Repsol, S.A. and investees comprising the Repsol Group

Report on limited review of condensed interim consolidated financial statements at September 30, 2019

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Report on limited review of condensed interim consolidated financial statements

To the shareholders of Repsol, S.A. at the request of the Board of Directors:

Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (hereinafter, the interim financial statements) of Repsol, S.A. (hereinafter, "the parent company") and investees comprising the Repsol Group (hereinafter, "the group"), which comprise the balance sheet as at September 30, 2019, the income statement and the statement of recognized income and expense for the three-month and nine-month period then ended, and the statement of changes in equity and the statement of cash flows for the nine-month period then ended, and related explanatory notes, all condensed and consolidated. The parent company´s directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with legislation governing the audit practice in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the nine months period ended September 30, 2019 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Emphasis of Matter

We draw attention to Note 2.1, in which it is mentioned that these interim financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the group for the year ended December 31, 2018. Our conclusion is not modified in respect of this matter.

Other matters

This report has been prepared at the request of the Board of Directors in relation to the publication of the third quarter financial report required by Article 120 of Royal Legislative Decree 4/2015 of 23 October, approving the revised text of the Securities Market Law developed by the Royal Decree 1362/2007, of 19 October.

PricewaterhouseCoopers Auditores, S.L.

Iñaki Goiriena Basualdu

October 31, 2019

REPSOL Group

2019 Interim consolidated financial statements

Nine-month period ended September 30, 2019

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails

Repsol, S.A. and Investees comprising the Repsol Group
Balance sheet at September 30, 2019 and December 31, 2018

ASSETS	Note	€ Million 09/30/2019	€ Million 12/31/2018
Intangible assets	4.1.1	5,540	5,096
Property, plant and equipment	4.1.1	27,729	25,431
Investment property		67	68
Investments accounted for using the equity method	4.1.1	7,684	7,194
Non-current financial assets	4.1.1	1,309	1,103
Deferred tax assets		3,979	3,891
Other non-current assets		768	701
NON-CURRENT ASSETS		**47,076**	**43,484**
Non-current assets held for sale		5	6
Inventories		4,272	4,390
Trade and other receivables		5,828	6,105
Other current assets		200	296
Other current financial assets	4.1.1	2,620	1,711
Cash and cash equivalents	4.1.1	3,703	4,786
CURRENT ASSETS		**16,628**	**17,294**
TOTAL ASSETS		**63,704**	**60,778**

EQUITY AND LIABILITIES	Note	€ Million 09/30/2019	€ Million 12/31/2018[1]
Share capital		1,599	1,559
Share premium and reserves		27,822	25,894
Treasury shares and own equity investments		(1,726)	(350)
Net income for the period attributable to the parent		1,466	2,341
Other equity instruments		1,014	1,024
SHAREHOLDERS' EQUITY		30,175	30,468
Equity instruments with changes through other comprehensive income		6	13
Hedging transactions		(130)	(106)
Translation differences		1,268	253
OTHER CUMULATIVE COMPREHENSIVE INCOME		1,144	160
NON-CONTROLLING INTERESTS		281	286
EQUITY	4.1.2	**31,600**	**30,914**
Non-current provisions		5,069	4,738
Non-current financial liabilities	4.1.3	11,770	10,818
Deferred tax liabilities		1,115	1,028
Other non-current liabilities		542	470
NON-CURRENT LIABILITIES		**18,496**	**17,054**
Current provisions		603	500
Current financial liabilities	4.1.3	6,171	4,486
Trade and other payables		6,834	7,824
CURRENT LIABILITIES		**13,608**	**12,810**
TOTAL EQUITY AND LIABILITIES		**63,704**	**60,778**

[1] Includes all modifications necessary in relation to changes in the presentation of lease payables (see Note 2.2.1).

Notes 1 to 7 are an integral part of the balance sheet.

Repsol, S.A. and Investees comprising the Repsol Group
Income statement corresponding to the third quarter of 2019 and 2018, and the interim periods ending September 30, 2019 and 2018

		€ Million			
	Note	**Q3 2019**	**Q3 2018**	**09/30/2019**	**09/30/2018**
Sales		12,087	13,229	36,870	36,648
Income from services rendered		85	46	235	124
Changes in inventories of finished goods and work in progress		(268)	115	67	(75)
Reversal of impairment provisions and gains on disposal of assets		21	60	131	76
Other operating income		195	282	598	680
OPERATING INCOME	4.2.1	12,120	13,732	37,901	37,453
Supplies		(9,217)	(10,225)	(28,395)	(27,230)
Amortization and depreciation of non-current assets		(597)	(572)	(1,743)	(1,581)
Personnel expenses		(465)	(477)	(1,434)	(1,405)
Transport and freights		(305)	(262)	(918)	(795)
Impairment loss provisions and losses on disposal of assets		(8)	(61)	(24)	(220)
Other operating expenses		(929)	(1,201)	(3,156)	(3,491)
OPERATING EXPENSES	4.2.2	(11,521)	(12,798)	(35,670)	(34,722)
OPERATING INCOME		**599**	**934**	**2,231**	**2,731**
Net interest		(58)	(58)	(182)	(171)
Change in fair value of financial instruments		127	40	207	172
Exchange gains (losses)		(6)	(3)	(27)	493
Impairment of financial instruments		(3)	(4)	11	(399)
Other finance income and expenses		(63)	(70)	(181)	(159)
FINANCIAL RESULT	4.2.3	**(3)**	**(95)**	**(172)**	**(64)**
INCOME FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD [1]		32	201	269	394
INCOME BEFORE TAX		**628**	**1,040**	**2,328**	**3,061**
Income tax	4.2.4	(288)	(406)	(843)	(1,274)
NET INCOME FROM CONTINUING OPERATIONS		**340**	**634**	**1,485**	**1,787**
NET INCOME FROM CONTINUING OPERATIONS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		(7)	(9)	(19)	(28)
NET INCOME FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE PARENT		**333**	**625**	**1,466**	**1,759**
NET INCOME FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO THE PARENT [1]	4.2.5	—	—	—	412
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT		**333**	**625**	**1,466**	**2,171**
EARNINGS PER SHARE ATTRIBUTABLE TO THE PARENT	4.2.6	**Euros / share**		**Euros / share**	
Basic		0.22	0.37	0.94	1.31
Diluted		0.22	0.37	0.94	1.31

[1] Net of taxes.

Notes 1 to 7 are an integral part of the income statement.

Repsol S.A. and Investees comprising the Repsol Group
Statement of recognized income and expense corresponding to the third quarter of 2019 and 2018, and the interim periods ending September 30, 2019 and 2018

	€ Million			
	Q3 2019	**Q3 2018**	**09/30/2019**	**09/30/2018**
CONSOLIDATED NET INCOME FOR THE PERIOD [1]	**340**	**634**	**1,485**	**2,199**
Due to actuarial gains and losses	(1)	4	(8)	4
Share of investments in joint ventures and associates	(6)	(1)	(12)	14
Financial assets at fair value through other comprehensive income	—	—	(3)	—
Tax effect	—	—	2	—
OTHER COMPREHENSIVE INCOME. ITEMS NOT RECLASSIFIABLE TO INCOME	(7)	3	(21)	18
Cash flow hedging:	**—**	**8**	**(27)**	**31**
Valuation gains / (losses)	(20)	3	(56)	14
Amounts transferred to the income statement	20	5	29	17
Translation differences:	**866**	**79**	**974**	**156**
Valuation gains / (losses)	866	126	994	203
Amounts transferred to the income statement	—	(47)	(20)	(47)
Share of investments in joint ventures and associates:	**—**	**—**	**—**	**181**
Valuation gains / (losses)	—	—	—	—
Amounts transferred to the income statement	—	—	—	181
Tax effect	**36**	**(21)**	**45**	**(44)**
OTHER COMPREHENSIVE INCOME. ITEMS RECLASSIFIABLE TO INCOME	902	66	992	324
TOTAL OTHER COMPREHENSIVE INCOME	**895**	**69**	**971**	**342**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,235**	**703**	**2,456**	**2,541**
a) Attributable to the parent	1,227	693	2,435	2,511
b) Attributable to non-controlling interests	8	10	21	30

[1] Corresponds to the sum of the following consolidated income statement headings: "*Net income from continuing operations*" and "*Net income from discontinued operations attributable to the parent*".

Notes 1 to 7 are an integral part of the statement of recognized income and expense.

Repsol S.A. and Investees comprising the Repsol Group
Statement of changes in equity corresponding to the interim periods ending September 30, 2019 and 2018

	Equity attributable to the parent and other equity instrument holders							
	Shareholders' equity							
€ Million	Share capital	Share premium and reserves	Treasury shares and own equity investments	Net income for the year attributable to the parent	Other equity instruments	Other cumulative comprehensive income	Non-controlling interests	Equity
Closing balance at 12/31/2017	**1,556**	**25,541**	**(45)**	**2,121**	**1,024**	**(404)**	**270**	**30,063**
Impact of new standards	—	(351)	—	—	—	(5)	—	(356)
Adjusted opening balance	**1,556**	**25,190**	**(45)**	**2,121**	**1,024**	**(409)**	**270**	**29,707**
Total recognized income/(expenses)	**—**	**18**	**—**	**2,171**	**—**	**322**	**30**	**2,541**
Transactions with partners or owners								
Share capital increase/(reduction)	40	(40)	—	—	—	—	—	—
Dividends and shareholder remuneration	—	(100)	—	—	—	—	—	(100)
Transactions with treasury shares and own equity investments (net)	—	(7)	(587)	—	—	—	—	(594)
Increases/(reductions) due to changes in scope	—	—	—	—	—	—	—	—
Other transactions with partners and owners	—	—	—	—	—	—	—	—
Other equity variations								
Transfers between equity-line items	—	2,121	—	(2,121)	—	—	—	—
Subordinated perpetual obligations		(22)	—	—	(10)	—	—	(32)
Other variations	—	1	—	—	—	—	—	1
Closing balance at 09/30/2018	**1,596**	**27,161**	**(632)**	**2,171**	**1,014**	**(87)**	**300**	**31,523**
Total recognized income/(expenses)	**—**	**11**	**—**	**170**	**—**	**248**	**(9)**	**420**
Transactions with partners or owners								
Share capital increase/(reduction)	32	(32)	—	—	—	—	—	—
Dividends and shareholder remuneration	—	(175)	—	—	—	—	(5)	(180)
Transactions with treasury shares and own equity investments (net)	(69)	(1,065)	282	—	—	—	—	(852)
Increases/(reductions) due to changes in scope	—	—	—	—	—	—	—	—
Other transactions with partners and owners	—	—	—	—	—	—	—	—
Other equity variations								
Transfers between equity-line items	—	—	—	—	—	—	—	—
Subordinated perpetual obligations	—	(7)	—	—	10	—	—	3
Other variations	—	1	—	—	—	(1)	—	—
Closing balance at 12/31/2018	**1,559**	**25,894**	**(350)**	**2,341**	**1,024**	**160**	**286**	**30,914**
Impact of new standards (see note 2.2.1)	—	(162)	—	—	—	—	—	(162)
Adjusted opening balance	**1,559**	**25,732**	**(350)**	**2,341**	**1,024**	**160**	**286**	**30,752**
Total recognized income/(expenses)	**—**	**(18)**	**—**	**1,466**	**—**	**987**	**21**	**2,456**
Transactions with partners or owners								**—**
Share capital increase/(reduction)	40	(40)	—	—	—	—	—	—
Dividends and shareholder remuneration	—	(223)	—	—	—	—	(1)	(224)
Transactions with treasury shares and own equity investments (net)	—	19	(1,376)	—	—	—	—	(1,357)
Increases/(reductions) due to changes in scope	—	25	—	—	—	—	(25)	—
Other transactions with partners and owners	—	—	—	—	—	—	—	—
Other equity variations								**—**
Transfers between equity-line items	—	2,341	—	(2,341)	—	—	—	—
Subordinated perpetual obligations	—	(22)	—	—	(10)	—	—	(32)
Other variations	—	8	—	—	—	(3)	—	5
Closing balance at 09/30/2019	**1,599**	**27,822**	**(1,726)**	**1,466**	**1,014**	**1,144**	**281**	**31,600**

Notes 1 to 7 are an integral part of the statement of changes in equity.

Repsol S.A. and Investees comprising the Repsol Group
Statement of cash flows corresponding to the interim periods ending September 30, 2019 and 2018

	€ Million	
	09/30/2019	**09/30/2018**
Income before tax	**2,328**	**3,061**
Adjustments to income:	**1,624**	**1,491**
Amortization and depreciation of non-current assets	1,743	1,581
Other adjustments to net profit/(loss)	(119)	(90)
Changes in working capital	**(294)**	**(1,193)**
Other cash flows from/(used in) operating activities:	**(551)**	**(540)**
Dividends received	213	341
Income tax receivable/(payable)	(638)	(702)
Other proceeds from/(payments for) operating activities	(126)	(179)
CASH FLOWS FROM OPERATING ACTIVITIES	**3,107**	**2,819**
Payments for investments:	**(4,143)**	**(3,546)**
Group companies and associates	(77)	(28)
Property, plant and equipment, intangible assets and investment property	(1,830)	(1,728)
Other financial assets	(2,236)	(1,790)
Proceeds from divestments:	**1,183**	**4,232**
Group companies and associates	16	3,831
Property, plant and equipment, intangible assets and investment property	60	19
Other financial assets	1,107	382
Other cash flows	**61**	**23**
CASH FLOWS FROM INVESTMENT ACTIVITIES	**(2,899)**	**709**
Proceeds from and (payments for) equity instruments:	**(1,224)**	**(844)**
Acquisition	(1,288)	(851)
Disposal	64	7
Proceeds from and (payments for) financial liability instruments:	**580**	**(1,421)**
Issue	11,847	14,047
Return and amortization	(11,267)	(15,468)
Payments on shareholder remuneration and other equity instruments	**(408)**	**(297)**
Other cash flows from financing activities:	**(290)**	**(270)**
Interest payments	(333)	(333)
Other proceeds from/(payments for) financing activities	43	63
CASH FLOWS FROM FINANCING ACTIVITIES	**(1,342)**	**(2,832)**
EXCHANGE RATE FLUCTUATIONS EFFECT	**51**	**4**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,083)**	**700**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**4,786**	**4,601**
CASH AND CASH EQUIVALENTS AT END OF PERIOD:	**3,703**	**5,301**
Cash and banks	2,751	3,445
Other financial assets	952	1,856

Notes 1 to 7 are an integral part of the statement of cash flows.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(1) GENERAL INFORMATION

1.1 About the Repsol Group

Repsol is a group of companies with a presence worldwide and a vision of being a multi-energy efficient, sustainable and competitive company. It performs activities in the hydrocarbon sector throughout its entire value chain (exploration, development and production of crude oil and natural gas, as well as the refining, production, transportation and sale of a wide range of oil and petrochemical products, oil derivatives and natural gas), as well as activities for the generation and sale of electricity[1].

The activities performed by Repsol, S.A. and its investees are subject to far-reaching regulations, contained in Appendix III of the consolidated financial statements for 2018.

1.2 About the interim financial statements

These interim condensed consolidated financial statements of Repsol, S.A. and its investees (hereinafter, "Interim financial statements"), comprising the Repsol Group (hereinafter, “Repsol”, the “Repsol Group” or the “Group”), give a true and fair view of the Group’s equity and financial position at September 30, 2019, as well as the Group's consolidated earnings performance, the changes in net equity and the consolidated cash flows for the nine-month period ending on the above date.

These interim financial statements were approved by the Board of Directors of Repsol, S.A. at its meeting of October 30, 2019 and are available at www.repsol.com.

1.3 Composition of the Group

The Repsol Group prepares its interim financial statements including investments in all its subsidiaries, joint arrangements and associates.

Appendix IA of the consolidated financial statements for 2018 details the main companies that form part of the Repsol Group and that formed part of its scope of consolidation on this date. Appendix I of these interim financial statements contains the main changes in the composition of the Group that have taken place during the first nine months of 2019.

(2) BASIS OF PRESENTATION

2.1 General principles

These interim financial statements have been prepared using the accounting records of the investees that form part of the Group under the International Financial Reporting Standards adopted by the European Union (IFRS-EU) as of September 30, 2019, and, specifically, pursuant to the requirements set out in International Accounting Standard (IAS) 34 *Interim financial information*, in addition to the other provisions of the applicable regulatory framework.

In accordance with the provisions of IAS 34, these interim financial statements are prepared exclusively to update the content of the most recent annual consolidated financial statements published, placing an emphasis on new activities, events and circumstances that have taken place during the first nine months of the year, without duplicating the information published previously in the annual consolidated financial statements for the preceding year. To facilitate the correct understanding of information contained in these interim financial statements and given that they do not contain information required by comprehensive financial statements prepared pursuant to IFRS-EU, they must be read in conjunction with the Repsol Group's 2018 consolidated financial statements, which were approved at the Annual General Meeting of Repsol, S.A. on May 31, 2019 and are available at www.repsol.com.

[1] For further information, see section 2.1 Business Model of the 2018 Management Report, available at www.repsol.com.

These interim financial statements are presented in millions of euros (unless otherwise indicated) and the exchange rates against the euro of the main currencies used by the Group companies at September 30, 2019 and December 31, 2018 were as follows:

	September 30, 2019		December 31, 2018	
	Closing rate	Average rate	Closing rate	Average rate
US dollar	1.09	1.12	1.15	1.18

2.2 Comparative information

2.2.1 Application of new accounting standards

During the first nine months of 2019, different accounting standards have been adopted by the European Union and other accounting standards[2], previously adopted, have started to be applied from January 1, 2019[3], of which IFRS 16 *Leases* and IFRIC 23 *Uncertainty over income tax treatments* should be mentioned, due to their impact on these interim financial statements.

IFRS 16 Leases

Application

IFRS 16 *Leases*[4] was applied under the simplified retrospective option on January 1, 2019, without restating the comparative information in relation to 2018. The impacts of its first-time application have been recognized directly in equity.

The Group has decided to make use of the options envisaged in the standard for lessees, which permits lease liabilities and right-of-use assets corresponding to lease agreements for assets of little value (amount in euros equivalent to USD 5,000) and short-term leases (leases for a period equal to or less than one year) not to be recognized in the balance sheet.

In agreements that contain lease and other components, mainly services, the Repsol Group has separated such components, recognizing solely the lease component pursuant to IFRS 16 and the other component as a performance contract, with the expense recognized on an accrual basis under the terms of the agreement.

A specific review of the inventory of lease agreements classified as operating leases according to the previous standard was carried out, as well as certain service contracts that could be classified as leases according to the new standard. No significant difference has arisen as a result of that analysis.

The Group has calculated the lease liability as the present value of the outstanding payments of the lease agreements in force at the date of initial application and retrospectively calculated the value of the right-of-use asset, only for those agreements with the greatest quantitative significance, having considered the value of the lease liability as the initial value of the corresponding right-of-use asset for the remaining agreements.

The lease term of the agreements was determined as the non-cancellable period of a lease taking into consideration the option to extend or terminate the lease when there is reasonably high probability that this option will be exercised.

With regard to the discount rate used for these calculations, the Group generally used the incremental borrowing rate of the lessee on January 1, 2019, which was determined taking into consideration, among other factors, the term of the agreement, the economic climate of the country and the currency in which it was denominated and, when relevant, the characteristics of the underlying asset. The weighted average discount rate applied to operating lease liabilities recognized at the date on which IFRS 16 was initially applied was 3%.

Lastly, in relation to the recognition of leases in *Joint Operations*, which is very common in oil exploration and production activities, the Group performed a specific analysis of all its contractual obligations and recognized all those arrangements for which it has a contractual obligation with the lessor in the balance sheet, i.e. all those arrangements which: (i) it has

[2] In terms of the information provided in Note 2.2 to the consolidated financial statements for 2018 on the new mandatory standards applicable in the future, the following changes have occurred: i) adoption by the EU of the Amendments to IAS 19 *Employee benefits: plan amendment, curtailment or settlement*; ii) adoption by the EU of the Annual Improvements to IFRSs, 2015-2017 Cycle and iii) issue of the Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7). The Group has not identified any significant impacts as a result of applying these standards.

[3] The standards applied effective January 1, 2019 are: i) IFRS 16 *Leases*; ii) IFRIC 23 *Uncertainty over income tax treatments*; iii) Amendments to IFRS 9 *Prepayment features with negative compensation*; iv) Amendments to IAS 28 *Long-term interests in associates and joint ventures*; v) Amendments to IAS 19 *Employee benefits: plan amendment, curtailment or settlement*; and vi) Annual improvements to IFRSs, 2015-2017 Cycle.

[4] Replaces IAS 17 *Leases*, IFRIC 4 *Determination of whether an arrangement contains a lease*, SIC 15 *Operating leases - Incentives*, and SIC 27 *Evaluation of the substance of the transactions with the legal form of a lease*.

signed in full as operating partner on its own behalf; (ii) it has jointly signed with the other partners in a joint arrangement, in line with its percentage of ownership in the arrangement; or (iii) have been signed by the operating partner on behalf of the consortium or the other partners of the joint arrangement, in line with the terms and percentage of ownership of each partner in the arrangement. With regard to the arrangements signed on its behalf by a third party in the position of operating partner in a joint arrangement, the Group will recognize, as its percentage of ownership in the arrangement, those contracts for which it is determined that a sub-lease exists, considering in this assessment, both the repayment obligation to the operating partner of the costs of the head lease arrangement, and the control by the Group of the right to use the asset identified.

Financial impact

The initial application of IFRS 16 will represent an estimated impact of -€83 million after taxes recognized in "*Retained earnings and other reserves*"(see Note 4.1.2):

	12/31/2018	Adjustment IFRS 16	01/01/2019
Assets for rights of use of the assets [1]	754	1,153	1,907
Investments accounted for using the equity method	7,194	(50)	7,144
Accounts receivable	—	30	30
Current and non-current financial liabilities [2]	(1,624)	(1,351)	(2,975)
Non-current provisions [3]	(4,738)	122	(4,616)
Effect on net assets and liabilities		(96)	
Deferred tax assets and liabilities		13	
Effect on equity		(83)	

[1] In 2018 this included €284 million corresponding to use rights recognized under "Intangible assets".
[2] Includes the finance lease liabilities in accordance with the previous accounting standard, recognized in 2018 under "*Other non-current liabilities*" and "*Trade and other payables*" in the consolidated balance sheet. In 2019, the Group, as a result of the application of IFRS 16, decided to present its lease payables under "*Current financial liabilities*" and "*Non-current financial liabilities*" in the consolidated balance sheet.
[3] The onerousity provision associated with certain operating lease agreements was canceled against the corresponding asset.

The breakdown of and changes in the right-of-use assets that are recognized under "*Property, plant and equipment*" heading is as follows:

€ Million	Machinery and installations [1]	Transport elements [2]	Buildings [3]	Land	Other	Total
Balance at December 31, 2018	**643**	**—**	**—**	**111**	**—**	**754**
First-time application of IFRS 16	805	144	111	73	20	1,153
Balance at January 1, 2019	**1,448**	**144**	**111**	**184**	**20**	**1,907**
Acquisitions	113	110	30	4	1	258
Retirements or removals	(1)	—	(5)	—	—	(6)
Amortizations/Depreciations	(120)	(35)	(22)	(14)	(6)	(197)
Translation differences and other	27	5	4	1	—	37
Balance at September 30, 2019	**1,467**	**224**	**118**	**175**	**15**	**1,999**

[1] Includes service stations, gas pipelines and operation platforms.
[2] Includes vessels and land transport vehicles.
[3] Includes offices and parking facilities.

The reconciliation between the operating lease commitments at December 31 and the liabilities recognized on January 1, 2019 in accordance with IFRS 16 is as follows:

	€ Million
Operating lease commitments as at 31 December 2018	**1,599**
Financial discount on future payments	(225)
Short-term and low-value leases	(23)
Operating lease liability recognized as at 1 January 2019	**1,351**

Other impacts of IFRS 16

The new accounting treatment of leases did not have a significant impact on the Group's net income during the first nine months of 2019. However, other financial aggregates have been affected and, for example, operating income has increased (lower operating expenses) and financial results have decreased (higher finance expenses). The net change in cash has not been altered by the application of IFRS 16, but its classification has: cash flow from operating activities has increased and cash flow from financing activities has decreased, to the same extent.

In relation to the Alternative Performance Measures used by the Group, the application of IFRS 16 has had several effects: i) EBITDA ("*Earnings Before Interest, Tax, Depreciation and Amortization*") has increased as it now includes the expense corresponding to the leases as amortization and finance expense; ii) cash flows from operations have also increased, since from now on they include the cash outflows for leases in flows from financing activities; iii) as of January 1, 2019, the calculation of Net debt, Capital employed and the ROACE ("*Return on average capital employed*") now includes lease liabilities (those recognized in accordance with the previous accounting standard and the new lease liabilities recognized due to the application of IFRS 16); and, to make it easier to monitor the current Strategic Plan and the historic performance of return and debt, the Group also presents these magnitudes excluding the effect of the lease liabilities (criteria followed by the Group up until December 31, 2018).

IFRIC 23[5] Uncertainty over income tax treatments

IFRIC 23 clarifies how to apply the recognition and measurement requirements of IAS 12 *Income taxes* in those circumstances where there is uncertainty. The application of this interpretation has led the Group to reevaluate certain tax liabilities for an additional amount of €79 million. This change is a result of having determined that various uncertain tax treatments, in accordance with the information available and the expectation of resolution of the situation: (i) must be considered jointly instead of individually, and (ii) it is more appropriate to measure the amount of the liability to be recognized in accordance with the expected value instead of the most likely value. This impact was recognized retrospectively, and cumulative as of January 1, 2019, under "*Equity - Retained earnings and other reserves*" in the consolidated balance sheet (see Note 4.1.2).

2.2.2 Accounting estimates and judgments

The preparation of interim financial statements calls for estimates and judgments to be made that affect the measurement of recognized assets and liabilities, the presentation of contingent assets and liabilities, and income and expenses recognized over the period. The results may be significantly affected depending on the estimates made.

These estimates are made on the basis of the best information available, as described in Note 3 "*Accounting estimates and judgments*" to the consolidated financial statements for 2018. In the first nine months of 2019, there were no significant changes in the methodology for making estimates with regard to those made at 2018 year-end.

With regard to the acquisition of the non-regulated low emission electricity production businesses operated by Viesgo, as well as its regulated and non-regulated gas and electricity retail businesses in November 2018, the 12-month period for accounting for the business combination has not yet ended. During the first nine months of the year, the valuation of the assets and liabilities acquired was reviewed and goodwill decreased by €6 million as a result of the higher value assigned to certain assets.

2.2.3 Seasonality

The Group's most seasonal activities are the liquid petroleum gases (LPG) and domestic natural gas businesses, in which activity is stronger in winter and declines in summer in the northern hemisphere, whereas demand for gas for industrial uses is normally more stable throughout the year. On the other hand, electricity demand in Spain is also seasonal to some extent, as it is higher in winter due to the requirements of heating and lighting and in summer for air conditioning.

2.2.4 Earnings per share

In accordance with accounting standards, earnings per share for the third quarter of 2018 and for the interim period ending September 30, 2018 have been restated, as the average number of outstanding shares considered in the calculation should take account of the new number of shares issued after the capital increase carried out as part of the "*Repsol Flexible Dividend*" shareholder remuneration program, described in Note 4.1.2 "*Equity*".

[5] International Financial Reporting Interpretations Committee No. 23

2.3 Information by business segments

Definition of the Group's presentation model and segments

The segment reporting disclosed by the Group in Note 3 is presented in accordance with the disclosure requirements of IFRS 8 *Operating segments*.

With regard to the definition of the Repsol Group's business segments and reporting model, see Note 5 to the consolidated financial statements for 2018.

(3) RESULTS AND MAIN PERFORMANCE INDICATORS[6]

3.1 Results by segment and geographical area

The results by business segment during the first nine months of the year are as follows:

	€ Million	
Income for the period	**09/30/2019**	**09/30/2018**
Upstream	864	1,015
Downstream	1,087	1,098
Corporate and other	(314)	(393)
ADJUSTED NET INCOME	**1,637**	**1,720**
Inventory effect	(60)	269
Special items	(111)	182
NET INCOME	**1,466**	**2,171**

The geographical distribution of the results and other main figures in the first nine months of the year is as follows:

	Cumulative nine months							
	Profit/(loss) from operations		**Adjusted net income**		**Operating investments**		**Capital employed (1)**	
€ Million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Upstream	**1,634**	**1,876**	**864**	**1,015**	**1,514**	**1,423**	**23,084**	**21,503**
Europe, Africa and Brazil	1,005	1,198	460	589	375	316	—	—
Latin America-Caribbean	428	520	299	373	278	219	—	—
North America	85	223	68	172	539	471	—	—
Asia and Russia	277	377	153	216	66	142	—	—
Exploration and other	(161)	(442)	(116)	(335)	256	275	—	—
Downstream	**1,453**	**1,427**	**1,087**	**1,098**	**749**	**560**	**14,033**	**10,927**
Europe	1,425	1,418	1,074	1,082	639	457	—	—
Rest of world	28	9	13	16	110	103	—	—
Corporate and other	**(191)**	**(207)**	**(314)**	**(393)**	**42**	**36**	**2,234**	**1,397**
TOTAL	**2,896**	**3,096**	**1,637**	**1,720**	**2,305**	**2,019**	**39,351**	**33,827**

(1) In 2018 it includes capital employed from continuing operations and in 2019 it includes lease liabilities.

On the same date as these interim financial statements, Repsol published *Information on Q3 2019 Results*, a note which contains a detailed explanation of these results available at www.repsol.com.

6 All information provided in this Note, unless stated otherwise, has been prepared pursuant to the Group's reporting model (see Note 2.3). Some of these figures are classified as Alternative Performance Measures (APMs) in accordance with European Securities and Markets Authority (ESMA) guidelines (for further information, see Appendices II and III and go to www.repsol.com).

3.2 Main figures and performance indicators

Financial indicators [1]	9M 2019	9M 2018
Results		
EBITDA	5,309	5,833
Operating income	2,896	3,096
Adjusted net income	1,637	1,720
Net income	1,466	2,171
Earnings per share (€/share)	0.94	1.31
ROACE (%) [2] [3]	6.4	8.2
ROACE (with leases) (%) [2] [3]	5.9	—
Investments	2,305	2,019
Cash		
Cash flow from operations	4,074	3,351
Free cash flow	1,812	5,200
Cash flow generated	(185)	3,723
Available capital		
Capital employed [2]	35,547	33,827
Capital employed (with leases)	39,351	—
Net debt	3,836	2,304
Net debt (with leases)	7,751	—
Shareholder remuneration		
Shareholder remuneration (€/share) [4]	0.92	0.87

Stock market indicators	9M 2019	9M 2018
Share price at period-end (€/share)	14.3	17.2
Period average share price (€/share)	14.4	15.9
Market capitalization at period-end (€ million)	22,927	27,398

Our business performance [1]	9M 2019	9M 2018
Upstream		
Net daily hydrocarbon production (kboe/d)	702	713
Net daily liquids production (kbbl/d)	252	261
Net daily gas production (kboe/d)	450	452
Average crude oil realization price ($/bbl)	58.1	65.1
Average gas realization price ($/kscf)	3.0	3.3
EBITDA	3,197	3,577
Adjusted net income	864	1,015
Cash flow from operations	2,380	2,376
Investments	1,514	1,423
Downstream		
Distillation utilization Spanish Refining (%)	89.4	92.4
Conversion utilization Spanish Refining (%)	102.9	105.6
Refining margin indicator in Spain ($/Bbl)	4.8	6.9
Oil product sales (kt)	37,372	38,520
Petrochemical product sales (kt)	2,135	1,935
LPG sales (kt)	925	980
Gas sales in North America (TBtu)	436.2	388.8
Electricity generation (GWh)	5,007	—
EBITDA	2,235	2,390
Adjusted net income	1,087	1,098
Cash flow from operations	1,806	986
Investments	749	560

Sustainability indicators	9M 2019	2018
People		
No. of employees [5]	25,705	25,288
New employees [6]	3,205	3,810
Safety and Environment		
Process Safety Incident Rate (PSIR) [7]	0.56	0.47
Total Accident Frequency Rate [8]	1.22	1.59
Annual CO_2 emissions reduction (Mt) [9]	0.15	0.31

Macroeconomic environment	9M 2019	9M 2018
Brent average ($/bbl)	64.6	72.1
WTI average ($/bbl)	57.1	66.8
Henry Hub average ($/MBtu)	2.7	2.9
Pool Eléctrico - OMIE (€/MWh)	49.9	55.4
Exchange rate average ($/€)	1.12	1.19

NOTE: Non-financial figures and operating indicators are not reviewed by the auditor.
(1) Where applicable, figures shown in millions of euros.
(2) Capital employed from continuing operations.
(3) ROACE has been annualized by straight extrapolation from data for the period. It does not include discontinued operations.
(4) Fixed price guaranteed by Repsol for bonus share rights awarded under the "*Repsol Flexible Dividend*" program (see Note 4.1.2).
(5) Number of employees that belong to companies in which Repsol establishes people management policies and guidelines, regardless of the type of contract (fixed, temporary, partially retired, etc.). The figure for 2018 is the annual figure.
(6) Only fixed or temporary employees with no prior working relationship with the Company are treated as new hires. 32% of new employees in 2019 and 40% in 2018 were under permanent contracts.
(7) PSIR (TIER1 + TIER2): *Process safety incident rate.* For further information, see section 6.3 of the 2018 Management Report.
(8) Total frequency rate: total number of cases with personal consequences (fatalities, lost time, medical treatment and restricted work) over the period per million hours worked.
(9) Reduction of CO_2 compared with the basic activities of the industrial complexes in 2010.

(4) MAIN CHANGES IN THE FINANCIAL STATEMENTS

This section outlines the most significant changes affecting the balance sheet and income statement headings in the period.

4.1 Balance sheet

4.1.1 Assets

Non-current assets

The increase in intangible assets is due mainly to investments in the acquisition of exploration licenses and the increase in ownership interest in the US (Golf of Mexico and Alaska) in the *Upstream* segment, the investment in renewable projects in Spain in the *Downstream* segment and computer software in Corporate.

The increase in property, plant and equipment is due mainly to the impact of the first-time application of IFRS 16 (recognition of use rights for leases and, to a lesser extent, reclassification of finance leases from intangible assets) and the translation differences from fluctuations in the $/€ exchange rate. The changes in property, plant and equipment during the period were as follows:

	€ Million					
	09/30/2019			09/30/2018		
	Upstream	Downstream	Corporate	Upstream	Downstream	Corporate
Balance at December 31	15,297	9,571	563	14,918	9,107	575
First-time application IFRS 16 (see Note 2.2.1.) [(1)]	152	1,268	17	—	—	—
Balance at January 1	**15,449**	**10,839**	**580**	**14,918**	**9,107**	**575**
Acquisitions [(2)]	994	538	12	1,139	490	14
Amortization and depreciation	(908)	(690)	(32)	(860)	(518)	(28)
Translation differences	746	85	—	530	47	—
Other	(73)	186	3	(105)	(12)	—
Balance at September 30	**16,208**	**10,958**	**563**	**15,622**	**9,114**	**561**

(1) The *Downstream* segment includes €284 million corresponding to use rights recognized under "Intangible assets" in 2018.
(2) In 2019, this mainly includes investments made in the *Upstream* segment in North America and Norway for €798 million (€936 million in 2018 in North America, Norway and Asia) and in the *Downstream* segment in Refining, Chemicals and Marketing activities for €444 million (€235 million in 2018 in Refining activities).

Investments accounted for using the equity method

Repsol accounts for investments in joint ventures and associates in which it has a stake using the equity method. Note 13 to the consolidated financial statements for 2018 describes the Group's most significant investments[7]. The breakdown of the balance at September 30 is as follows:

	€ Million	
	Carrying amount of investment	
	09/30/2019	**12/31/2018**
Joint ventures	7,561	7,037
Associates	123	157
TOTAL	**7,684**	**7,194**

[7] The most significant investments are as follows: Repsol Sinopec, S.A. (Brazil), YPFB Andina, S.A. (Bolivia), BPRY Caribbean Ventures, LLC. (Trinidad and Tobago), Petroquiriquire, S.A. (Venezuela), Cardón IV, S.A. (Venezuela), Repsol Sinopec Resources UK Ltd. (UK) and Equion Energía Ltd. (Colombia).

The changes in this heading during the period were as follows:

	€ Million	
	09/30/2019	09/30/2018
Balance at December 31	**7,194**	**9,268**
Impact of new standards (see Note 2.2.1)	(50)	
Balance at January 1	**7,144**	**9,268**
Net investments	2	2
Changes in scope of consolidation [(1)]	27	(3,292)
Income from investments accounted for using the equity method [(2)]	269	394
Income from discontinued operations	—	68
Dividends paid out [(3)]	(176)	(460)
Translation differences	319	146
Reclassifications and other movements [(4)]	99	294
Balance at September 30	**7,684**	**6,420**

(1) In 2018, includes mainly the divestment in Naturgy (see Note 4.2 to the consolidated financial statements for 2018).
(2) In 2019, includes mainly RSRUK and RSB.
(3) In 2019, includes mainly RSB.
(4) In 2019 and 2018, includes mainly the reclassification to provisions of the negative value of the equity of Petroquiriquire and Cardón IV.

Financial assets

	€ Million	
	09/30/2019	12/31/2018
Non-current financial assets	1,309	1,103
Non-current trade operation derivatives [(1)]	27	33
Other current financial assets [(2)]	2,620	1,711
Current trade operation derivatives [(3)]	149	241
Cash and cash equivalents	3,703	4,786
Total financial assets	**7,808**	**7,874**

(1) Recognized under "*Other non-current assets*" on the balance sheet.
(2) The variation is explained mainly by the arrangement of deposits during the period.
(3) Recognized under "*Other receivables*" on the balance sheet.

For further details on financial assets, see Appendix II.

4.1.2 Equity

	€ Million	
	09/30/2019	12/31/2018
Shareholders' equity	**30,175**	**30,468**
Share capital	1,599	1,559
Share premium and reserves:	27,822	25,894
Share premium	6,388	6,428
Legal reserve	312	299
Retained earnings and other reserves	21,122	19,342
Dividends and remuneration on account	—	(175)
Treasury shares and own equity investments	(1,726)	(350)
Income for the year attributable to the parent	1,466	2,341
Other equity instruments	1,014	1,024
Other cumulative comprehensive income	**1,144**	**160**
Non-controlling interests	**281**	**286**
TOTAL EQUITY	**31,600**	**30,914**

Capital

On May 31, 2019, the Annual General Meeting approved two capital increases through the issue of bonus shares for the purpose of implementing the "*Repsol Flexible Dividend*" shareholder remuneration program, which replaces the final dividend for 2018 and the interim dividend for 2019, which allows shareholders to choose between taking the dividend in cash (by selling their bonus issue rights to the Company or in the market) or in the Company's shares. The first of these bonus share issues took place in June and July, when 28.31% of the rights holders accepted the binding purchase commitment.

After the capital increase, the share capital of Repsol, S.A. registered at September 30, 2019 stood at €1,598,791,040, fully subscribed and paid up, and represented by 1,598,791,040 shares of €1 par value each.

In accordance with the most recent information available, Repsol, S.A.'s significant shareholders are as follows:

	% of voting rights attributed to shares			
Significant shareholders	Direct	Indirect	% of voting rights through financial instruments	% of total voting rights
Sacyr, S.A.[(1)]	—	7.675	—	7.675
BlackRock, Inc. [(2)]	—	4.562	0.446	5.008

(1) Sacyr, S.A. holds its stake through Sacyr Investments II, S.A., Sacyr Investments S.A. and Sacyr Securities, S.A.
(2) BlackRock, Inc. holds its stake through a number of controlled entities.

Shareholder remuneration

The following table breaks down the remuneration received by Repsol, S.A.'s shareholders during the nine-month period ending in September 30, 2019 through the "*Repsol Flexible Dividend*" program:

	No. bonus issue rights sold to Repsol	Price of purchase commitment (€/right)	Cash payout (millions of euros)	New shares issued	Remuneration in shares (millions of euros)
December 2018/January 2019	425,542,521	0.411	175	31,481,529	453
June/July 2019	441,300,729	0.505	223	39,913,458	564

At the Annual General Meeting held on May 31, the shareholders approved a share capital reduction through the retirement of treasury shares, aimed at offsetting the dilutive effect of the capital increases through the issue of bonus shares carried out in 2019, as described in the table above. This capital reduction is expected to be carried out through the retirement of the treasury shares held at the date of the Board of Directors meeting of March 27, 2019 and the shares acquired through the share repurchase program that began on August 30, and, where applicable, through the settlement of derivatives arranged prior to March 27, 2019.

In addition, on July 24, 2019, the Board of Directors agreed to submit for approval at the next Annual General Meeting a proposal for a capital reduction equal to 5% of the share capital at December 31, 2018, through the redemption of treasury shares. This proposed capital reduction is independent from that which may be submitted at the next Annual General Meeting within the context of shareholder remuneration under the "*Repsol Flexible Dividend*" program.

Treasury shares and own equity investments

The main transactions undertaken by the Repsol Group involving treasury shares were as follows:

	No. of shares	**Amount (€M)**	**% capital**
Balance at 12/31/2018	**24,157,554**	**350**	**1.51%**
Market purchases [(1)]	127,924,845	1,851	8.00%
Market sales [(1)]	(32,220,786)	(475)	2.02%
Repsol Flexible Dividend [(2)]	255,403	—	0.02%
Balance at 09/30/2019 [(3)]	**120,117,016**	**1,726**	**7.51%**

(1) Includes any shares acquired and distributed (where applicable) under the scope of the Share Acquisition Plan and the share purchase plans aimed at beneficiaries of the multi-year variable remuneration programs (for more information, see Note 29 to the consolidated financial statements for 2018). In 2019, 538,886 shares have been distributed in accordance with the terms of the plans.
(2) New shares received in the capital increases through the issue of bonus shares under the "*Repsol Flexible Dividend*" program, corresponding to treasury shares.
(3) The balance at September 30, 2019 includes derivatives arranged by Repsol, S.A. with financial institutions for a total notional amount of 80 million shares in Repsol, S.A.

4.1.3 Liabilities

Financial liabilities

	€ Million	
	09/30/2019	**12/31/2018**
Non-current financial liabilities (1)	11,770	10,818
Non-current trade operation derivatives (2)	16	18
Current financial liabilities (1)	6,171	4,486
Current trade operation derivatives (3)	326	250
Total financial liabilities	**18,283**	**15,572**

(1) This change is due mainly to the application of IFRS 16 (see Note 2.2.1), the commitments acquired to purchase treasury shares through the derivatives described in the previous section, the cancellation and issue of bonds ,and the reclassification of bonds maturing in 12 months or less between the two headings.
(2) Recognized under "*Other non-current liabilities*" on the balance sheet.
(3) Recognized under "*Trade and other payables*" on the balance sheet.

During the first nine months of 2019, the main transactions involving debentures and other marketable debt securities are:

- In February the bond issued by Repsol International Finance B.V. (RIF) in January 2012 as part of the European Medium Term Notes (EMTN) Program was repaid upon maturity for a nominal amount of €1,000 million, with a fixed annual coupon of 4.875%.
- In July, a bond issued by RIF in July 2016 for a nominal amount of €100 million, with a fixed annual coupon of 0.125%, was redeemed at maturity as part of the EMTN Program.
- In August, RIF issued bonds underwritten by Repsol, S.A., as part of the EMTN Program, for an amount of €750 million, with a fixed annual coupon of 0.25% and maturing in August 2027.

The outstanding balance of the debentures and marketable debt securities at September 30 is as follows:

ISIN	Issuer	Date of issue	Currency	Nominal amount (millions)	Average rate %	Maturity	Listed (5)
US87425EAE32 (3)	Repsol Oil & Gas Canada Inc.	Oct-97	US dollar	50	7.250%	Oct-27	-
US87425EAH62 (3)	Repsol Oil & Gas Canada Inc.	May-05	US dollar	88	5.750%	May-35	-
US87425EAJ29 (3)	Repsol Oil & Gas Canada Inc.	Jan-06	US dollar	102	5.850%	Feb-37	-
US87425EAK91 (3)	Repsol Oil & Gas Canada Inc.	Nov-06	US dollar	115	6.250%	Feb-38	-
US87425EAN31 (3)	Repsol Oil & Gas Canada Inc.	May-12	US dollar	57	5.500%	May-42	-
XS0933604943 (1)	Repsol International Finance, B.V.	May-13	Euro	1,200	2.625%	May-20	LuxSE
XS0975256685 (1)	Repsol International Finance, B.V.	Oct-13	Euro	1,000	3.625%	Oct-21	LuxSE
XS1148073205 (1)	Repsol International Finance, B.V.	Dec-14	Euro	500	2.250%	Dec-26	LuxSE
XS1207058733 (2)	Repsol International Finance, B.V.	Mar-15	Euro	1,000	4.500% (4)	Mar-75	LuxSE
XS1334225361 (1)	Repsol International Finance, B.V.	Dec-15	Euro	600	2.125%	Dec-20	LuxSE
XS1352121724 (1)	Repsol International Finance, B.V.	Jan-16	Euro	100	5.375%	Jan-31	LuxSE
XS1613140489 (1)	Repsol International Finance, B.V.	May-17	Euro	500	5.000%	May-22	LuxSE
XS2035620710 (1)	Repsol International Finance, B.V.	Ago-19	Euro	750	0.250%	Ago-27	LuxSE

Note: Does not include the subordinated perpetual bond issued by RIF on March 25, 2015 in the amount of €1,000 million, which qualifies as an equity instrument (see Note 7.4 to the consolidated financial statements for 2018).
(1) Issues made under the EMTN Program and guaranteed by Repsol, S.A.
(2) Subordinated bond issued by RIF and guaranteed by Repsol, S.A. This issue does not correspond to any open-ended or shelf program.
(3) Repsol Oil & Gas Canada, Inc. issues guaranteed by Repsol, S.A.
(4) Coupon scheduled for reset on March 25, 2025 and March 25, 2045.
(5) LuxSE (Luxembourg Stock Exchange). Multilateral trading systems or other trading centers or non-official OTC markets are not considered.

Furthermore, RIF runs a Euro Commercial Paper (ECP) Program, guaranteed by Repsol, S.A., with a limit of €2,000 million. Under this program, issues and liquidations were carried out over the course of the period, with an outstanding balance at September 30, 2019 of €1,984 million.

For further details on financial liabilities, see Appendix II.

4.2 Income statement

On the same date as these interim financial statements, Repsol published *Information on Q3 2019 Results*, a note that contains a detailed explanation of these results and other performance magnitudes, available at www.repsol.com.

4.2.1 Operating income

In 2019, revenue from ordinary activities ("*Sales*" and "*Income from services rendered*") corresponding to *Upstream* activities amounted to €3,482 million, while business from the *Downstream* segment amounted to €35,066 million (€3,814 million and €34,404 million, respectively in the same period of 2018). The increase in income is due mainly to the contribution of the new Electricity and Gas businesses in Spain and the international expansion of the Mobility business in Mexico in the *Downstream* segment. The distribution of this income by country in the first nine months of 2019 is as follows:

€ Million	09/30/2019	09/30/2018
Spain	19,527	18,429
United States	2,363	2,436
Peru	2,132	2,148
Portugal	1,958	2,006
Other	11,125	11,753
Total (1)	**37,105**	**36,772**

(1) The distribution by geographical area has been drawn up based on the markets to which the sales or services rendered are designated.

4.2.2 Operating expenses

The increased cost of "*Supplies*" in 2019 reflects the inclusion of the Electricity and Gas businesses, and the Mobility business in Mexico, as well as new gas marketing activities. The increase in "*Amortization and depreciation of non-current assets*" and the decrease in "*Other operating expenses*" relate mainly to the new accounting treatment of leases in accordance with IFRS 16. Furthermore, the higher costs of "*Transport and freights*" reflect the increase in prices for chartering vessels.

4.2.3 Financial results

The financial results deteriorated mainly due to the comparison with the significant earnings obtained in 2018 as a result of occasional positions in US dollars against the background of positive trends in the exchange rate, mitigated by the absence in 2019 of impairment losses on financial instruments (in 2018 the financial assets exposed to risks in Venezuela became impaired).

4.2.4 Income tax

The effective tax rate[8] applicable to income from continuing operations (before tax and before considering the profit/(loss) of entities accounted for using the equity method) was 41%. This rate is lower than that applied in the same period in 2018 (48%) mainly as a result of the mix of results by country and business, taxed at different nominal rates.

4.2.5 Net income from discontinued operations

In the first nine months of 2018, "*Net income from discontinued operations*", net of taxes, included the results of the disposal of the holding in Naturgy (€344 million), as well as the profit generated by Naturgy until February 22, 2018, when it was reclassified as held for sale, for an amount of €68 million.

[8] To estimate the income tax accrued for interim periods, the estimated annual effective tax rate is applied. However, the tax effects resulting from one-off events of transactions in the period are considered as an integral part thereof.

4.2.6 Earnings per share

Earnings per share in the first nine months of 2019 and 2018 are detailed below:

EARNINGS PER SHARE	09/30/2019	09/30/2018
Net income attributable to the parent (€ million)	1,466	2,171
Adjustment to interest expense on subordinated perpetual obligations (€ million)	(22)	(22)
Weighted average number of shares outstanding at September 30 (millions of shares) [1]	1,530	1,646
Basic and diluted earnings per share (euros/share)	**0.94**	**1.31**

[1] The share capital recognized at September 30, 2018 came to 1,596,173,736 shares, although the weighted average number of outstanding shares for the purposes of calculating earnings per share includes the effect of capital increases undertaken as part of the "*Repsol Flexible Dividend*" shareholder remuneration program, as per the applicable accounting regulations (see Note 2.2 "*Comparative information*").

(5) RISKS

5.1 Disputes

The information provided in this section updates the following matters set out in Note 14.2 to the consolidated financial statements for 2018:

United States of America (The Passaic River / Newark Bay lawsuit)

On September 14, 2018, Maxus Energy Corporation (Maxus) (assuming right of ownership of the claim on behalf of Occidental Chemical Corporation (OCC)) and OCC submitted an appeal against their respective adverse rulings. On June 14, 2018, the Maxus Bankruptcy Administration filed a lawsuit (New Claim) in the United States Bankruptcy Court for the District of Delaware against YPF, Repsol and certain subsidiaries of both companies for the same claims as those contained in the Cross Claim. On October 19, 2018, Repsol filed the Motion to Dismiss. On February 15, 2019, the United States Bankruptcy Court rejected the Motion to Dismiss and on February 25, 2019 the United States Bankruptcy Court rejected the Motion to Abstain filed by Repsol.

Repsol maintains the view, as has been shown in the Cross Claim, that the claims made in the New Claim are unfounded.

5.2 Government and legal proceedings with tax implications

The information provided in this section updates the following matters set out in Note 23.4 to the consolidated financial statements for 2018:

Spain

The inspection of the 2014-2016 period, which began in 2017, is expected to finish in the last quarter of 2019, and is not expected to result in liabilities with a significant impact on the Group's results. Penalty proceedings are not expected to be launched, but the disputes linked to the deduction of losses on investments abroad are expected to continue.

5.3 Geopolitical risks

The information in this section updates the content of Note 20.3 to the consolidated financial statements for 2018.

Venezuela

The economic and social crisis continues after the swearing in of the president of the National Assembly, Juan Guaidó, as interim president of Venezuela on January 23, 2019.

In the first nine months of the year, the currency depreciated greatly against the euro (€22,621/BsS compared to €730/BsS at December 31, 2018, SIMECA exchange rate), with no significant impact on the Group's financial statements.

In 2019 new sanctions against Venezuela were adopted. Particularly worthy of note is the sanction imposed by the US on January 28, 2019 against PdVSA, thus including it on the "Specially Designated Nationals and Blocked Persons List" ("SDN List"). On April

17, 2019 the US also included the Central Bank of Venezuela on the SDN List. This means that "US Persons"[9] are prohibited from carrying out operations with PdVSA, the Central Bank of Venezuela and/or any of the companies controlled by them (stake equal to or greater than 50%) and are required to block their assets. Lastly, on August 5, 2019, the US issued the executive order for "Blocking Property of the Venezuelan government", whereby "US Persons" were ordered to freeze all assets of the Venezuelan government and of any person that is owned or controlled by or acts on behalf of the Venezuelan government that are held thereby or are within US territory. The US has granted certain time limits to facilitate the orderly termination of operations through the granting of several general licenses. Repsol has taken the measures necessary to continue its activities in Venezuela, which include regularly receiving crude oil in payment of debts, in full compliance with international regulations on sanctions and continuously monitors any changes therein and, therefore, any potential effects they may have on these activities. These measures did not have any significant impact on the Group.

At the end of the period, Repsol's equity exposure[10] of Repsol in Venezuela amounted to €351 million.

Libya

The uncertainty regarding Libya's political future continues following the clashes for control over Tripoli between General Haftar's Libyan National Army (LNA) and the forces loyal to the GNA (the official government established in Tripoli and backed by the United Nations). The deterioration in the security situation continues to affect the prospects of its oil industry, though the country has currently recovered part of its oil production and exports.

Repsol's equity exposure in Libya at September 30, 2019 amounted to €328 million.

Algeria

The social protests that began on February 22, 2019 have led to the resignation of President Abdelaziz Buteflika. Given the peaceful nature of most of these protests so far, they are not expected to have a significant impact at the operational level on the activities of the oil and gas industry, beyond a slowdown in the decision-making process, as a result of the current transition period and the institutional reorganization that will probably take place following the elections called for December 12, 2019.

The Group's equity exposure in the country at September 30, 2019 amounted to €819 million.

Vietnam

Repsol owns mineral rights on thirteen blocks in Vietnam, distributed in six production-sharing contracts (PSC): one in production over a net area of 152 km^2 (Thang Long JOC), one under development over 1,236 km^2 (Ca Rong Do), and four in exploration over a net surface area of 72,248 km^2 (among them Blocks 135-136/03). Repsol's equity exposure in Vietnam at September 30, 2019 came to some €961 million, and there are additional commitments relating to the investment in these areas.

In March 22, 2018 Repsol received instructions from PetroVietnam to refrain from performing the programmed activities as part of the Ca Rong Do development project, located in the South China Sea, for the time being. On the other hand, in July 2017, PetroVietnam instructed Repsol to stop CKN-1X drilling activities in exploratory blocks 135-136/03, also located in the South China Sea. The duration of the suspension of activity has yet to be determined, and the Group is working with PetroVietnam to find actions that can be taken to satisfy the interests of both parties, allowing them to reach an amicable solution to the conflict. In any case, Repsol has initiated arbitration proceedings in defense of its rights and considers that it has both strong legal arguments for compensation for the damages that might arise from this situation and good prospects of success in any claim or in recovering its losses.

BREXIT

After the Parliament of the United Kingdom rejected the first withdrawal agreement reached between its government and the European Union (EU), an extension was granted to the process carried out pursuant to Article 50 until October 31. On October 16, a new agreement was reached between the United Kingdom and the EU (ratified by the European Council on October 17), the implementation of which prior to October 31 was rejected by the British Parliament. This led the EU to grant the United Kingdom a new extension of an additional three months, until January 31, 2020. This is a flexible extension

[9] "US Persons" will be understood as any US citizen or permanent foreign resident (green card holders), regardless of where they are located; companies organized under the laws of the US (including branches located abroad and any company controlled by a "US Person"); and any person that is physically located in US territory.

[10] Equity exposure relates to the net consolidated assets exposed to risks specific to the countries for which they are reported.

that will allow the United Kingdom to move forward with its withdrawal from the EU if Parliament ratifies the withdrawal agreement prior to the aforementioned date.

The European Union Emission Trade System (EU ETS) is being affected by BREXIT, due to the fact that the European Commission decided to suspend any free allocation of benefits involving the United Kingdom. The economic impact of this is still unknown.

With regard to the extraction, transport and sale of hydrocarbons, no substantial changes are expected, as the British government has always had sovereignty and control over the key aspects for the sector, such as the licensing of mineral concessions and the tax framework for the activities of oil companies. The messages received by the sector during the Brexit process is one of regulatory stability.

The Group's exposure in the United Kingdom is limited mainly to its stake in Repsol Sinopec Resources UK Limited (RSRUK), which operates a mature business engaging in hydrocarbon exploration and production activities and whose functional currency is the US dollar, meaning that even under the most extreme Brexit scenarios no significant risks have been detected.

(6) OTHER INFORMATION

Corporate governance

The Annual General Meeting, held on May 31, 2019, approved the re-election of Antonio Brufau Niubó, Josu Jon Imaz San Miguel, José Manuel Loureda Mantiñán and John Robinson West as directors, the ratification of the appointment by co-option and re-election of Henri Philippe Reichstul as director, as well as the appointment of Aránzazu Estefanía Larrañaga and María Teresa García-Milà Lloveras as independent non-executive directors, all of them for the four-year term stipulated in the bylaws. It also approved a decrease in the number of Board members to fifteen.

In addition, the Board of Directors appointed Mariano Marzo Carpio as Lead Independent Director.

Contractual commitments

In 2018, Repsol signed an agreement with US firm Venture Global LNG to supply approximately one million tons per year of liquefied natural gas (LNG) for 20 years from the Calcasieu Pass export facility in Cameron Parish, Louisiana. The gas will be allocated to the supply of the industrial complexes in Spain, as well as its sale. This agreement is subject to Venture Global LNG's final decision with regard to investing in this facility and to compliance with various administrative milestones with the relevant authorities (Department of Energy and Federal Energy Regulatory Commission), obtained in the third quarter of 2019. The price of this supply contract is linked to the Henry Hub.

Information on related party transactions

No new relevant transactions took place during the period outside the ordinary course of business.

Subsequent events

No significant events have taken place since the reporting date.

(7) EXPLANATION ADDED FOR THE TRANSLATION INTO ENGLISH

These interim consolidated financial statements are prepared on the basis of IFRSs, as endorsed by the European Union, and Article 12 of Royal Decree 1362/2007. Consequently, certain accounting principles applied by the Group may not conform to other generally accepted accounting principles in other countries.

APPENDIX I. MAIN CHANGES IN THE COMPOSITION OF THE GROUP

The companies that comprise the Repsol Group are set out in Appendix I of the 2018 consolidated financial statements. The main changes in the composition of the Group during the first nine months of 2019 are as follows:

a) Business combinations, other acquisitions and acquisitions of interest in subsidiaries, joint ventures and/or associates:

					09/30/2019		
Name	**Country**	**Parent**	**Item**	**Date**	**Method of consolidation (1)**	**% of voting rights acquired**	**% of total voting rights following the acquisition(2)**
Agrícola Comercial del Valle de Santo Domingo, S.A.	Mexico	Repsol Downstream Internacional, S.A.	Acquisition	January 2019	E.M.	20.00%	20.00%
Autoservicio Sargento, S.A. de C.V.	Mexico	Repsol Downstream Internacional, S.A.	Acquisition	January 2019	E.M.	50.00%	50.00%
Combustibles Sureños, S.A. de C.V.	Mexico	Repsol Downstream Internacional, S.A.	Acquisition	January 2019	E.M.	50.00%	50.00%
Estación de Servicio Bahía Asunción, S.A. de C.V.	Mexico	Repsol Downstream Internacional, S.A.	Acquisition	January 2019	E.M.	50.00%	50.00%
Gutsa Servicios, S.A. de C.V.	Mexico	Repsol Downstream Internacional, S.A.	Acquisition	January 2019	E.M.	50.00%	50.00%
Palmira Market, S.A. de C.V.	Mexico	Repsol Downstream Internacional, S.A.	Acquisition	January 2019	E.M.	50.00%	50.00%
Repsol Mar de Cortés, S.A. de C.V.	Mexico	Repsol Downstream Internacional, S.A.	Acquisition	January 2019	E.M.	50.00%	50.00%
Repsol Mar de Cortés Estaciones de Servicio, S.A. de C.V.	Mexico	Repsol Downstream Internacional, S.A.	Acquisition	January 2019	E.M.	50.00%	50.00%
Sorbwater Technology, A.S.	Norway	Repsol Energy Ventures, S.A.	Increase in interest	January 2019	E.M.	9.35%	20.64%
Begas Motor S.L.	Spain	Repsol Energy Ventures, S.A.	Acquisition	February 2019	E.M.	36.19%	36.19%
Ampere Power Energy S.L.	Spain	Repsol Energy Ventures, S.A.	Acquisition	February 2019	E.M.	7.89%	7.89%
Refinería La Pampilla, S.A.A.	Peru	Repsol Perú B.V.	Increase in interest	March 2019	F.C.	10.04%	92.42%
Arco Energía 1, S.L.U.	Spain	Repsol Electricidad y Gas, S.A. (3)	Acquisition	June 2019	F.C.	100.00%	100.00%
Arco Energía 2, S.L.U.	Spain	Repsol Electricidad y Gas, S.A. (3)	Acquisition	June 2019	F.C.	100.00%	100.00%
Arco Energía 3, S.L.U.	Spain	Repsol Electricidad y Gas, S.A. (3)	Acquisition	June 2019	F.C.	100.00%	100.00%
Arco Energía 4, S.L.U.	Spain	Repsol Electricidad y Gas, S.A. (3)	Acquisition	June 2019	F.C.	100.00%	100.00%
Arco Energía 5, S.L.U.	Spain	Repsol Electricidad y Gas, S.A. (3)	Acquisition	June 2019	F.C.	100.00%	100.00%
Iberen Renovables, S.A.	Spain	Repsol Electricidad y Gas, S.A. (3)	Acquisition	June 2019	F.C.	100.00%	100.00%
Renovacyl, S.A.	Spain	Iberen Renovables, S.A.	Acquisition	June 2019	F.C.	100.00%	100.00%
Desarrollo Eólico Las Majas VII, S.L.	Spain	Repsol Electricidad y Gas, S.A. (3)	Acquisition	June 2019	F.C.	100.00%	100.00%
Fuerzas Energéticas del Sur de Europa XI, S.L.	Spain	Repsol Electricidad y Gas, S.A. (3)	Acquisition	June 2019	F.C.	100.00%	100.00%
Fuerzas Energéticas del Sur de Europa XII, S.L.	Spain	Repsol Electricidad y Gas, S.A. (3)	Acquisition	June 2019	F.C.	100.00%	100.00%
Fuerzas Energéticas del Sur de Europa V, S.L.	Spain	Repsol Electricidad y Gas, S.A. (3)	Acquisition	June 2019	F.C.	100.00%	100.00%
Fuerzas Energéticas del Sur de Europa VI, S.L.	Spain	Repsol Electricidad y Gas, S.A. (3)	Acquisition	June 2019	F.C.	100.00%	100.00%
Alectoris Energía Sostenible 1, S.L.	Spain	Repsol Electricidad y Gas, S.A. (3)	Acquisition	June 2019	F.C.	100.00%	100.00%
Alectoris Energía Sostenible 3, S.L.	Spain	Repsol Electricidad y Gas, S.A. (3)	Acquisition	June 2019	F.C.	100.00%	100.00%
Generación Eólica El Vedado, S.L.	Spain	Repsol Electricidad y Gas, S.A. (3)	Acquisition	June 2019	F.C.	100.00%	100.00%
Repsol Greece Ionian, S.L.	Spain	Repsol Exploración, S.A.	Incorporation	June 2019	F.C.	100.00%	100.00%
Finboot Ltd.	United Kingdom	Repsol Energy Ventures S.A.	Acquisition	July 2019	E.M.	8.34%	8.34%
Repsol Exploración Aru S.L	Spain	Repsol Exploración, S.A.	Incorporation	July 2019	F.C.	100.00%	100.00%
Repsol Exploracion West Papúa IV S.L	Spain	Repsol Exploración, S.A.	Incorporation	July 2019	F.C.	100.00%	100.00%
Bios Avanzados Tratados del Mediterráneo, S.L	España	Repsol Petróleo, S.A.	Incorporation	July 2019	F.C.	100.00%	100.00%
Belmont Technology Inc.	España	Repsol Energy Ventures, S.A.	Incorporation	August 2019	E.M.	11.18%	11.18%
Repsol Renovables, S.L.U	España	Repsol Electricidad y Gas, S.A. (3)	Incorporation	September 2019	F.C.	100.00%	100.00%

(1) Method of consolidation:
F.C.: Full consolidation.
E.M.: Equity method. Joint ventures are identified as "JV"

(2) Corresponds to the percentage of equity in the acquired company.

(3) Company formerly known as Repsol Nuevas Energías, S.A. The company's name was changed on September 25, 2019.

b) Reduction in interest in subsidiaries, joint ventures, and/or associates and other similar transactions:

					09/30/2019			
Name	**Country**	**Parent**	**Item**	**Date**	**Method of consolidation** (1)	**% of voting rights disposed or derecognized**	**% of voting rights in entity following disposal**	**Profit / (Loss) generated (Millions of euros)**
Repsol Energy Canada, Ltd.	Canada	Repsol Exploración, S.A.	Absorption	January 2019	F.C.	100.00%	—	—
TEGSI (UK) Limited	United Kingdom	TE Holding S.ar.l.	Liquidation	January 2019	F.C.	100.00%	—	—
Gastream México, S.A. de C.V.	Mexico	Repsol, S.A.	Liquidation	February 2019	F.C.	100.00%	—	—
Talisman South Mandar B.V.	The Netherlands	Talisman International Holdings B.V.	Liquidation	February 2019	F.C.	100.00%	—	—
Talisman Sadang B.V.	The Netherlands	Talisman International Holdings B.V.	Liquidation	February 2019	F.C.	100.00%	—	—
Repsol Exploración Cendrawasih II, B.V.	The Netherlands	Repsol Exploración S.A.	Liquidation	April 2019	F.C.	100.00%	—	—
Begas Motor, S.L.	Spain	Repsol Energy Ventures, S.A.	Decrease in interest	April 2019	E.M.	8.26%	27.93%	—
Repsol Exploración Liberia, B.V.	The Netherlands	Repsol Exploración, S.A.	Liquidation	June 2019	F.C.	100.00%	—	—
Repsol Exploración Liberia LB-10, B.V.	The Netherlands	Repsol Exploración, S.A.	Liquidation	June 2019	F.C.	100.00%	—	—
TV 05-2/10 Holding B.V.	The Netherlands	Talisman International Holdings B.V.	Liquidation	August 2019	F.C.	100.00%	—	—
CSJC Eurotek - Yugra	Rusia	Repsol Exploración Karabashsky, B.V.	Decrease in interest	August 2019	E.M. (JV)	0.35%	71.16%	1
Talisman (Block K 44), B.V.	Iraq	Repsol Exploración, S.A.	Liquidation	September 2019	F.C.	100.00%	—	—
Repsol Company of Portugal, Ltd.	Portugal	Repsol, S.A.	Absorption	September 2019	F.C.	100.00%	—	—

(1) Method of consolidation:
F.C.: Full consolidation.
E.M.: Equity method. Joint ventures are identified as "JV".

APPENDIX II. OTHER DETAILED INFORMATION

Financial instruments

Financial assets

The breakdown of the Group's financial assets, classified by asset type, is as follows:

	September 30, 2019 and December 31, 2018							
	At fair value through profit or loss		At fair value through other comprehensive income		At amortized cost [4]		**Total**	
€ Million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Equity instruments [1]	24	24	106	105	—	—	130	129
Derivatives [2]	21	33	6	—	—	—	27	33
Loans	—	—	—	—	964	921	964	921
Time deposits	—	—	—	—	150	—	150	—
Other financial assets	43	53	—	—	22	—	65	53
Non-current	**88**	**110**	**112**	**105**	**1,136**	**921**	**1,336**	**1,136**
Derivatives [2]	262	308	2	10	—	—	264	318
Loans	—	—	—	—	104	174	104	174
Time deposits	—	—	—	—	2,390	1,455	2,390	1,455
Cash and cash equivalents	9	9	—	—	3,694	4,777	3,703	4,786
Other financial assets	2	3	—	—	9	2	11	5
Current	**273**	**320**	**2**	**10**	**6,197**	**6,408**	**6,472**	**6,738**
TOTAL [3]	**361**	**430**	**114**	**115**	**7,333**	**7,329**	**7,808**	**7,874**

[1] Includes non-controlling financial investments in certain companies over which it does not have management influence.
[2] Includes current hedging derivatives amounting to €2 million (€10 million in 2018), and non-current hedging derivatives amounting to €6 million.
[3] Does not include "*Other non-current assets*" and "*Trade and other receivables*" in the consolidated balance sheet, which at September 30, 2019 and December 31, 2018 amounted €741 million and €668 million classified as non-current and €5,679 million and €5,864 million classified as current, respectively, corresponding to trade receivables not included in the previous table net of the corresponding provisions for impairment.
[4] Items that do not bear explicit interest are recognized at their nominal value whenever the effect of not discounting the related cash flows is not significant.

Financial liabilities

The breakdown of the Group's financial liabilities, classified by liability type, is as follows:

	September 30, 2019 and December 31, 2018							
	At fair value [2]		At amortized cost		Total		Fair value	
€ Million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Bonds and obligations	—	—	4,809	5,243	4,809	5,243	5,228	5,493
Loans	—	—	3,005	2,789	3,005	2,789	3,005	2,789
Lease liabilities	—	—	2,754	1,426	2,754	1,426	n/a	n/a
Bank borrowings	—	—	1,022	1,208	1,022	1,208	1,110	1,161
Derivatives [1]	97	74	—	—	97	74	97	74
Other financial liabilities	—	—	99	96	99	96	92	97
Non-current	**97**	**74**	**11,689**	**10,762**	**11,786**	**10,836**	**9,532**	**9,614**
Bonds and obligations	—	—	3,283	2,855	3,283	2,855	3,305	2,862
Loans	—	—	918	660	918	660	918	660
Lease liabilities	—	—	419	197	419	197	n/a	n/a
Bank borrowings	—	—	1,501	704	1,501	704	1,501	704
Derivatives [1]	345	300	—	—	345	300	345	300
Other financial liabilities	—	—	31	20	31	20	31	20
Current	**345**	**300**	**6,152**	**4,436**	**6,497**	**4,736**	**6,100**	**4,546**
TOTAL	**442**	**374**	**17,841**	**15,198**	**18,283**	**15,572**	**15,632**	**14,160**

[1] In 2019, includes non-current and current hedging derivatives amounting to €82 million and €4 million, respectively (€56 million and €1 million in 2018).
[2] "*Fair value of financial instruments*", detailed in the following section, sets out the classification of financial instruments according to their level in the fair value hierarchy.

Fair value of financial instruments

The classification of the financial instruments recognized in the interim financial statements at their fair value at September 30, 2019 and December 31, 2018, is as follows:

€ Million	September 30, 2019 and December 31, 2018							
	Level 1		Level 2		Level 3		**Total**	
Financial assets	2019	2018	2019	2018	2019	2018	**2019**	**2018**
At fair value through profit or loss	154	204	183	202	24	24	361	430
At fair value through other comprehensive income	1	—	7	10	106	105	114	115
Total	**155**	**204**	**190**	**212**	**130**	**129**	**475**	**545**

	Level 1		Level 2		Level 3		**Total**	
Financial liabilities	2019	2018	2019	2018	2019	2018	**2019**	**2018**
At fair value [(1)]	270	223	172	151	—	—	442	374
Total	**270**	**223**	**172**	**151**	**—**	**—**	**442**	**374**

[(1)] Includes level 2 hedging derivatives amounting to €86 million.

Financial instruments recognized at fair value are classified under the different fair value hierarchies, which, along with the valuation techniques used, are described in Note 8.3 to the consolidated financial statements for 2018.

Segment reporting

Revenue from ordinary activities between customers and inter-segment revenue is broken down below:

	Millions of euros					
	Customers		**Inter-segment**		**Total**	
Segments	**09/30/2019**	**09/30/2018**	**09/30/2019**	**09/30/2018**	**09/30/2019**	**09/30/2018**
Upstream	3,785	4,341	1,391	1,343	5,176	5,684
Downstream	35,334	34,323	53	102	35,387	34,425
Corporate	1	—	—	—	1	—
(-) Inter-segment revenue adjustments and eliminations	—	(1)	(1,444)	(1,445)	(1,444)	(1,446)
TOTAL	**39,120**	**38,663**	**—**	**—**	**39,120**	**38,663**

The reconciliation of other figures shown in Note 3.1 with those in IFRS-EU during the first nine months of 2019 and 2018 is as follows:

	Millions of euros	
	09/30/2019	**09/30/2018**
Income from continuing operations [(1)]	**39,120**	**38,663**
Adjustments		
Upstream	(1,694)	(1,870)
Downstream	(321)	(21)
Income from continuing operations IFRS-EU [(2)]	**37,105**	**36,772**
Operating income [(1)]	**2,896**	**3,096**
Adjustments		
Upstream	(503)	(619)
Downstream	(141)	350
Corporate	(21)	(96)
Operating income IFRS-EU	**2,231**	**2,731**
Capital employed from continuing operations [(1)]	**39,351**	**33,827**
Adjustments		
Upstream	2,568	2,034
Downstream	56	17
Capital employed	**41,975**	**35,878**

[(1)] Figures drawn up according to the Group's reporting model described in Note 2.3 "*Information by business segment*".
[(2)] Corresponds to the sum of "*Sales*" and "*Income from services rendered and other income*" in the income statement (IFRS-EU).

APPENDIX III. ALTERNATIVE PERFORMANCE MEASURES

Repsol's financial disclosures contain figures and measures prepared in accordance with the regulations applicable to financial information, as well as other measures prepared in accordance with the Group's Reporting Model[11] known as Alternative Performance Measures (APMs). APMs are measures which are "adjusted" compared to those presented in accordance with IFRS-EU or with information on oil and gas exploration and production activities[12], and the reader should therefore consider them in addition to, but not instead of, the latter.

APMs are highly useful for users of financial information as they are the measures employed by Repsol's Management to evaluate its financial performance, cash flows, or its financial position when making operational or strategic decisions for the Group.

Certain APMs have been affected by the application of IFRS 16 (see Note 2.2.1), which means that some of the measures compared between the periods are less representative.

For historical quarterly information regarding APMs, see www.repsol.com.

1. Financial performance measures

Adjusted net income

The **adjusted net income** is the key financial performance measure which Management (Executive Committee) consults when making decisions.

In presenting the results of its operating segments, Repsol includes the results of its joint ventures and other companies whose operations are managed as such in accordance with the Group's stake, considering operational and economic metrics in the same manner and with the same degree of detail as for fully consolidated companies. Thus, the Group considers that the nature of its businesses and the way in which results are analyzed for decision-making purposes is adequately reflected.

Adjusted net income is calculated as the ***Income from continuing operations at Current Cost of Supply (CCS)***[13] net of taxes and the non-controlling interests. It does not include certain income and expenses (***Special items***), or what is known as the ***Inventory effect***. The ***Finance result*** corresponds to the adjusted net income under "*Corporate and other*".

The ***Adjusted net income*** is a useful APM for investors to evaluate the performance of operating segments while permitting increased comparability with Oil & Gas sector companies using different inventory measurement methods (see the following section).

Inventory effect

This is the difference between the **Income from continuing operations at current cost of supply (CCS)** and the income calculated as the weighted average cost (WAC, which is an inventory valuation method used by the company to determine its results in accordance with European accounting regulations). It only affects the *Downstream* segment, so that for the **Income from continuing operation at CCS**, the cost of volume sold during the period is determined in accordance with supply and production costs during the period. Apart from the above effect, the ***Inventory effect*** includes other adjustments to the valuation of inventories (write-offs, economic hedges, etc.) and is presented net of taxes and non-controlling interests. Repsol management considers that this measure is useful for investors, considering the significant variations arising in the prices of inventories between periods.

The WAC is a generally-accepted European accounting method which measures inventories, in that it contemplates purchase prices and historic production costs, valuing inventory at the lower between this cost and its market value.

---

[11] See Note 2.3. *Information by business segments*.

[12] The hydrocarbon exploration and production information, which is compiled and disclosed by the Group on an annual basis, is prepared in accordance with the principles generally accepted in the oil and gas industry and, specifically, is based on the disclosure criteria outlined in Topic 932 issued by the Financial Accounting Standards Board (FASB).

[13] The current cost of supply (CCS) is commonly used in this industry to present the results of *Downstream* businesses that must work with huge inventories subject to continual price fluctuations. It is not commonly accepted in European accounting regulation, yet it does enable comparability with other sector companies as well as monitoring of businesses. As a result of the foregoing, adjusted net income does not include the inventory effect. Income from continuing operations at the current cost of supply (CCS) is equal to EBIT CCS.

Special items

Significant items of which separate presentation is considered appropriate to easily monitor the ordinary management of business operation. It includes capital gains/losses arising from divestment, restructuring costs, impairment, and provisions for risks and expenses. Special items are presented net of taxes and non-controlling interests.

The Special items for the third quarter of 2019 and 2018, and the first nine months of 2019 and 2018, are detailed as follows:

	9M		Q3	
Millions of euros	2019	2018	2019	2018
Divestments	45	59	14	52
Workforce restructuring	(33)	(42)	(4)	(25)
Impairment	(4)	(125)	(1)	(2)
Provisions and other	(119)	(122)	(75)	(55)
Discontinued operations	—	412	—	—
TOTAL	**(111)**	**182**	**(66)**	**(30)**

The following is a reconciliation of the Adjusted net income under the Group's reporting model with the Profit prepared according to IFRS-EU:

	Cumulative nine months											
			ADJUSTMENTS									
	Adjusted net income		Reclassification of joint ventures		Special items		Inventory effect [1]		Total adjustments		IFRS-EU profit/ loss	
€ Million	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Operating income	2,896	3,096	(653)	(593)	65	(146)	(77)	374	(665)	(365)	2,231	2,731
Financial result	(242)	(290)	90	91	(20)	135	—	—	70	226	(172)	(64)
Net income of companies accounted for using the equity method - net of tax	16	39	254	355	(1)	—	—	—	253	355	269	394
Income before tax	**2,670**	**2,845**	**(309)**	**(147)**	**44**	**(11)**	**(77)**	**374**	**(342)**	**216**	**2,328**	**3,061**
Income tax	(1,016)	(1,105)	309	147	(155)	(220)	19	(96)	173	(169)	(843)	(1,274)
Net income from continuing operations	**1,654**	**1,740**	**—**	**—**	**(111)**	**(231)**	**(58)**	**278**	**(169)**	**47**	**1,485**	**1,787**
Net income from continuing operations attributable to non-controlling interests	(17)	(20)	—	—	—	1	(2)	(9)	(2)	(8)	(19)	(28)
Net income from continuing operations attributable to the parent	**1,637**	**1,720**	**—**	**—**	**(111)**	**(230)**	**(60)**	**269**	**(171)**	**39**	**1,466**	**1,759**
Net income from discontinued operations	—	—	—	—	—	412	—	—	—	412	—	412
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	**1,637**	**1,720**	**—**	**—**	**(111)**	**182**	**(60)**	**269**	**(171)**	**451**	**1,466**	**2,171**

[1] The Inventory effect represents an adjustment to "*Supplies*" and "*Changes in inventory of finished goods and work in progress*" on the IFRS-EU income statement.

	Third quarter											
			ADJUSTMENTS									
	Adjusted net income		Reclassification of joint ventures		Special items		Inventory effect [1]		Total adjustments		IFRS-EU profit/loss	
€ Million	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Operating income	894	1,053	(175)	(307)	47	96	(167)	92	(295)	(119)	599	934
Financial result	(14)	(115)	22	31	(11)	(11)	—	—	11	20	(3)	(95)
Net income of companies accounted for using the equity method - net of tax	(1)	18	34	183	(1)	—	—	—	33	183	32	201
Income before tax	**879**	**956**	**(119)**	**(93)**	**35**	**85**	**(167)**	**92**	**(251)**	**84**	**628**	**1,040**
Income tax	(348)	(359)	119	93	(101)	(116)	42	(24)	60	(47)	(288)	(406)
Net income from continuing operations	**531**	**597**	**—**	**—**	**(66)**	**(31)**	**(125)**	**68**	**(191)**	**37**	**340**	**634**
Net income from continuing operations attributable to non-controlling interests	(9)	(9)	—	—	—	1	2	(1)	2	—	(7)	(9)
Net income from continuing operations attributable to the parent	**522**	**588**	**—**	**—**	**(66)**	**(30)**	**(123)**	**67**	**(189)**	**37**	**333**	**625**
Net income from discontinued operations	—	—	—	—	—	—	—	—	—	—	—	—
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	**522**	**588**	**—**	**—**	**(66)**	**(30)**	**(123)**	**67**	**(189)**	**37**	**333**	**625**

[1] The Inventory effect represents an adjustment to "*Supplies*" and "*Changes in inventory of finished goods and work in progress*" on the IFRS-EU income statement.

EBITDA:

The ***EBITDA*** ("Earnings Before Interest, Tax, Depreciation and Amortization") is a financial indicator which determines the operating margin of a company prior to deducting interest, taxes, impairment, restructuring costs, and depreciation and amortization. Since it does not include financial and tax indicators or accounting expenses not involving cash outflow, it is used by Management to evaluate the company's results over time, for a more straightforward exercise in making comparisons with other companies in the Oil & Gas sector.

The ***EBITDA*** is calculated as Operating income + Depreciation and Amortization + Impairment, as well as other items which do not represent cash inflows or outflows from transactions (restructuring costs, capital gains/losses from divestment, provisions, etc.). Operating income corresponds to the Income from continuing operations at weighted average cost. In cases in which the ***Income from continuing operations at current cost of supply*** (CCS) is used, it is considered ***EBITDA at CCS***.

	Cumulative nine months							
	Group Reporting Model		Reclassification of joint ventures and others		Inventory effect		IFRS-EU (1)	
	2019	2018	2019	2018	2019	2018	2019	2018
Upstream	3,197	3,577	(1,316)	(1,289)	—	—	1,881	2,288
Downstream	2,235	2,390	(38)	(8)	—	—	2,197	2,382
Corporate and other	(123)	(134)	(3)	16	—	—	(126)	(118)
EBITDA	**5,309**	**5,833**	**(1,357)**	**(1,281)**	**—**	**—**	**3,952**	**4,552**
EBITDA at CCS	**5,386**	**5,459**	**(1,357)**	**(1,281)**	**(77)**	**374**	**3,952**	**4,552**

(1) Corresponds to "*Income before tax*" and "*Adjustments to profit*" on the consolidated statement of cash flows under IFRS-EU.

	Third quarter							
	Group Reporting Model		Reclassification of joint ventures and others		Inventory effect		IFRS-EU (1)	
	2019	2018	2019	2018	2019	2018	2019	2018
Upstream	984	1,288	(398)	(431)	—	—	586	857
Downstream	655	741	(14)	(4)	—	—	641	737
Corporate and other	(42)	(7)	(1)	(38)	—	—	(43)	(45)
EBITDA	**1,597**	**2,022**	**(413)**	**(473)**	**—**	**—**	**1,184**	**1,549**
EBITDA at CCS	**1,764**	**1,930**	**(413)**	**(473)**	**(167)**	**92**	**1,184**	**1,549**

(1) Corresponds to "*Income before tax*" and "*Adjustments to profit*" on the consolidated statement of cash flows under IFRS-EU.

ROACE:

These APMs are used by Repsol Management to evaluate the capacity of its operating assets to generate profit, and therefore measures the efficiency of the capital invested (equity and debt).

The ***ROACE*** ("*Return on average capital employed*") is calculated as: (Adjusted net income, considering the operating lease expense for the corresponding payments established in the agreements, instead of the amortization charge on the right of use recognized in accordance with IFRS 16, excluding Financial result + Inventory effect + Special items) / (**Average capital employed** in the period from continuing operations, which measures own and external capital invested in the company, and corresponds to Total equity + ***Net debt)***. It includes that corresponding to joint ventures or other companies whose operations are managed as such.

NUMERATOR *(Millions of euros)*	**9M 2019**	**9M 2018**
Operating income (IFRS-EU)	**2,231**	**2,731**
Reclassification of joint ventures	653	593
Income tax (1)	(1,217)	(1,370)
Net income of companies accounted for using the equity method - net of tax	15	39
Impact of IFRS 16	(28)	—
ROACE result at weighted average cost	**1,654**	**1,993**
I. ROACE result at annualized weighted average cost (3)	**2,238**	**2,746**
DENOMINATOR *(Millions of euros)*		
Total equity	31,711	31,523
Net debt	3,836	2,304
Capital employed at period-end	**35,547**	**33,827**
II. Average capital employed (2)	**34,950**	**33,467**
ROACE (I/II)	**6.4**	**8.2**

(1) Does not include income tax corresponding to financial results.
(2) Corresponds to the average balance of capital employed at the beginning and end of the period from continuing operations.
(3) Annualized profit excluding special items.

ROACE with leases is calculated as: (Adjusted net income, excluding Financial result + Inventory effect + Special items) / (Average capital employed in the period from continuing operations, which corresponds to Total equity + **Net debt with leases**). It includes that corresponding to joint ventures or other companies whose operations are managed as such.

NUMERATOR *(Millions of euros)*	**9M 2019**
Operating income IFRS-EU	**2,231**
Reclassification of joint ventures	653
Income tax [1]	(1,217)
Net income of companies accounted for using the equity method - net of tax	15
ROACE result at weighted average cost	**1,682**
I. ROACE result at annualized weighted average cost [3]	**2,275**
DENOMINATOR *(Millions of euros)*	
Total equity	31,600
Net debt with leases	7,751
Capital employed at period-end (with leases)	**39,351**
II. Average capital employed [2]	**38,715**
ROACE with leases (I/II)	**5.9**

(1) Does not include income tax corresponding to financial results.
(2) Corresponds to the average balance of capital employed at the beginning and end of the period from continuing operations.
(3) Annualized profit excluding special items.

2. Cash flow measures

Cash flow from operations, free cash flow, cash flow generated and liquidity:

The three main measures used by the Group's management to evaluate the generation of cash flow in the period are ***Cash flow from operations***, ***Free cash flow (FCF)*** and ***Cash flow generated.***

Cash flow from operations measures generation of cash from operating activities, and is calculated as: EBITDA +/- Changes to current capital (also called Working capital) + Dividends received +/- Income tax receivable/(payable) +/- Other proceeds from/(payments for) operating activities.

Free cash flow (FCF) measures cash flow generation from operating and investment activities, and is quite useful for evaluating the funds available for paying shareholder dividends, and debt service payments.

Cash flow generated corresponds to ***free cash flow*** after deducting all payments for dividends, remuneration of other equity instruments such as net interest and payments for leasing and treasury shares. This APM measures the funds generated by the Company before financial transactions (mainly from debt issuance and repayments).

The following is a reconciliation of ***free cash flow*** and ***cash flow generated*** with the consolidated statements of cash flows prepared under IFRS-EU:

	Cumulative nine months					
	Adjusted cash flow		Reclassification of joint ventures and others		IFRS-EU statement of cash flow	
	2019	2018	2019	2018	2019	2018
I. Cash flows from / (used in) operating activities (cash flow from operations)	4,074	3,351	(967)	(532)	3,107	2,819
II. Cash flows from / (used in) investing activities	(2,262)	1,849	(637)	(1,140)	(2,899)	709
Free cash flow (I+II)	**1,812**	**5,200**	**(1,604)**	**(1,672)**	**208**	**3,528**
Cash flow generated	**(185)**	**3,723**	**(1,572)**	**(1,669)**	**(1,757)**	**2,054**
III. Cash flows from / (used in) financing activities and others [1]	(2,867)	(4,523)	1,576	1,695	(1,291)	(2,828)
Net increase / (decrease) in cash and cash equivalents (I+II+III)	**(1,055)**	**677**	**(28)**	**23**	**(1,083)**	**700**
Cash and cash equivalents at beginning of period	5,021	4,820	(235)	(219)	4,786	4,601
Cash and cash equivalents at end of period	3,966	5,497	(263)	(196)	3,703	5,301

	Third quarter					
	Adjusted cash flow		Reclassification of joint ventures and others		IFRS-EU statement of cash flow	
	2019	2018	2019	2018	2019	2018
I. Cash flows from / (used in) operating activities (cash flow from operations)	1,544	1,625	(309)	(175)	1,235	1,450
II. Cash flows from / (used in) investing activities	(825)	(731)	(1,009)	45	(1,834)	(686)
Free cash flow (I+II)	**719**	**894**	**(1,318)**	**(130)**	**(599)**	**764**
Cash flow generated	**(61)**	**350**	**(1,306)**	**(131)**	**(1,367)**	**219**
III. Cash flows from / (used in) financing activities and others [1]	(1,307)	(1,308)	1,307	123	—	(1,185)
Net increase / (decrease) in cash and cash equivalents (I+II+III)	**(588)**	**(414)**	**(11)**	**(7)**	**(599)**	**(421)**
Cash and cash equivalents at beginning of period	4,554	5,911	(252)	(189)	4,302	5,722
Cash and cash equivalents at end of period	3,966	5,497	(263)	(196)	3,703	5,301

[1] Includes payments for dividends and returns on other equity instruments, interest payments, other proceeds from/ (payments for) financing activities, proceeds from / (payments for) the issue / (return) of equity instruments, proceeds from / (payments for) financial liabilities and the exchange rate fluctuations effect.

The Group measures **Liquidity** as the total of "*Cash and cash equivalents*", the cash deposits of immediate availability contracted with financial institutions and undrawn long- and short-term committed credit lines at the end of the period under facilities granted by financial institutions which may be drawn down by the company in installments, the amount, and the remaining terms of the agreement:

	Cumulative nine months					
	Group Reporting Model		Reclassification of joint ventures and others		IFRS-EU	
	Sep-2019	Dec-2018	Sep-2019	Dec-2018	Sep-2019	Dec-2018
Cash and cash equivalents	3,966	5,021	(263)	(235)	3,703	4,786
Undrawn credit lines	1,880	2,265	(8)	(16)	1,872	2,249
Time deposits of immediate availability [(1)]	2,540	1,456	—	—	2,540	1,456
Liquidity	**8,386**	**8,742**	**(271)**	**(251)**	**8,115**	**8,491**

[(1)] Repsol contracts time deposits but with immediate availability, which are recorded under "*Other current financial assets*" and which do not meet the accounting criteria for classification as cash and cash equivalents.

Operating investments:

Group management uses this APM to measure each period's investment effort, as well as its allocation by businesses segment, and it corresponds to investments in the operation of resources made by different Group businesses. It includes that which corresponds to joint ventures or other companies whose operations are managed as such.

	Cumulative nine months					
	Operating investments		Reclassification of joint ventures and others		IFRS-EU [(1)]	
	2019	2018	2019	2018	2019	2018
Upstream	1,514	1,423	(383)	(261)	1,131	1,162
Downstream	749	560	(15)	(2)	734	558
Corporate and other	42	36	—	—	42	36
TOTAL	**2,305**	**2,019**	**(398)**	**(263)**	**1,907**	**1,756**

	Third quarter					
	Operating investments		Reclassification of joint ventures and others		IFRS-EU [(1)]	
	2019	2018	2019	2018	2019	2018
Upstream	553	523	(130)	(131)	423	392
Downstream	267	235	1	(3)	268	232
Corporate and other	17	16	(5)	—	12	16
TOTAL	**837**	**774**	**(134)**	**(134)**	**703**	**640**

[(1)] This corresponds to "*Payments on investments*" on the consolidated statement of cash flows prepared under IFRS-EU, and does not include items corresponding to "*Other financial assets*".

3. Financial position measures

Debt and financial position ratios:

Net debt and **Net debt with leases** are the main APMs used by management to measure the Company's level of debt. They are comprised of financial liabilities (including lease liabilities as the case may be) less financial assets, cash and cash equivalents, and the effect arising from net market valuation of financial derivatives (excl. exchange rates). They also include the net debt corresponding to joint ventures and other companies whose operations are managed as such.

	Net debt	Reclassification of joint ventures [1]	IFRS-EU balance sheet
	Sep-2019	**Sep-2019**	**Sep-2019**
Non-current assets			
Non-current financial instruments [2]	205	952	1,157
Current assets			
Other current financial assets	2,608	2	2,610
Cash and cash equivalents	3,966	(263)	3,703
Non-current liabilities			
Non-current financial liabilities [3]	(6,042)	(2,974)	(9,016)
Current liabilities			
Current financial liabilities [3]	(4,908)	(845)	(5,753)
Items not included on the balance sheet			
Net mark to market financial derivatives (excl. exchange rate) [4]	335	(271)	64
NET DEBT [5]	**(3,836)**		**(7,235)**
Non-current lease liabilities (net) [6]	(3,427)	695	(2,732)
Current lease liabilities (net) [6]	(488)	80	(408)
NET DEBT with leases	**(7,751)**		**(10,375)**

(1) Mainly includes the net financing of the Repsol Sinopec Brazil Group, broken down in the following sections: Cash and cash equivalents of €32 million, current financial liabilities as a result of an intra-group loan of €3,005 million and €659 million for leases.
(2) Corresponds to "*Non-current financial assets*" in the consolidated balance sheet, without including equity instruments.
(3) Does not include lease liabilities.
(4) The net valuation at market rates of financial derivatives other than exchange rate derivatives has been eliminated from this section.
(5) The reconciliations of this magnitude for previous quarters are available at www.repsol.com
(6) Includes collection rights for subleases amounting to €32 million (€22 million long-term and €10 million short-term).

Gross debt and **Gross debt with leases** are measures used to analyze the Group's solvency; they include the financial liabilities (including lease liabilities as the case may be) and the net fair value of its exchange rate derivatives. They also include the debt corresponding to joint ventures and other companies whose operations are managed as such.

	Gross debt	Reclassification of joint ventures and others	IFRS-EU balance sheet
	Sep-2019	Sep-2019	Sep-2019
Current financial liabilities [2]	(4,889)	(844)	(5,733)
Net mark to market valuation of current exchange rate financial derivatives	78	—	78
Current gross debt	**(4,811)**	**(844)**	**(5,655)**
Non-current financial liabilities [2]	(5,961)	(2,974)	(8,935)
Non-current gross debt	**(5,961)**	**(2,974)**	**(8,935)**
GROSS DEBT [1]	**(10,772)**		**(14,590)**
Current lease liabilities	(3,449)	695	(2,754)
Non-current lease liabilities	(498)	79	(419)
GROSS DEBT with leases	**(14,719)**		**(17,763)**

(1) The reconciliations of this magnitude for previous quarters are available at www.repsol.com
(2) Lease liabilities are not included.

The following ratios are used by Group management to evaluate the Group's leverage and solvency.

- The ***Leverage*** ratio corresponds to ***Net debt*** divided by ***Capital employed*** at period-end. This ratio can be used to determine the financial structure and degree of indebtedness with regard to capital contributed by shareholders and entities which provide financing. It is the key measure used to evaluate and compare the Company's financial position with others in the Oil & Gas sector.

- **Debt coverage** corresponds to ***Net debt*** divided by ***EBITDA***, and makes it possible to evaluate the company's capacity for repaying external financing over a number of years (x times), and to compare it to similar companies in the sector.

- The ***Solvency ratio*** is calculated as ***Liquidity*** (section 2 of this Appendix) divided by ***Current gross debt***, and is used to determine the number of times the Group may handle its current debt using its existing liquidity.

Interest coverage is calculated in the same way as debt interest (which comprises finance income and expense, without considering those corresponding to leases) divided by EBITDA. This ratio is a measure that can determine the company's ability to cover interest payments with its EBITDA.

	Cumulative nine months					
	Group Reporting Model		Reclassification of joint ventures		IFRS-EU balance sheet	
€ Million	2019	2018	2019	2018	2019	2018
Net interest [1]	163	215	19	(44)	182	171
EBITDA	5,309	5,833	(1,357)	(1,281)	3,952	4,552
Interest coverage	**3.1%**	**3.7%**			**4.6%**	**3.8%**

(1) Lease effect is not included.

	Third quarter					
	Group Reporting Model		Reclassification of joint ventures		IFRS-EU balance sheet	
€ Million	2019	2018	2019	2018	2019	2018
Net interest [1]	49	71	9	(13)	58	58
EBITDA	1,597	2,022	(413)	(473)	1,184	1,549
Interest coverage	**3.1%**	**3.5%**			**4.9%**	**3.7%**

(1) Lease effect is not included.