 1.005 € | -25% |
| B) Cash flows of investment activities | -2.885 € | 14% | - 3.288 € | 100% |
| 6. Payments for investments | -3.907 € | 2% | - 3.971 € | 121% |
| c) Fixed Assets | - € | - | - € | 0% |
| 7. Receipts for disposals | 1.144 € | -40% | 683 € | -21% |
| C) Cash flows from financing activities | 636 € | -385% | - 1.813 € | 100% |
| 9. Receipts and payments for instruments of heritage | 1.388 € | -27% | 1.014 € | -56% |
| a) Issuance of heritage | - € | - | 1.120 € | 110% |
| b) Amortization of instruments of heritage | - € | - | - 106 € | -10% |
| 10. Receipts and payments by financial liability instruments | 759 € | -403% | - 2.299 € | 127% |
| a) Issue | 7.988 € | 11% | 8.876 € | -386% |
| b) Repayment and amortization | -7.229 € | 55% | -11.175 € | 616% |
| 11. Payments for dividends and remuneration of other instruments of heritage | - 947 € | -44% | - 528 € | 29% |
| D) Effect of changes in exchange rates | - 78 € | -31% | - 54 € | |
| E) Net increase/decrease in cash or equivalents | 3.584 € | -132% | - 1.159 € | |
| Cash and equivalents at the beginning of the year | 2.677 € | 121% | 5.903 € | |
| Cash and equivalents at the end of the year | 5.903 € | 26% | 7.434 € | |

SOURCE: Compiled by author (REPSOL, 2016)

2014 was a year in which there was a net decline of 1.526 millions of cash. Since the operation flow is reduced by 20% and flows of cash from financing activities recorded a 201% more spending than in 2013. On the other hand investment flows provide income 596 million, providing investment income at the exercise, for the first time in 5 years due to a few proceeds by divestments of 4.796 millions, from the sale of shares not expropriated Comercializadora de GAS SA, greater than payments for investments.

Settings the result, in flows operating activities, have a level of proceeds lower that the previous year since the amount of the adjustments for amortization is minor, impairment valuation corrections are higher spending that should be added and in 2013 did not exist, as other items such as provisions, income and financial expenses, differences change and fair value variation among others. Changes in the working capital, recorded a higher income, result of the proceeds of transactions settled in this period carried out in previous periods. Payments for dividends increase and the tax payments are reduced.

Flows by financing activities mainly recorded this result, by payments for instruments of heritage that in 2013 they offered income, financial liabilities also recorded more spending than the previous year, nearly 39%. The decrease of cash on the balance sheet does not coincides this year with the variation in the cash flow statement, mainly includes capital gains generated by the sale of "Repsol Comercializadora de Gas, S.A." and the fiscal impact of the expropriation of shares of YPF S.A. and YPF Gas S.A.

Table 9: Variations of Statement of cash Flows in 2013-2014

| | 2013 | | 2014 | |
|--|-----------|-------|----------|-------|
| | | % H | | % V |
| A) Cash flows from operating activities | 3.996 € | -20% | 3.183 € | 100% |
| 1. Profit for the period before taxes | 1.864 € | -40% | 1.122 € | 35% |
| 2. Adjustment of result | 3.639 € | -61% | 1.410 € | 44% |
| a) Amortization of the fixed assets | 2.559 € | -30% | 1.796 € | 127% |
| 3. Changes in the current capital | - 502 € | -292% | 966 € | 30% |
| 4. Other cash flows of operating activities | - 1.005 € | -69% | - 315 € | -10% |
| B) Cash flows of investment activities | - 3.288 € | -118% | 596 € | 100% |
| 6. Payments for investments | - 3.971 € | 6% | -4.200 € | -705% |
| c) Fixed Assets | - € | - | - € | 0% |
| 7. Receipts for disposals | 683 € | 602% | 4.796 € | 805% |
| C) Cash flows from financing activities | - 1.813 € | 201% | -5.452 € | 100% |
| 9. Receipts and payments for instruments of heritage | 1.014 € | -108% | - 82 € | 2% |
| a) Issuance of heritage | 1.120 € | -100% | - € | 0% |
| b) Amortization of instruments of heritage | - 106 € | -100% | - € | 0% |
| 10. Receipts and payments by financial liability instruments | - 2.299 € | 38% | -3.184 € | 58% |
| a) Issue | 8.876 € | -49% | 4.488 € | -141% |
| b) Repayment and amortization | -11.175 € | -31% | -7.672 € | 141% |
| 11. Payments for dividends and remuneration of other instruments of heritage | - 528 € | -100% | - € | 0% |
| D) Effect of changes in exchange rates | - 54 € | -372% | 147 € | |
| E) Net increase/decrease in cash or equivalents | - 1.159 € | 32% | -1.526 € | |
| Cash and equivalents at the beginning of the year | 5.903 € | -3% | 5.716 € | |
| Cash and equivalents at the end of the year | 7.434 € | -38% | 4.638 € | |

SOURCE: Compiled by author (REPSOL, 2016)

In 2015 the decrease of cash exceeds 2000 million, 44% more than the previous year. Although operating activities flows, increase almost half due to less spending on amortization adjustments and changes in the working capital, the flows of investment activities, exceed 8.500 million expenditure due to huge payments for investments that they have to face the company this year. Finally flows by financing activities, reported an increase of 1.775 millions of more income, proceeds of equity instruments and liabilities, which fail to offset the payments by the flow of investment, only reduce them.

Table 10: Variations of Statement of cash Flows in 2014-2015

| | 2014 | | 2015 | |
|--|----------|--------|-----------|-------|
| | | % H | | % V |
| A) Cash flows from operating activities | 3.183 € | 52% | 4.850 € | 100% |
| 1. Profit for the period before taxes | 1.122 € | -286% | - 2.084 € | -43% |
| 2. Adjustment of result | 1.410 € | 306% | 5.727 € | 118% |
| a) Amortization of the fixed assets | 1.796 € | 66% | 2.988 € | 52% |
| 3. Changes in the current capital | 966 € | 42% | 1.370 € | 28% |
| 4. Other cash flows of operating activities | - 315 € | -48% | - 163 € | -3% |
| B) Cash flows of investment activities | 596 € | -1589% | - 8.874 € | 100% |
| 6. Payments for investments | -4.200 € | 189% | -12.146 € | 137% |
| c) Fixed Assets | - € | - | - € | 0% |
| 7. Receipts for disposals | 4.796 € | -42% | 2.778 € | -31% |
| C) Cash flows from financing activities | -5.452 € | -133% | 1.775 € | 100% |
| 9. Receipts and payments for instruments of heritage | - 82 € | -1150% | 861 € | 49% |
| a) Issuance of heritage | - € | - | - € | 0% |
| b) Amortization of instruments of heritage | - € | - | - € | 0% |
| 10. Receipts and payments by financial liability instruments | -3.184 € | -139% | 1.255 € | 71% |
| a) Issue | 4.488 € | 173% | 12.244 € | 976% |
| b) Repayment and amortization | -7.672 € | 43% | -10.989 € | -619% |
| 11. Payments for dividends and remuneration of other instruments of heritage | - € | - | - 488 € | -27% |
| D) Effect of changes in exchange rates | 147 € | -60% | 59 € | |
| E) Net increase/decrease in cash or equivalents | -1.526 € | 44% | - 2.190 € | |
| Cash and equivalents at the beginning of the year | 5.716 € | -19% | 4.638 € | |
| Cash and equivalents at the end of the year | 4.638 € | -47% | 2.448 € | |

SOURCE: Compiled by author (REPSOL, 2016)

The **statement of revenue and expenses recognized in equity** aims to show the variations that the items of income and expenses which make up the shareholders' equity, in any given period. Showing the composition of the structure of total recognised income and expenses, consisting of 3 sections: the result of Income statement, total income and expenses charged directly to the heritage and the result of transfers to income statement.

Total income and expense recognized amounted to 5,450 million euros in 2010, because of the good results of the account loss and profits and 608 million in income directly imputed to the heritage. Mainly made up of revenues from translation differences. Despite the good result of the income statement, this total of revenue and

expenditure was reduced slightly by the negative result of 105 millions flung that the total of transfers to income statement, for losses arising with conversion differences.

In 2011 the income and expenditure total recognised dropped by 45%, due above all to the lower result registered in income statement. Also recognized directly in the equity, since all sub-items contributed more expense than income in the exercise. This bad result was partially offset by transfers to income statement which increased a 157% to register revenues of 60 million.

Table 11: Variations of Statement of income and expenses recognized in equity in 2010-2011

| | 2010 | | | 2011 | | |
|--|----------------|------|-------------|----------------|------|--|
| | | % V | % H | | % V | |
| A) Result of Income Statement | 4.947 € | 91% | -49% | 2.544 € | 85% | |
| B) Income and expenses charged directly to equity | 608 € | 11% | -35% | 393 € | 13% | |
| I) Valuation of financial instruments | 6 € | 1% | -383% | - 17 € | -4% | |
| 1. Financial assets available for sale | 6 € | 100% | -333% | - 14 € | 82% | |
| 2. Other income/expenses | - € | 0% | - | - 3 € | 18% | |
| II) Cash flow hedges | - 73 € | -12% | 70% | - 124 € | -32% | |
| IV) Earnings and actuarial losses and other adjustments | - 40 € | -7% | -58% | - 17 € | -4% | |
| VI) Differences in conversion | 811 € | 133% | -35% | 527 € | 134% | |
| VII) Tax effect | - 96 € | -16% | -125% | 24 € | 6% | |
| C) Transfers to the Income Statement | - 105 € | -2% | -157% | 60 € | 2% | |
| VIII) For valuation of financial instruments | - 1 € | 1% | -100% | - € | 0% | |
| 1. Financial assets available for sale | - 1 € | 100% | -100% | - € | - | |
| 2. Other income/expenses | - € | 0% | - | - € | - | |
| IX) For cash flow hedges | 93 € | -89% | -17% | 77 € | 128% | |
| XII) Conversion differences | - 172 € | 164% | -102% | 3 € | 5% | |
| XIII) Tax effect | - 25 € | 24% | -20% | - 20 € | -33% | |
| Total of income and expenses recognized (A + B + C) | 5.450 € | | -45% | 2.997 € | | |

SOURCE: Compiled by author (REPSOL, 2016)

Total income and expenses return to deteriorate in 2012, a 23%, and, although it improves their figures of expenses and income charged to net equity, getting reduce managing costs and increasing income in all the sub-items, variations are not very significant, not at least to compensate the 489 million of spending from translation differences. Finally the transfers to income statement equilibrate the expenditure imputed directly to net equity by revenue from the revaluation of financial instruments, but due to the decreasing trend affecting the result of income statement occurs this deterioration in total income and expenditure recognised.

Table 12: Variations of Statement of income and expenses recognized in equity in 2011-2012

| | 2011 | % | 2012 | % |
|--|---------|--------|---------|------|
| | | H | | V |
| A) Result of Income Statement | 2.544 € | -12% | 2.244 € | 97% |
| B) Income and expenses charged directly to equity | 393 € | -235% | - 531 € | -23% |
| I) Valuation of financial instruments | - 17 € | -406% | 52 € | -10% |
| 1. Financial assets available for sale | - 14 € | -379% | 39 € | 75% |
| 2. Other income/expenses | - 3 € | -533% | 13 € | 25% |
| II) Cash flow hedges | - 124 € | -48% | - 65 € | 12% |
| IV) Earnings and actuarial losses and other adjustments | - 17 € | 65% | - 28 € | 5% |
| VI) Differences in conversion | 527 € | -193% | - 489 € | 92% |
| VII) Tax effect | 24 € | -104% | - 1 € | 0% |
| C) Transfers to the Income Statement | 60 € | 890% | 594 € | 26% |
| VIII) For valuation of financial instruments | - € | - | 26 € | 4% |
| 1. Financial assets available for sale | - € | - | 26 € | 100% |
| 2. Other income/expenses | - € | - | - € | 0% |
| IX) For cash flow hedges | 77 € | -48% | 40 € | 7% |
| XII) Conversion differences | 3 € | 17967% | 542 € | 91% |
| XIII) Tax effect | - 20 € | -30% | - 14 € | -2% |
| Total of income and expenses recognized (A + B + C) | 2.997 € | -23% | 2.307 € | |

SOURCE: Compiled by author (REPSOL, 2016)

In 2013 the propensity of income and expenses is still decreasing, this time to 21 million, 99% less than that recorded in the previous year. Consequence to a greater extent by the bad result of income statement. Similarly the imputed directly to heritage also recorded spending but lower than in the previous period due to the fact that the 785 million expenditure by converting differences decrease with the valuation income of financial instruments by the reclassification of the company YPF SA because of the expropriation introduced earlier. Transfers to income statement are reduced by half due to income arising from conversion, this exercise this offsetting losses by the valuation of financial instruments.

Table 13: Variations of Statement of income and expenses recognized in equity in 2012-2013

| | 2012 | % H | 2013 | % V |
|---|---------|--------|--------|--------|
| A) Result of Income Statement | 2.244 € | -90% | 233 € | 1110% |
| B) Income and expenses charged directly to equity | - 531 € | -7% | -493 € | -2348% |
| I) Valuation of financial instruments | 52 € | 637% | 383 € | -78% |
| 1. Financial assets available for sale | 39 € | 1464% | 610 € | 159% |
| 2. Other income/expenses | 13 € | -1846% | -227 € | -59% |
| II) Cash flow hedges | - 65 € | -152% | 34 € | -7% |
| IV) Earnings and actuarial losses and other adjustments | - 28 € | -104% | 1 € | 0% |
| VI) Differences in conversion | - 489 € | 61% | -785 € | 159% |
| VII) Tax effect | - 1 € | 12500% | -126 € | 26% |
| C) Transfers to the Income Statement | 694 € | -53% | 281 € | 1338% |
| VIII) For valuation of financial instruments | 26 € | 792% | 232 € | 83% |
| 1. Financial assets available for sale | 26 € | -108% | - 2 € | -1% |
| 2. Other income/expenses | - € | | 234 € | 101% |
| IX) For cash flow hedges | 40 € | 193% | 117 € | 42% |
| XII) Conversion differences | 542 € | -100% | - 2 € | -1% |
| XIII) Tax effect | - 14 € | 371% | - 66 € | -23% |
| Total of income and expenses recognized (A + B + C). | 2.307 € | -99% | 21 € | |

SOURCE: Compiled by author (REPSOL, 2016)

Due to the sale of the area GNL, at the end of 2013, 2014 records an improvement in all sections of income and expenses except for transfers to lost income due to the reclassification of these assets of GNL. Defendants to heritage increase 1,236 million euros, because of important revenues resulting from translation differences during this period.

2015 despite being a difficult year because of the difficulties in the market due to the difficult situation in the sector in which will be make emphasis below, finally recorded a total of revenue and expenditure of 85 million result, 97% less than the period previous but more than the 21 million registered in 2013. And this is because losses of 1.185 millions from the income statement, are compensated by the other two sections. They show revenues imputed to heritage one 39% lower than the previous year, since the expenses for hedging transactions increased to 564 million. While transfers to income statement profits have grown to 512 million, caused for an increase of nearly 290%, revenues increased as a result by the cash flow hedging operations.

Table 14: Variations of Statement of income and expenses recognized in equity in 2013-2014 and 2014-2015.

| | 2013 | | 2014 | | 2015 | | |
|---|--------|--------|---------|------|-------|----------|--------|
| | | % H | | % V | % H | % V | |
| A) Result of Income Statement | 233 € | 575% | 1.573 € | 62% | -175% | -1.185 € | -1394% |
| B) Income and expenses charged directly to equity | -493 € | -351% | 1.236 € | 49% | -39% | 758 € | 892% |
| I) Valuation of financial instruments | 383 € | -158% | - 221 € | -18% | -47% | - 118 € | -16% |
| 1. Financial assets available for sale | 610 € | -137% | - 223 € | 101% | -103% | 7 € | -6% |
| 2. Other income/expenses | -227 € | -101% | 2 € | -1% | 6350% | - 125 € | 106% |
| II) Cash flow hedges | 34 € | -518% | - 142 € | -11% | 297% | - 564 € | -74% |
| IV) Earnings and actuarial losses and other adjustments | 1 € | -600% | - 5 € | 0% | -320% | 11 € | 1% |
| VI) Differences in conversion | -785 € | -289% | 1.486 € | 120% | -7% | 1.376 € | 182% |
| VII) Tax effect | -126 € | -194% | 118 € | 10% | -55% | 53 € | 7% |
| C) Transfers to the Income Statement | 281 € | -198% | - 276 € | -11% | -286% | 512 € | 602% |
| VIII) For valuation of financial instruments | 232 € | -273% | - 402 € | 146% | -102% | 10 € | 2% |
| 1. Financial assets available for sale | - 2 € | 22500% | - 452 € | 112% | -101% | 6 € | 60% |
| 2. Other income/expenses | 234 € | -79% | 50 € | -12% | -92% | 4 € | 40% |
| IX) For cash flow hedges | 117 € | -85% | 18 € | -7% | 2817% | 525 € | 103% |
| XII) Conversion differences | - 2 € | 100% | - 4 € | 1% | 500% | - 24 € | -5% |
| XIII) Tax effect | - 66 € | -270% | 112 € | -41% | -99% | 1 € | 0% |
| Total of income and expenses recognized (A + B + C). | 21 € | 11962% | 2.533 € | | -97% | 85 € | |

SOURCE: Compiled by author (REPSOL, 2016)

Segmentation of the outcome of the exercise

To know the area that has brought more benefits to the result of Repsol, mentioned in the previous section, it is significant to analyze this time by business segments as shown in the following table, and then in the graphics annuals.

Table 15: Variations at Segmentation of result.

| | 2010 | | 2011 | | 2012 | | 2013 | | 2014 | | 2015 | | | | | | |
|---------------------------------|-------|------|------|-------|------|------|-------|------|------|-------|------|-------|-------|------|-------|-------|------|
| | % V | % H | % V | % H | % V | % H | % V | % H | % V | % H | % V | | | | | | |
| RESULT OF EXPLOITATION | 7.621 | 100% | -37% | 4.805 | 100% | -11% | 4.286 | 100% | -22% | 3.343 | 100% | -49% | 1.707 | 100% | 9% | 1.860 | 100% |
| Upstream | 4.113 | 54% | -66% | 1.413 | 29% | 56% | 2.208 | 52% | -20% | 1.757 | 53% | -66% | 589 | 35% | -254% | -909 | -49% |
| LNG | 105 | 1% | 268% | 386 | 8% | 39% | 535 | 12% | 79% | 959 | 29% | - | - | - | - | - | - |
| Downstream | 1.304 | 17% | -7% | 1.207 | 25% | -16% | 1.013 | 24% | -96% | 42 | 1% | 2310% | 1.012 | 59% | 112% | 2.150 | 116% |
| YPF | 1.453 | 19% | -15% | 1.231 | 26% | - | - | - | - | - | - | - | - | - | - | - | - |
| Gas Natural Fenosa | 881 | 12% | 1% | 887 | 18% | 4% | 920 | 21% | -3% | 889 | 27% | -50% | 441 | 26% | 3% | 453 | 24% |
| Corporation and other settings. | -235 | -3% | 36% | -319 | -7% | 22% | -390 | -9% | -22% | -304 | -9% | 10% | -335 | -20% | -150% | 166 | 9% |

SOURCE: Compiled by author (REPSOL, 2016)

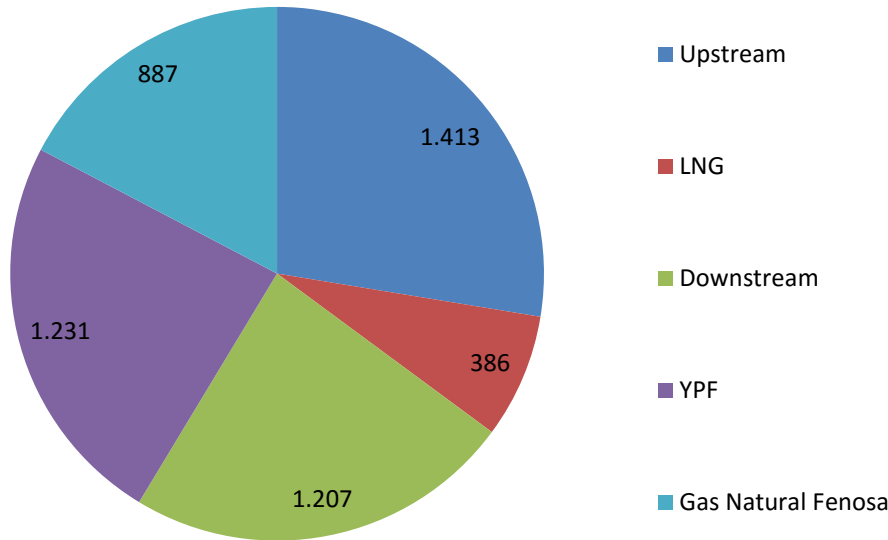
One of areas with more importance in the adjusted³ net profit for the year of Repsol in 2011 was **Upstream** (exploration and production of hydrocarbons), suffered a fall, in comparison to 2010, caused by the price increase of the realization of the oil and gas, offset by lower costs of exploration.

LNG (liquefaction, transport and regasification of natural gas and the marketing of natural gas and liquefied natural gas) due to the commissioning of the plant in Peru increased its result. **Downstream** (refining and marketing of petroleum products, chemicals and liquefied petroleum gases) is the second area with greater importance within the result of Repsol, although he had one result less than the of the previous year, mainly by low international refining margins.

In **YPF**, despite a historical finding the unconventional crude oil "vaca muerta" oilfield, mentioned above, dropped by 15% due to prolonged strikes recorded in Argentina at that time and the increased costs.

Gas Natural Fenosa (marketing of natural gas and the generation, distribution and commercialization of electricity) reflected a small increase over the previous year due to the lower result of the marketing of electricity in Spain. The main results are shown the graphic 1.

³ The group, according to the characteristics of their businesses and better comparability with the companies of the sector, used as a result of each segment of business the so-called "adjustment net result ": recurring profit from continuing operations at replacement cost (CCS) net of taxes (adjusted net income) is the net profit for the year excluding the non-recurring results and considering the costs of crude oil and products to replacement value.

Graphic 1: Operating Income Structure, in millions of euros, in the year 2011

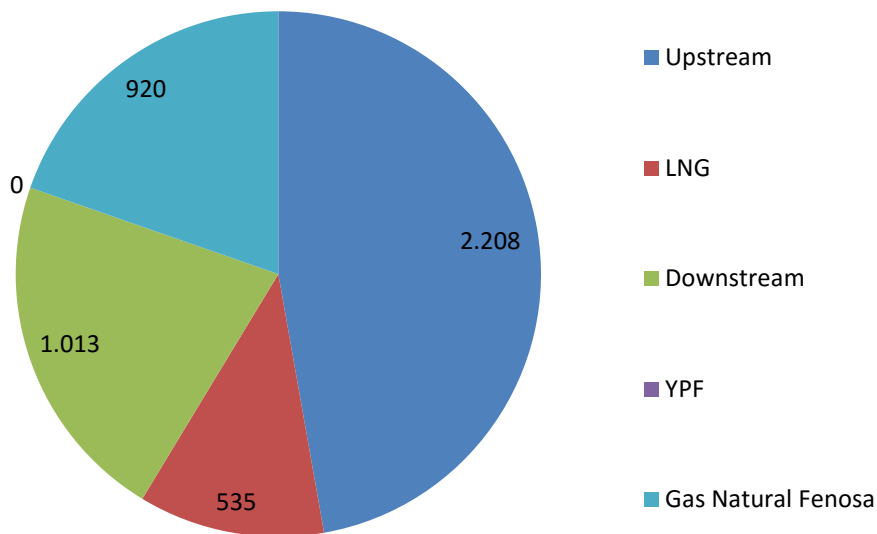
SOURCE: Compiled by author (REPSOL, 2016)

Adjusted operating result of Repsol was lower in 2012 but only 11% despite the negative effect of the confiscation of YPF of oilfield "vaca muerta" in that year and the fall of sales of fuels in Spain.

5 new important discoveries were made. Therefore the area of **Upstream** (operation and production) remains business more profitable the company doubling revenue by refining, sale and distribution of Downstream area. The area **Downstream** was affected, from 2011 by lower activity in the petrochemical business and the fall of sales, but is compensated in some way, supported by the improvement in the refining margin, result of the recent expansion of refineries in Cartagena and Bilbao.

Both LNG as Gas Natural Fenosa have increased their profits, Although of hard way, they maintain the result, for a period marked by the biggest margins of wholesale marketing of gas and the improving results in Latin America, which partially offset the impact of the Royal Decree-Law 13/2012⁴ on the results of the electrical business in Spain. YPF already does not appear in the results of Repsol after his expropriation. The graph 2 shows the structure of the operating result by segments

⁴ Royal Decree-Law 13/2012: 30th of March, by which is transposing directives in the field of electricity and gas markets and in the area of electronic communications and which adopt measures for correction of deviations by mismatches between costs and income from sectors of gas and electric. (BOE No. 78, March 31th, 2012)

Graphic 2: Operating Income Structure, in millions of euros, in the year 2012

SOURCE: Compiled by author (REPSOL, 2016)

In 2013 adjusted⁵ operating result was lower than in 2012, specifically 32% as it is shown in the horizontal analysis in the table 8: "Variations of Statement of cash Flows in 2012-2013" in other before section, mainly due to short-term outages of more than 100 days of production in Libya⁶ and the reduction in refining margins. The composition of this result is shown in graph 3 below.

In it you see that this year **Upstream** remains the area with the biggest contribution to the group, although it slowed its volume compared to the previous year, because of disruptions mentioned above.

Downstream one of the areas that has generated good results the past years suffers a big fall of 96% on 2012. Consequence of the impact of the economic situation in Europe both in refining margins as margins and volumes of service stations in Spain, the stagnation of demand by uncertainty about the economic growth.

LNG increases revenues, in what will be his last year as company area. In February 2013 was signed a sale agreement with Shell that included holdings in liquefaction plants (Atlantic LNG and Peru LNG) and marketing and transportation assets. On December 31 of 2013, it materialize the first phase of that sale, with transmission of the

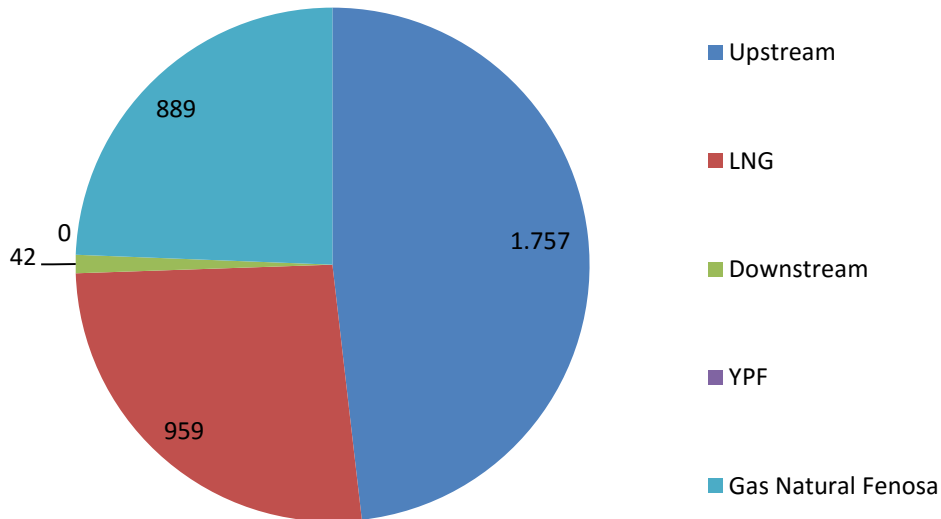
⁵ The results and other measures, quantities or outcome indicators, identified as "adjusted" in this year 2013, have been prepared considering that the quantities related to the assets and business of LNG sold, are part of the results of continuing operations.

⁶ In the summer of 2013, what began as a strike by workers at oil facilities became widespread blocking of oil production throughout the country.

participations in the liquefaction plants and on January 1 of 2014 it was completed the transaction with the rest of the assets sold (marketing and transportation).

The **Gas Natural Fenosa** area is affected by the new tax system and the new regulation and reduced its profit by 3%.

Graphic 3: Operating Income Structure, in millions of euros, in the year 2013

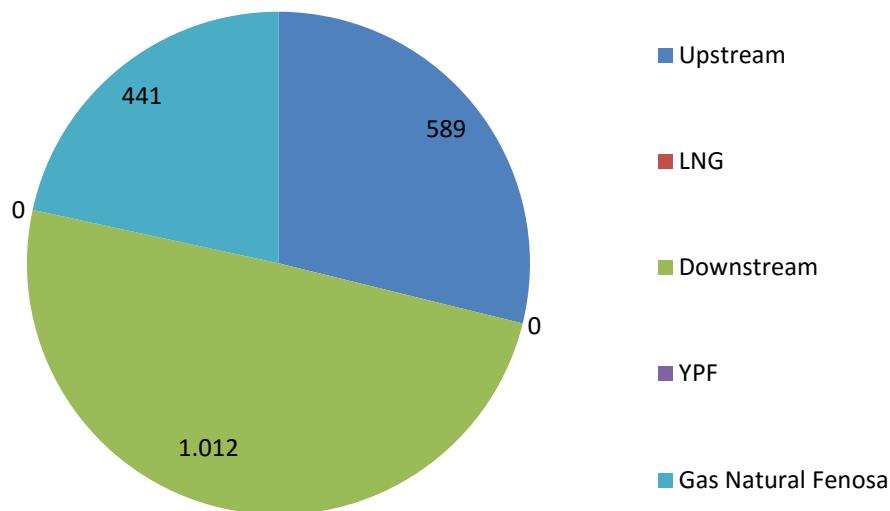


SOURCE: Compiled by author (REPSOL, 2016)

Although the adjusted result increased in 2014 compared to the previous period, by revenue arising from the sale of the activities in the area of **LNG**, the result of exploitation of this year, is considerably reduced since all areas have undergone sudden changes in composition, due to the slowing down of world demand to cause of falling crude oil prices, of whose situation is tracked in the section of oil sector, subsequently treated, and to lower production in Libya.

The **Downstream** area increases the result at 2012 levels. The quality of the assets of the company and its strategic position allowed to considerably increase the bad result obtained in 2013 42 million, to reach 1.012 millions. The efficiency of refineries of Repsol, along with current crude oil prices, has resulted in a higher refining margin. From 2014 the retained business of LNG by Repsol, will be part of the Downstream activities.

Conversely areas of **Upstream** and **Gas Natural Fenosa** are reduced in half compared to the results obtained in the previous period. Due to the cessation of production in Libya and lower crude oil prices of production. That's why the two contribute almost the same income obtained by the Downstream area alone. The composition is shown in graph 4.

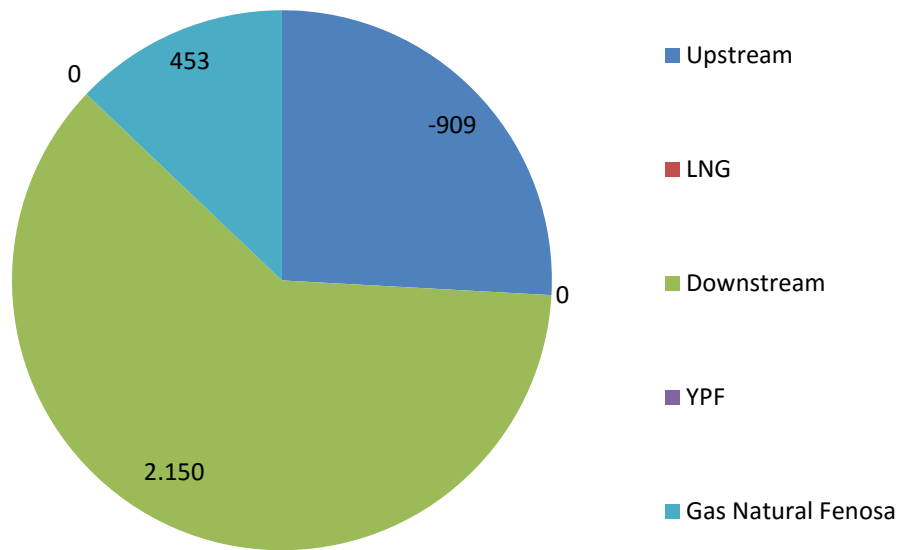
Graphic 4: Operating Income Structure, in millions of euros, in the year 2014

SOURCE: Compiled by author (REPSOL, 2016)

Adjusted net profit for the year 2015 was increased by almost 9% compared to 2014. The strength of the integrated business of Repsol has allowed him to improve results in an environment marked by the fall of 50% of the crude oil prices, whose variations are analyzed later in the section "Evolution of the quote". The graphic 5 shows that **Downstream**, continues increasing considerably its results, doubling them. This is an effect of the quality of industrial assets and high levels of efficiency achieved during recent years.

The sharp decline in international quotes has been reflected in the area of **Upstream**, which has had a negative of 909 million euros, also influenced by the interruption of activities in Libya and the amortization of exploration wells. Eliminating the effect of the exploration expenses, the operating results of this business would have been positive, already which in 2015 is included in this area of business the acquisition of Talisman Energy Inc.

The **Gas Natural Fenosa** records increased over the previous year of 3%.

Graphic 5: Operating Income Structure, in millions of euros, in the year 2015

SOURCE: Compiled by author (REPSOL, 2016)

Financial Ratios

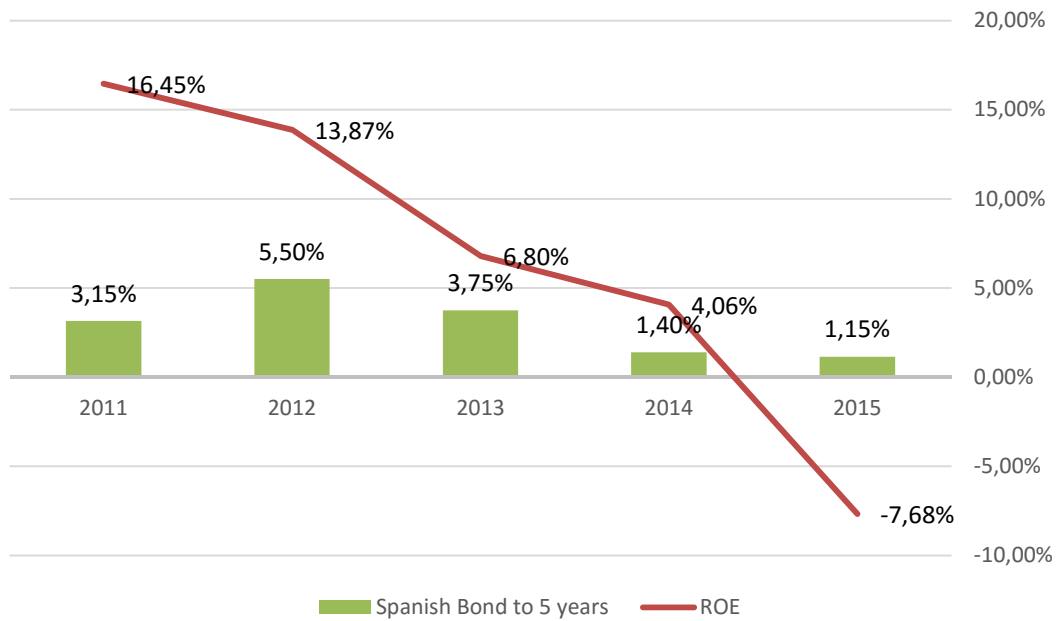
The financial ratios are a very important part in the study of the financial situation in a company, after analyzing the different documents that make up the annual accounts and observe the composition by segments of its result, different ratios are examined to know the financial situation in terms of profitability and liquidity.

The return on assets (ROA) and return of equity (ROE), express their own profitability and provide information about the use being made of the assets and own funds, but combined properly they can give us information about the structure of more adequate funding for the company, the so-called leverage effect.

In the case of Repsol, financial profitability levels indicate that it has been reduced over the years, up to 2015 that achieves negative levels of yield for the company, as a result of the difficult situation in the market and the growth of the debt due to the necessary financing for the acquisition of Talisman.

In the case of the oil sector, as fluctuations in the price of a barrel of Brent sometimes suffer significant variations, it elaborates a comparison of levels of ROE with the Spanish 5-year bond since it is an investment without risk, and that only if you are above this, will compensate the investment made by the shareholders of the company. The following graph 6 shows this comparative, where you can see that the trend of the 5-year Spanish bond has also been declining from 2012.

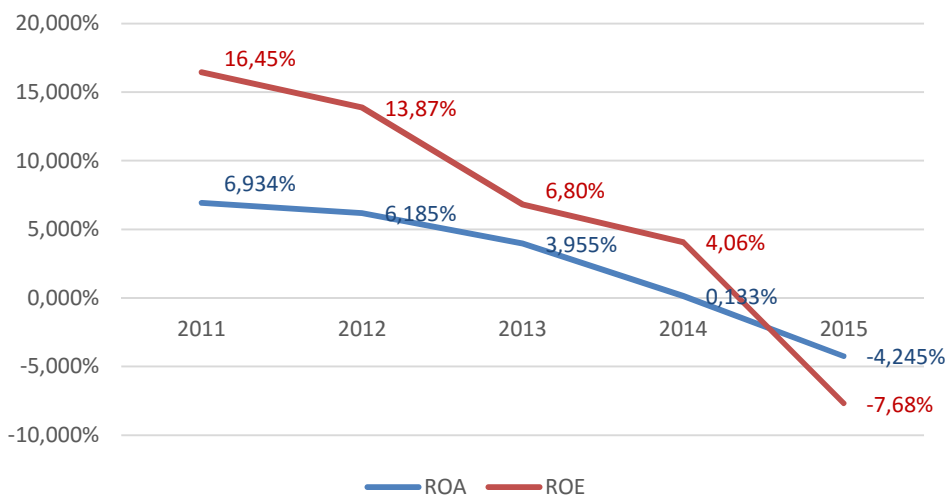
Graphic 6: Comparative ROE and Bono to 5 years



SOURCE: Compiled by author (REPSOL, 2016)

In terms of economic profitability, companies like Repsol requiring a large initial investment, have an ROA which does not exceed 7% in all periods. Due that the company has much machinery and capital to carry out its activity. Graph 7 shows that the company during 2011 and 2012, where it shows levels higher than 6%, is able to generate more profit with less active.

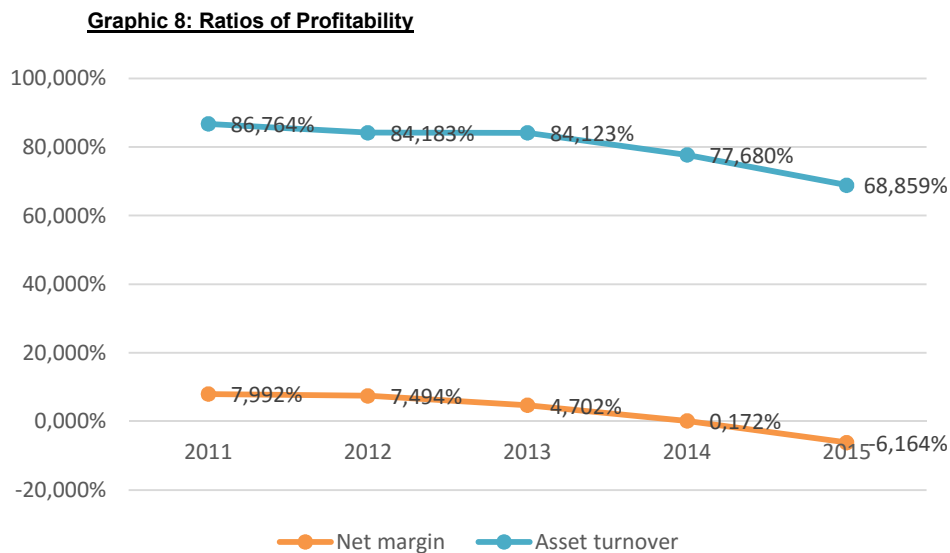
Graphic 7: ROA and ROE



SOURCE: Compiled by author (REPSOL, 2016)

The leverage effect is positive until 2015. Which means that the average cost of the debt is less than the economic profitability except in this last year. Therefore, the financing of part of the assets of debt has enabled the growth of financial profitability.

The company could hire debt to finance part of the asset. But in 2015 economic profitability has exceeded the financial profitability, because Repsol has no ability to increase their sales prices and so that increase in ROA would compensated the average cost of the debt. A high financial profitability can also be caused by the high turnover of assets having the company, given by the distribution of daily consumer goods that have high output. Generally remains constant throughout this interval though 2015 suffers a small decline in consumption of products. The net margin of Repsol that suffers a decline more pronounced, reaching at negative levels in 2015, as shown in graph 8. This is because falling operating profit significantly and at the same time sales.

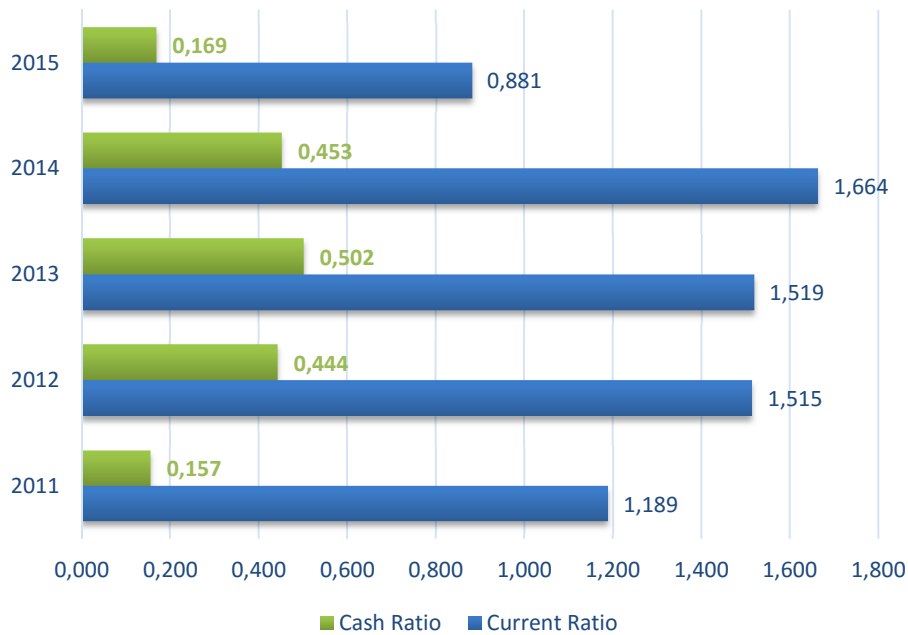


SOURCE: Compiled by author (REPSOL, 2016)

With regard to liquidity ratios of the company, we analyzed two, are displayed in the graphic 9:

The Cash ratio, is quite low across all exercises, just in 2013 alcanza the maximum percentage of 50%, which means that have of the half of the debts in cash to carry out certain day-to-day operations but has most of its assets invested more in the long run. As already seen in the analysis of the balance sheet, doesn't make sense that a company has enough cash to cover completely the current debts, it is not realistic since keeps money unused for a long time and is leaving earn return that would have been able to obtain if that money were invested in other non-current assets.

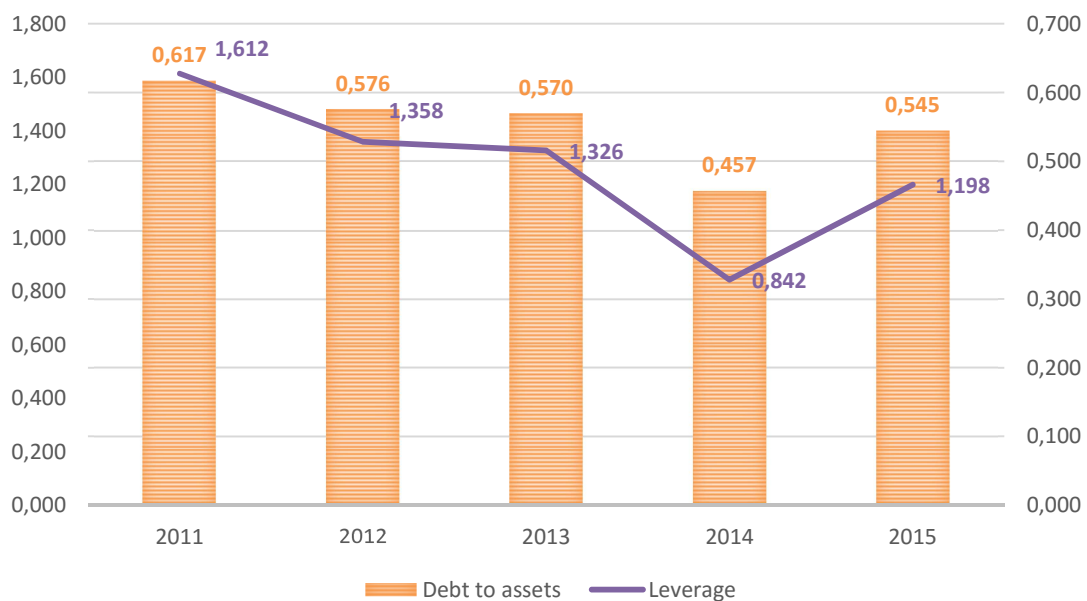
The Current ratio, sample that has current assets to take care of short-term liabilities.

Graphic 9: Ratios of Liquidity

SOURCE: Compiled by author (REPSOL, 2016)

The 10 graph analyses the Leverage and Debt to assets. In this case the Debt to assets is across range lower than the unit, which means that part of the asset is financed by external funding or liability, because of the large investments needed to operate in this sector is normal in this type of business behavior, as we will see later in the comparison with BP and TOTAL.

The leverage expresses rather a few levels higher than the unit, with the exception of 2014, which meant that the equity was greater than liabilities in that year, as noted in the section on variations of the balance sheet, since that year the external debt was lower than in other years. External funding is far superior to the internal the rest of the analysed interval. What is not very recommended, but given the sector, it is normal that an oil company so cover their debts.

Graphic 10: Leverage ratios

SOURCE: Compiled by author (REPSOL, 2016)

Evolution of the quote.

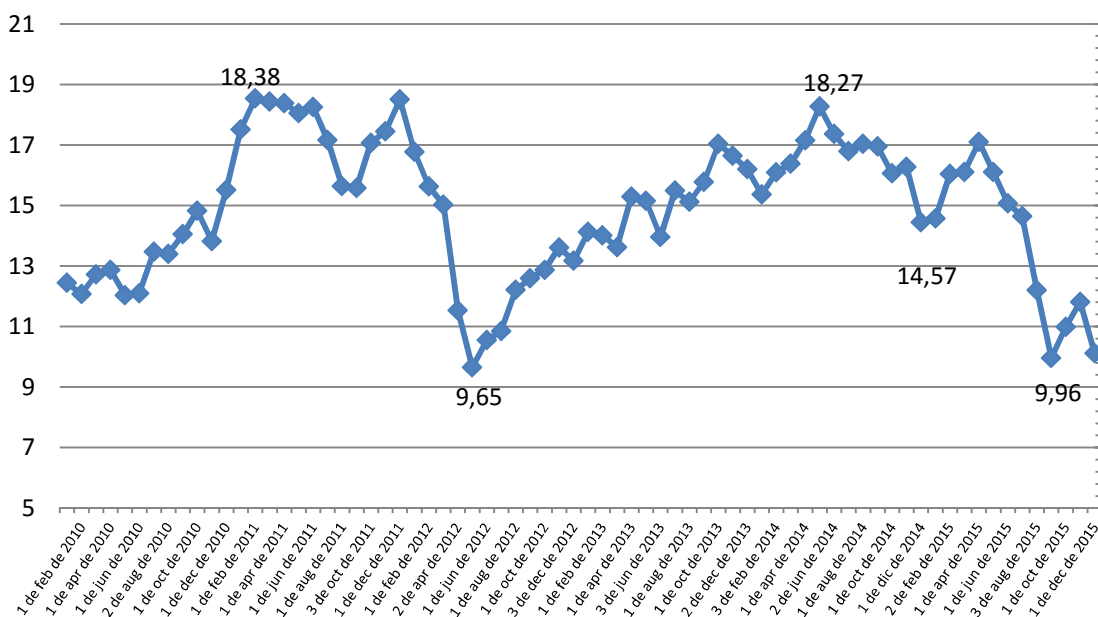
The price of the shares of a company depends on various factors such as profits or the price of a barrel of oil. Therefore, it is necessary to see the evolution of this, and make a comparison with these variables to observe their behavior. The evolution of the quoted price of Repsol that is shown in Figure 11, in the interval analyzed in this work, increased in early 2011, coinciding with the discovery of the deposit "dead cow," as mentioned at the beginning of work, since it would mean an increase in the estimate of the resources of gas and oil.

In May of 2012 occurs a drop of almost half quote in March 2011, due to the expropriation of YPF.

The quotes in 2014 suffer another fall, because of the positive relationship, subsequently discussed on the graph 12, of the price of a barrel of crude oil with the quote of the company Repsol.

Continuous in 2015 the bad tendency of quotes, which earlier this year there was produced a recovery of the fall the previous year, but in September back to falling prices as a result of the oil prices and the purchase of talisman in the situation of uncertainty in which the market is increasing debt with cost in a complicated environment.

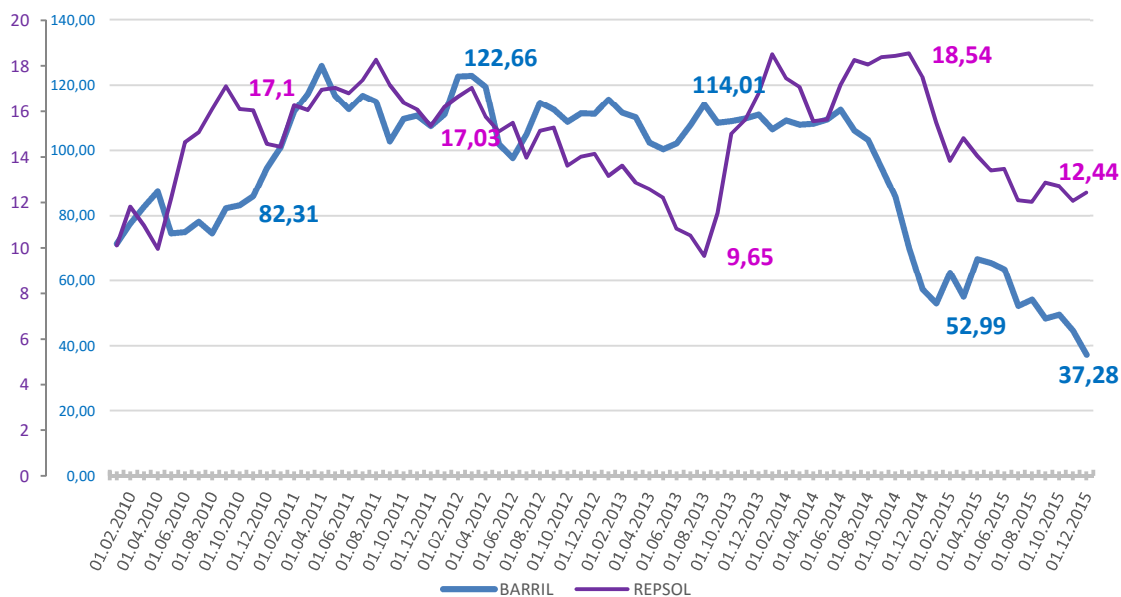
Graphic 11: Share prices of Repsol, in euros.



SOURCE: Compiled by author (Es.finance.yahoo.com, 2016)

The comparison of the price of oil with the quote of the shares of Repsol, it presents the graph 12. Fluctuations affecting the price of oil are not displayed so abruptly in the actions of the company Repsol, but there is some relationship in their behavior, given that at the points of greatest growth or fall of the price of a barrel the price of Repsol also suffers slight variations in these directions, confirming a positive relationship between these two variables.

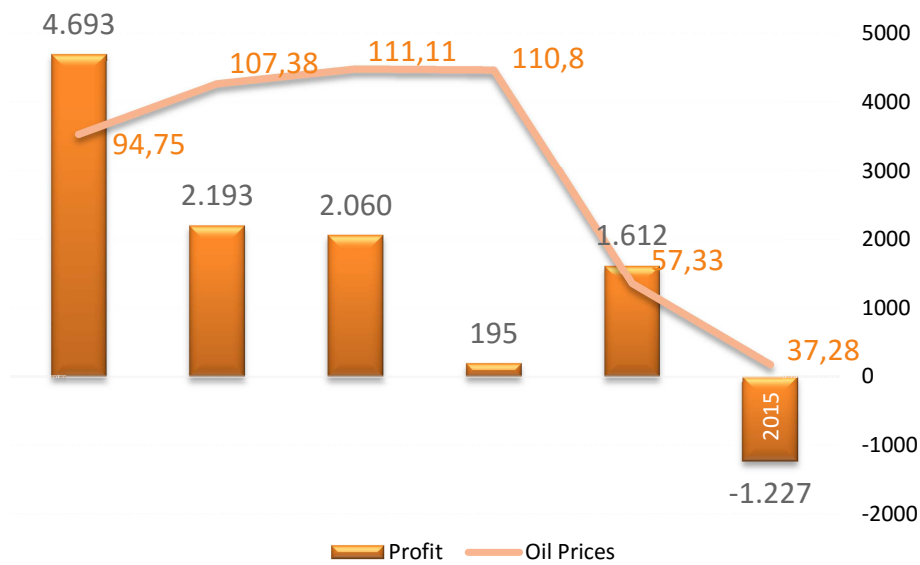
Graphic 12: Oil prices and Repsol shares



SOURCE: Compiled by author (Es.finance.yahoo.com, 2016); (investing.com Español, 2016)

According to the graph 13 "Repsol benefit compared with the price of oil", it shows a relationship in 2010, when the good result increases the value of the shares, and in 2014 when the quote starts to fall, the benefit decreases with it. In periods where the quote was higher, profit maintained its declining trend from 2011. But the price of oil kept a constant trend that did not reduce the price of the shares since it brought confidence, but this changes and deepens when it becomes unstable.

Graphic 13: Repsol comparative profit and oil prices



SOURCE: Compiled by author, (REPSOL, 2016); (investing.com Español, 2016)

Oil sector

Current situation in the market of oil and its causes.

The current situation of the oil sector is hard by the huge drop in the crude oil prices that is taking place from mid-2014. It is one of the factors that since then, is affecting Repsol, therefore it is important to know the causes of the fall of the oil that are 3 mainly , the excess production and the decrease of demand, issues "geopolitical" and the appreciation of the dollar. (FUNSEAM, 2015).

- 1 The weak global demand for products derived from oil, which, since the outbreak of the economic crisis in 2007-2008, has slowed global economic activity and at the same time, the consumption of petroleum products. In order to reduce the dependence on hydrocarbons, particularly industrialized European countries have implemented new technologies for the generation of energy and improvement of technologies to get more profits from hydrocarbons. This situation has resulted in a decrease of the demand driven by the improvement of the technology in the use of oil and gas. In terms of the offer, it has not adapted to this new scenario of global crisis and has not reduced its production. The revolution of the fracking⁷ in the U.S. has increased production and reduced dependence on the first economy in the world with respect to third parties. OPEC⁸ agreed to maintain production levels by 2015. The immediate effect was favouring the oversupply and thus helped the fall of crude oil prices. With weak demand and an increased offer, the expected trend in prices had been falling, but instead of that happen, the price per barrel rose until the beginning of 2011 and at these high levels remained relatively stable until June 2014. This abnormal behavior is explained by the great hopes placed on the possibilities of the fracking combined with the growing volume of money that injected to the markets the Federal Reserve financial, these resulted in the emergence of a bubble in oil prices. Financial operators, eager to find a profitable place in which to invest the funds that they managed, they found in oil companies that are first in huge projects of investment in the heat of the

⁷ Fracking: This technique is basically a controlled injection of water and chemicals in the subsoil to seek fracture the rock and facilitate the extraction of hydrocarbons. Its use allows to extract more oil and gas than in the case of the traditional formula. The downside is that its cost, about \$ 60 a barrel, is significantly higher than conventional oil extraction, which is around \$ 30 per barrel.

⁸ Organization of the Petroleum Exporting Countries

fracking and financial assets arising from the oil field, a thriving and lucrative business. The channeling of all that money boosted prices on the rise, offsetting the downward trend that would be expected by the effect of the factors discussed above.

Once the bubble bursts, the prices collapsed, and with the uncertainty, capital invested performs the opposite way and leaves the investments connected with the oil companies and financial assets derived from the oil business, forming a new and powerful downward thrust of the prices. This change in the financial markets has resulted in the vast majority of these capitals to seek places shelter until the storm relaxes. These safe assets include those of always: the dollar, the U.S. public bond and the German. That's why that the euro is depreciating against the dollar, another of the reasons analysed later, and so the risk premium Spanish (the differential Spanish profitability German front) is increasing. In addition, the flight of the capital invested in producing countries has led to produce a devaluation also of these coins (as the ruble which has been intensified due to the announcement of the U.S. Federal Reserve that will raise the interest rates in the first half of 2015).

2 Oil has become a geopolitical weapon, since countries do not coincide in the why fit in with the collapse of "black gold" and why not. There are different situations:

- A dispute between OPEC and the us because the cost of shale⁹, is much more expensive than conventional production and oil cheap would harm to the north country without adversely affecting the OPEC, that extract hydrocarbons conventionally. The decisive voice in the oil field is that of Saudi Arabia, this has a cost of 4 or 5 dollars per barrel that can sustain even with the barrel to 20 dollars and shows certain indifference with regard to the price. Instead the cost of non-conventional production is greatly superior.

- Internal dispute at OPEC with the hand of EEUU in the shade. Countries like Venezuela need an expensive barrel since oil accounts for 95% of its exports. Kuwait and United Arab Emirates constitute a sector in OPEC which is a historical ally of the United States, but Ecuador, Nigeria,

⁹ Shale: An unconventional oil, produced from oil shale bituminous, by pyrolysis, hydrogenation, or thermal dissolution. These processes convert the organic matter contained within the rock (kerogen) into synthetic oil and gas.

Venezuela, Iran or Russia, regular rivals of Saudi and U.S. , promote a high oil, since a low price puts them in a weak global position, due to its dependence on a price of above \$100 barrel.

- This situation has to do with an internal dispute within the oil companies from the USA, in which large, they want to remove the Shale of map of the small with a low price of oil to cause its bankruptcy. The "Shale Boom" started in 2008 just at the same time declaring bankruptcy Lehman brothers which it resulted the economic crisis of 2008.

- 3 The appreciation of the dollar affects the crude oil prices since it is the currency in which most of the exchanges are made. Possible normalization of monetary policy in the United States is leading a movement of capital towards the dollar. This situation causes the American currency it is appreciated respect to the rest of the currencies in the world. A strengthening of the dollar, cause make it more expensive for oil consumers to purchase barrels of crude oil since as you have to make the transaction in dollars and not in their respective local currencies. An appreciation of the dollar with the consequent devaluation of their currencies, makes can be purchased less barrels. This causes lower demand for oil and prices are pressed.

The hardest hit with this situation are economies producing oil (Russia, Venezuela, Saudi Arabia, etc), who are watching how selling the same volume earn much less money. On the other hand, the economies benefit most are importers of oil (with the eurozone to the head), whose bills are substantially reduced. This is not to say that the final balance for these economies be positive, because the turbulence in the financial markets (such as the depreciation of the euro, the increase in risk premia, descent in bags, etc.) may have one greater cost that saving, that it provides a import cheaper oil. In addition, we cannot forget that many financial operators (mainly American) they participated in the bubble of the fracking and therefore there will be record significant losses.

Factors and structure of fuel prices

Once you have developed the main causes of the drop in the crude oil prices, it is interesting to know that the fuel price offered in the suppliers of gas stations depends on multiple factors, not only the actual cost of purchase of the barrel . It depends on the supply and demand of crude oil, of political decisions of exporting countries, the cost of transport and logistics, consumption depending on the time of year and the exchange rate of the currency, among others.

Fuel is bought in dollars and sold in Spain in Euros so the variations in the exchange rate affect the final price. The real cost of oil, without the costs of distribution, accounts for only about one quarter of the final price, therefore changes in the price of a barrel of Brent oil, are not translated in the same way to the final price of the fuel, have limited impact.

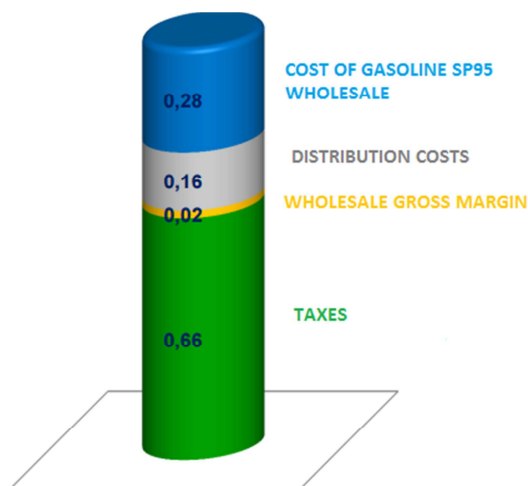
Both the petrol as diesel price can break down into four parts.

- The cost of the raw material: for the real cost of gasoline and diesel is used a weighted average of the international quotes in the next graph.
- Distribution costs include costs of maintenance of service stations, the cost of transportation to the stations of service, the cost of the strategic reserve, additional of the biofuel cost and cost of the contribution to the National Fund for energy efficiency, from July 2014.
- Taxes are for price of the fuel, the component that more increases the selling price, account for more than half between VAT and excise duty of hydrocarbons.

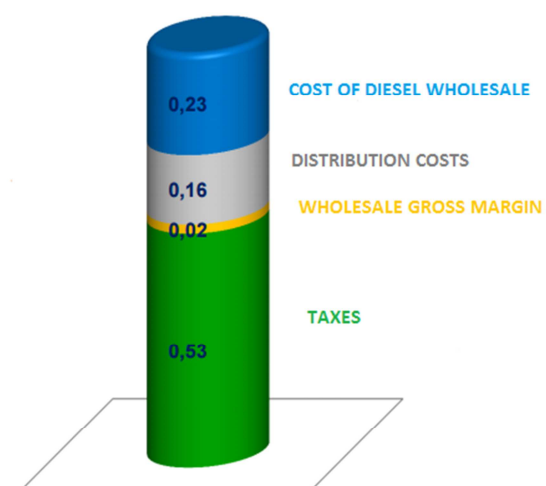
According to the data of January 2016 (AOP.es, 2016) that are shown in Graph 15, the real value of the 95-octane gasoline is 28% of the cost, 16% are the costs of distribution and maintenance, while the remaining 66% would be due entirely to taxes, leaving a profit margin of just 2%. In the case of diesel, 23% is the raw materials, distribution costs by 16% and 53% is attributable to taxation.

Graphic 15: The structure of fuel prices in January of 2016.

PVP Gasoline SP95: 1, 12€/l



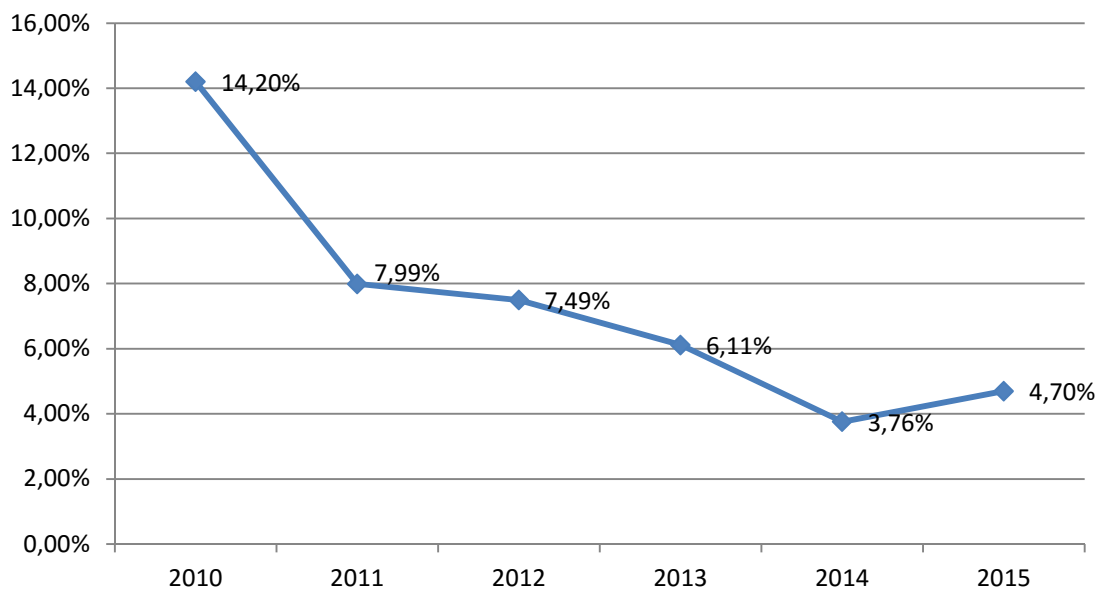
PVP Diesel: 0, 94€/l



SOURCE: Aop.es (2016)

The profit margin of this company, as you can see in the graph 16, was nearly 15% in 2010, until falling to 3.76% in 2014 as a result of the crude drop to 50% of its price. Repsol had to reduce its margin, without reducing their costs due to the drop in 2013 of the volume of sales and margins in service stations. Therefore in 2014 Gets a result lower interval studied. An improvement of the result that can be reflected in the margin of profits occurs in 2015. The proper conduct of the business of refining and chemical and the strength of the \$ against the € offset the effect that in the exploration and production business was the sharp drop in the price of crude oil.

Graphic 16: Margin of profits



SOURCE: Compiled by author (REPSOL, 2016)

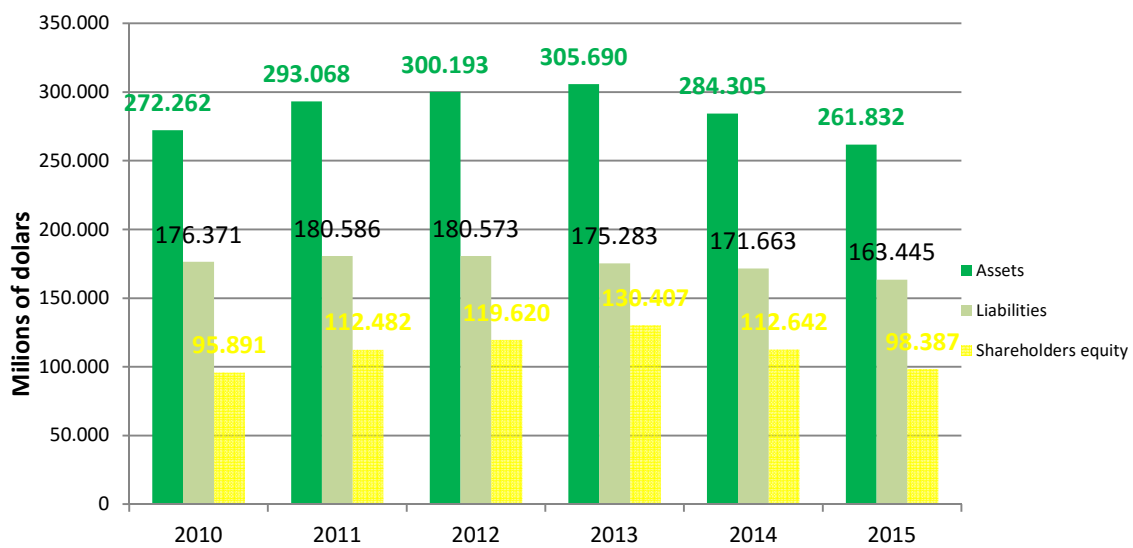
Main competitors

For a good analysis of the oil sector where operates the Repsol, is necessary to make a small overview of at least 2 of the companies most important in the market comparable, in a way, to Repsol and that as the Spanish company, have important presence in much of the world. One of the selected companies is **BP**, which is a energy company dedicated mainly to the oil and natural gas. Founded in 1917, with headquarters in London, United Kingdom. With presence in more than 70 countries, that counts with around 79.800 employees world-wide. BP assets quote in dollars on the London Stock Exchange. Being by its volume of business one of the 8 most important companies of the world.

2010 was an unlucky year for BP since there was an oil spill caused by the sinking of the Deepwater Horizon platform, which caused a few extraordinary costs of cleaning, assistance and compensation which reduced the value of BP on the stock and therefore the profitability of the pension plans associated with investments in BP. Which had an impact on results this year. (bp.com, 2016).

The BP assets exceeds sometimes the \$ 300 million dollars as shown in chart 17, keeping more or less constant external debt, cover in most periods, in at least 50%, your net worth.

Graphic 17: Balance sheet of BP



SOURCE: Compiled by author (bp.com, 2016)

The following table shows the debt over assets ratio and we see that it is superior to 60% in most periods, indicating that assets are indebted in this percentage by external debt. Which, as already explained above when it has analyzed the ratio of Repsol, does not mean a negative point for the company since this sector has a large number of very expensive assets that require constant renewal and innovation.

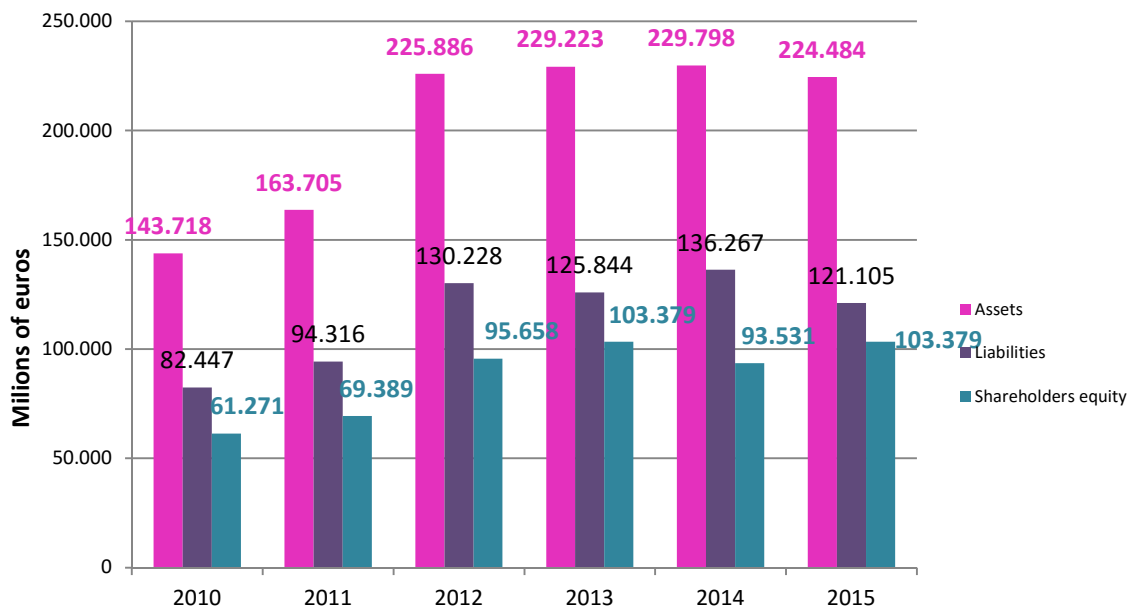
Table 15: Debt to assets of BP

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-----------------------|-------|-------|-------|-------|-------|-------|
| Debt to assets | 0,648 | 0,616 | 0,602 | 0,573 | 0,604 | 0,624 |

The other company is **Total S.A.**, which is a group of companies in the petrochemical and energy sector with world headquarters in La Défense (France). Its activity is present in more than 130 countries, employing some 111,000 people. Total S.A. financial assets represent the largest capitalization bag of Paris and its volume of business, it is the largest company in the euro zone. (Total.com, 2016)

The volume of assets of this company is around 230 million dollars, with the exception of the years 2010 and 2011, as you can see in the chart 18 which crawled the impact of the crisis. Its foreign debt, in periods of crisis, is fairly high according to the level of assets. And across range, external debt was backed at least in 80% by own financing.

Graphic 18: Balance sheet of TOTAL



SOURCE: Compiled by author (Total.com, 2016)

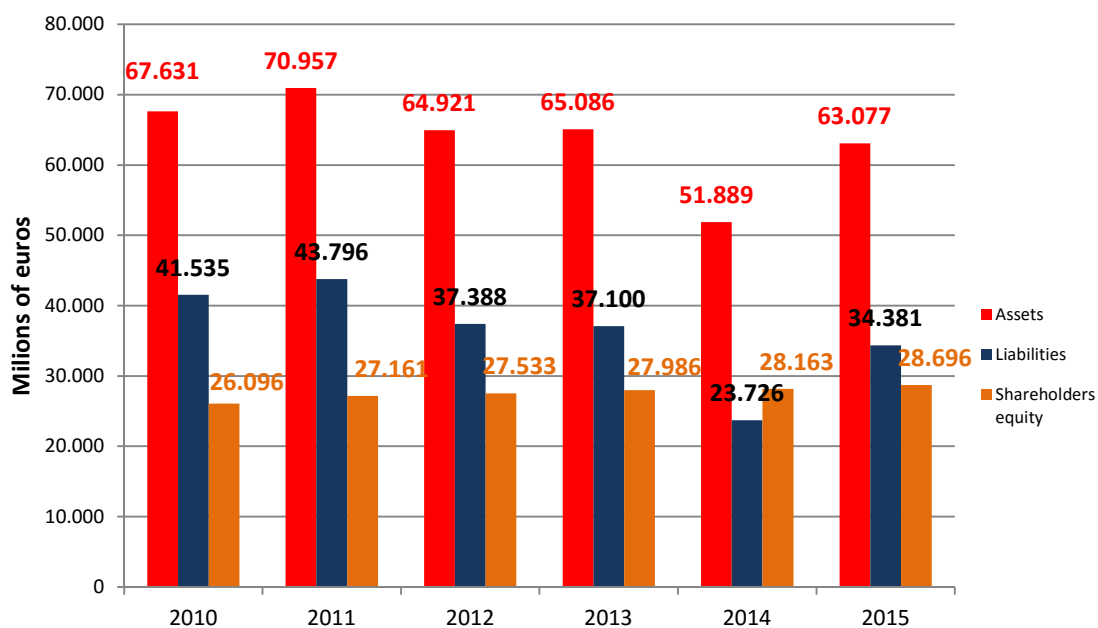
The ratio of debt over assets of TOTAL which is shown below, we see that it is less than the BP but is still higher than the 55% in most periods, since this company has a large net to support some of their investments.

Table 16: Debt to assets of TOTAL

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-----------------------|-------|-------|-------|-------|-------|-------|
| Debt to assets | 0,574 | 0,576 | 0,577 | 0,549 | 0,593 | 0,539 |

Repsol, in compared these companies is below in terms of the volume of their items in the balance sheet. In 2011, it reaches the highest volume, a quarter of what records BP and less than half for TOTAL, which is a bad year for her. Despite this, the asset remains constant without big variations. Except for the year 2014 which lost volume by the disinvestment in LNG previously commented on the variations of the balance at the beginning of the work. As for the debt, you can see that in most periods, as it has been reflected above the section of the financial ratios that we have analyzed, the debt is covered at least by 50% by Equity. Graphic 19 present the main results.

Graphic 19: Balance sheet of REPSOL



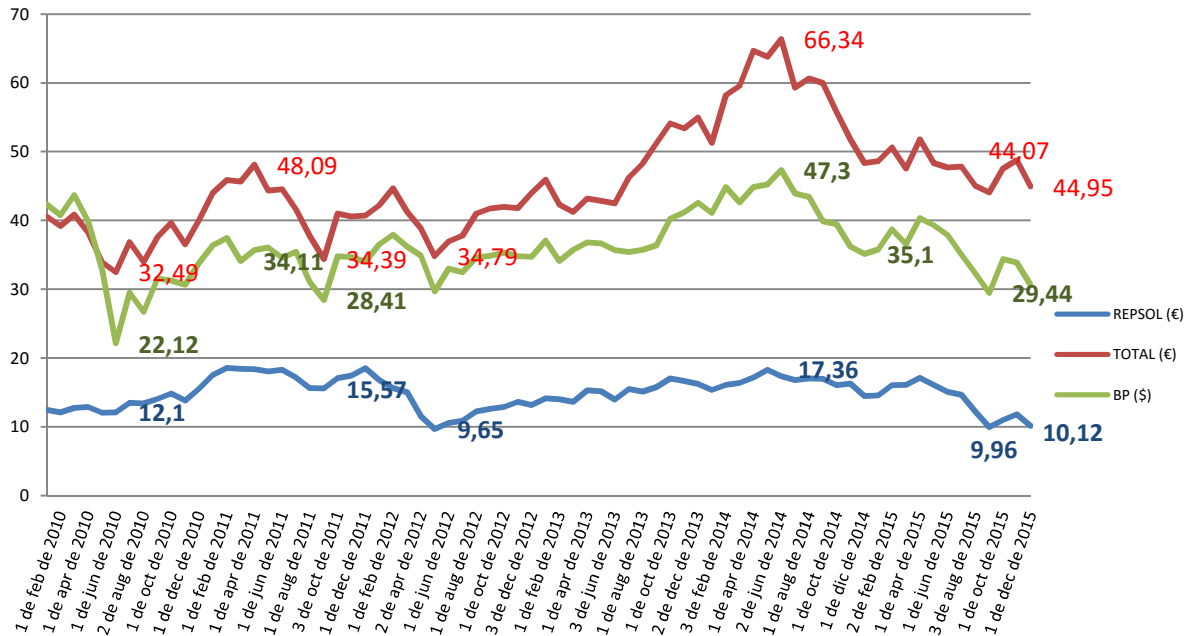
SOURCE: Compiled by author (REPSOL, 2016)

In relation to the quotes of these three companies, you can see in Graph 20, that "TOTAL" have much higher quotes of the three from mid-2010, as BP was previously the company with the highest asset, which has the highest share price, until unfortunate accident of the sinking of the platform Deepwater Horizon previously commented. Variations over the years are virtually identical between BP and TOTAL coinciding one of its peaks in June 2014 when the barrel of Brent reached a maximum of \$115.

Repsol on the other hand, does not suffer such sudden changes over the years as BP or TOTAL, as larger oil companies, are affected more by the factors. Its evolution is more flat, although it suffers two more pronounced variations, one in may 2012 and the other which is suffered in equal measure in the other two companies in September 2015. They are usually coincidental in their oscillations. Suffering losses or obtaining

benefits in the same periods, although BP and TOTAL, with larger volumes of business suffer these variations of more pronounced way.

Graphic 20: Share prices of 3 enterprises

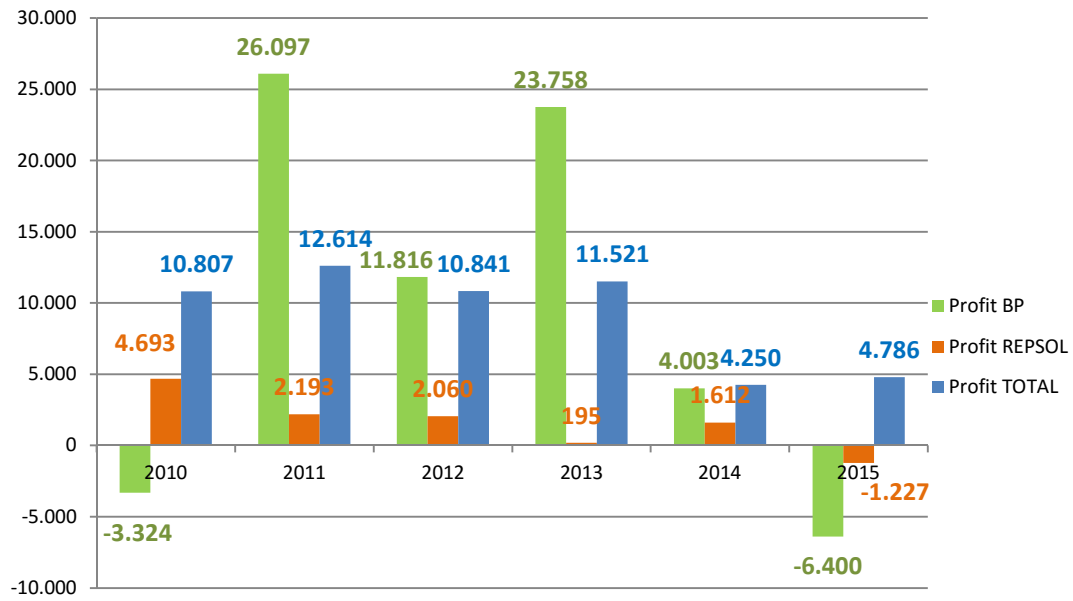


SOURCE: Compiled by author (investing.com Spanish, 2016)

Graphic 21, shows a comparison of the annual profits of the three companies. Being the company BP, which has suffered more swings to their advantage throughout the period analyzed. In 2010, tube lost more than 3,000 million dollars mainly caused with the accident that discussed earlier, in the following year got register benefits of 26.097 million, continuing with positive exercises until 2015 to again register a year with big losses.

TOTAL remains generally constant the four first years analyzed, but in 2014 as a result of the significant fall of crude oil prices, their benefits are reduced to less than half of that recorded previously in the exercises.

Graphic 21: Profit (lost) of the 3 enterprises



SOURCE: Compiled by author (bp.com, 2016); (REPSOL, 2016); (Total.com, 2016)

Conclusions

Once the study of the financial statements of Repsol SA and that have extracted the main results of this, the first step has been to carry out an analysis of the various documents making up the annual accounts, to know the importance of the composition of each element and the progress of each at different periods.

First, emphasize that **companies belonging to the oil sector have on its balance sheet a large volume of fixed assets**, such as land or large installations very above the of the assets easily cashable, and are financed to long term through bank loans and the issuance of government bonds.

Secondly, **the downward trend from 2011 of the income statement, has been a consequence of the negative evolution of operating result in different areas**, their analysis has led to say that Upstream, has been which has recorded best results, up to that in 2013, because of the cessation of production in Libya and lower performance of crude oil prices it suffered a major fall, reaching record losses in 2015. Downstream on the contrary has been increasing, with the exception of decreased important registred it in 2013, until to be the area that collects more revenue for the adjusted net profit.

Thirdly, **the Repsol company registers in most of your exercises a economic profitability higher than the average cost of debt**, which means that the company has few of its liabilities covered with cash, and that most of their assets are invested long-term, which poses a risk to the company against future unexpected situations , as that to current situation of the market continue during some periods in the future, since the relationship of the repsol share price with the quote of the crude oil, is positive. So, one of the main causes of the reduction of the financial profitability in 2015 is the perfect situation that originated for harming her, since debt increased significantly by the acquisition of Talisman, also the interest of the funding, and decreases demand and the selling price of fuels.

Fourthly, after the short review of the sector, **the difficult situation in the market in recent years with the fall in the price of crude oil, has mainly been caused by the weak demand for products of the oil accompanied by an excess of production, by EE.UU. disputes, so much internal as with OPEC countries, and by the appreciation of the dollar against other currencies of the world, which has led it to reduce demand for oil**. It was also important to know, that the variations in the price of crude oil, do not reflect the price of fuel in the same way, which depends on different elements, such as the supply and demand of crude oil, the political decisions

of exporting countries, the cost of transport and logistics, consumption according to the time of year and the exchange rate of currencies , among others.

Fifthly, **the comparison with BP and TOTAL, two major companies in the sector has seen that, without taking into account volume of his business of these two companies versus Repsol, they have similar behaviors three.** The composition of their balance sheets is similar, as well as fluctuations in their quotes and their ratios of debt on assets. The only exception are the benefits of each one of them, since they are influenced by the different situations that crosses the company and the various factors affecting individually in each period.

Finally, according to the analyzed evolution of Repsol and the current situation of their sector, it can be concluded that **Talisman acquisition this last year has been positive for Repsol, since growth has brought their areas of activities and its active, but with the current situation of price of crude oil, the activity of Talisman could not provide sufficient profitability to amortize the amount paid for the acquisition,** as well as losing cash and increasing levels of financial debt which is already seen in balance to compare the levels of debt in 2014 and 2015.

The presentation of the results of 2015 for the company last February came at a critical moment, in which the price of Repsol was below 9 euros and quote crude oil Brent was at \$35. The management team announced also a 20% dividend cut, a loss of 1.227 million after provision 2,957 million of euros to deal with the fall of crude oil. All this, accompanied by a plan of divestments which, initially, was set at 6,200 million but that, if necessary, would be raised to keep the rating of the company and remuneration to shareholders. (REPSOL, 2016)

In the month of June, the situation of Repsol is not that it has changed radically but it has substantially improved. The reason is none other than the new twist that has taken the course of crude oil price and the new perspectives that has taken crude oil and stock market. From February to June, the barrel has gone from 30 dollars to overcome the barrier of 50 dollars, which will be used to feed new expectations for the company.

The company has placed the point of balance to the positive cash generation, once achieved the production targets by 2015, 40 dollars/barrel, one of the lowest in the sector.

Given the current situation in the market, the price of crude oil after falling below 30 dollars in the primes month of the year, He did not report very good prospects, but seeing that at the end of May almost it is reaching \$50, the expectations are good considering the balance of the \$40 has already been overcome and stays in this last month, although it has valued the possible temporal persistence of the context of

depressed prices and therefore have been made extraordinary provisions, mentioned above. Financial debt will be reduced through that generation of box provided in the coming periods. Confirming this expectations, in the first quarter of 2016, the net financial debt of Repsol has been located in 11.978 million euros, representing an increase just 44 million euros from the end of the year 2015.

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