



**REPSOL, S.A. AND INVESTEEES COMPRISING
THE REPSOL GROUP**

Report on limited review of condensed
interim consolidated financial statements
at March 31, 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 March 31, 2019, the income statement, the statement of recognized income and expense, the statement of changes in equity and statement of cash flow for the three-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 the accompanying 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 three months period ended March 31, 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.



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 Repsol's Board of Directors in relation to the publication of the quarterly 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.

A large, stylized handwritten signature in blue ink, consisting of several overlapping loops and lines, is written over the text of the firm name and the signature name.

Iñaki Goirienea Basualdu

April 30, 2019

REPSOL Group

2019 Interim consolidated
financial statements
First quarter

*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 March 31, 2019 and December 31, 2018

ASSETS	Note	€ Million	
		03/31/2019	12/31/2018
Intangible assets		5,092	5,096
Property, plant and equipment	4.1.1	27,231	25,431
Investment property		67	68
Investments accounted for using the equity method	4.1.2	7,405	7,194
Non-current financial assets	4.1.3	1,147	1,103
Deferred tax assets		3,931	3,891
Other non-current assets		722	701
NON-CURRENT ASSETS		45,595	43,484
Non-current assets held for sale		6	6
Inventories		4,340	4,390
Trade and other receivables		6,327	6,105
Other current assets		216	296
Other current financial assets	4.1.3	1,378	1,711
Cash and cash equivalents	4.1.3	4,473	4,786
CURRENT ASSETS		16,740	17,294
TOTAL ASSETS		62,335	60,778
EQUITY AND LIABILITIES	Note	€ Million	
		03/31/2019	12/31/2018 ⁽¹⁾
Share capital		1,559	1,559
Share premium and reserves		28,075	25,894
Treasury shares and own equity investments		(868)	(350)
Profit for the period attributable to the parent		608	2,341
Other equity instruments		995	1,024
SHAREHOLDERS' EQUITY	4.1.4	30,369	30,468
Equity instruments with changes through other comprehensive income		6	13
Hedging transactions		(128)	(106)
Translation differences		661	253
OTHER CUMULATIVE COMPREHENSIVE INCOME		539	160
NON-CONTROLLING INTERESTS		270	286
EQUITY		31,178	30,914
Non-current provisions		4,862	4,738
Non-current financial liabilities	4.1.5	11,933	10,818
Deferred tax liabilities		1,188	1,028
Other non-current liabilities		579	470
NON-CURRENT LIABILITIES		18,562	17,054
Current provisions		481	500
Current financial liabilities	4.1.5	4,696	4,486
Trade and other payables		7,418	7,824
CURRENT LIABILITIES		12,595	12,810
TOTAL EQUITY AND LIABILITIES		62,335	60,778

⁽¹⁾ Includes all adjustments 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
Consolidated income statement corresponding to the first quarter of 2019 and 2018

	Note	€ Million	
		Q1 2019	Q1 2018
Sales		12,052	10,977
Income from services rendered		71	38
Changes in inventories of finished goods and work in progress		76	190
Reversal of impairment provisions and gains on disposal of assets		24	2
Other operating income		263	315
OPERATING INCOME	4.2.1	12,486	11,522
Procurements		(9,176)	(8,304)
Amortization of non-current assets		(551)	(517)
Personnel expenses		(458)	(431)
Transport and freights		(338)	(278)
Supplies		(124)	(196)
Impairment loss provisions recognized and losses on disposal of assets		(48)	(70)
Other operating expenses		(1,001)	(930)
OPERATING EXPENSES		(11,696)	(10,726)
OPERATING PROFIT	4.2.2	790	796
Net interest		(66)	(56)
Change in fair value of financial instruments		104	(17)
Exchange gains (losses)		(56)	51
Impairment of financial instruments		(6)	(6)
Other finance income and expenses		(57)	(53)
FINANCIAL RESULT	4.2.2	(81)	(81)
PROFIT FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD ⁽¹⁾	4.2.3	132	138
PROFIT BEFORE TAX		841	853
Income tax	4.2.4	(224)	(306)
PROFIT FROM CONTINUING OPERATIONS		617	547
PROFIT FROM CONTINUING OPERATIONS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		(9)	(5)
PROFIT FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE PARENT		608	542
PROFIT FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO THE PARENT ⁽¹⁾	4.2.5	—	68
TOTAL PROFIT ATTRIBUTABLE TO THE PARENT	3.1	608	610
EARNINGS PER SHARE ATTRIBUTABLE TO THE PARENT	4.2.6	Euros / share	
Basic		0.40	0.38
Diluted		0.40	0.38

⁽¹⁾ Net of taxes.

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

Repsol S.A. and Investees comprising the Repsol Group
Statement of recognized income and expense corresponding to the first quarter of 2019 and 2018

	€ Million	
	Q1 2019	Q1 2018
CONSOLIDATED PROFIT FOR THE PERIOD ⁽¹⁾	617	615
Due to actuarial gains and losses	(5)	2
Share of investments in joint ventures and associates	(5)	2
Financial assets at fair value through other comprehensive income	(6)	—
Tax effect	2	—
OTHER COMPREHENSIVE INCOME. ITEMS NOT RECLASSIFIABLE TO INCOME	(14)	4
Cash flow hedging:	(31)	14
Valuation gains / (losses)	(26)	8
Amounts transferred to the income statement	(5)	6
Translation differences:	399	(509)
Valuation gains / (losses)	419	(509)
Amounts transferred to the income statement	(20)	—
Tax effect	17	(5)
OTHER COMPREHENSIVE INCOME. ITEMS RECLASSIFIABLE TO INCOME	385	(500)
TOTAL OTHER COMPREHENSIVE INCOME	371	(496)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	988	119
a) Attributable to the parent	978	116
b) Attributable to non-controlling interests	10	3

⁽¹⁾ Constituting the sum of the following consolidated income statement headings: “Profit from continuing operations” and “Profit from discontinued operations attributable to the parent”.

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

Repsol S.A. and Investees comprising the Repsol Group
Statement of changes in equity at March 31, 2019 and 2018

€ Million	Equity attributable to the parent and other equity instrument holders							
	Shareholders' equity							
	Share capital	Share premium and reserves	Treasury shares and own equity investments	Profit 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)	—	4	—	610	—	(498)	3	119
Transactions with partners or owners								
Share capital increase/(reduction)	—	—	—	—	—	—	—	—
Dividends and shareholder remuneration	—	—	—	—	—	—	—	—
Transactions with treasury shares and own equity investments (net)	—	—	(504)	—	—	—	—	(504)
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	—	(7)	—	—	(29)	—	—	(36)
Other variations	—	(2)	—	—	—	—	—	(2)
Closing balance at 03/31/2018	1,556	27,306	(549)	610	995	(907)	273	29,284
Total recognized income/(expenses)	—	25	—	1,731	—	1,068	18	2,842
Transactions with partners or owners								
Share capital increase/(reduction)	72	(72)	—	—	—	—	—	—
Dividends and shareholder remuneration	—	(275)	—	—	—	—	(5)	(280)
Transactions with treasury shares and own equity investments (net)	(69)	(1,072)	199	—	—	—	—	(942)
Increases/(reductions) due to changes in scope	—	—	—	—	—	—	—	—
Other transactions with partners and owners	—	—	—	—	—	—	—	—
Other equity variations								
Transfers between equity-line items	—	—	—	—	—	—	—	—
Subordinated perpetual obligations	—	(22)	—	—	29	—	—	7
Other variations	—	4	—	—	—	(1)	—	3
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)	—	(8)	—	608	—	378	10	988
Transactions with partners or owners								
Share capital increase/(reduction)	—	—	—	—	—	—	—	—
Dividends and shareholder remuneration	—	—	—	—	—	—	—	—
Transactions with treasury shares and own equity investments (net)	—	(9)	(518)	—	—	—	—	(527)
Increases/(reductions) due to changes in scope	—	26	—	—	—	—	(26)	—
Other transactions with partners and owners	—	—	—	—	—	—	—	—
Other equity variations								
Transfers between equity-line items	—	2,341	—	(2,341)	—	—	—	—
Subordinated perpetual obligations	—	(7)	—	—	(29)	—	—	(36)
Other variations	—	—	—	—	—	1	—	1
Closing balance at 03/31/2019	1,559	28,075	(868)	608	995	539	270	31,178

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

Repsol S.A. and Investees comprising the Repsol Group
Statement of cash flows corresponding to the first quarter of 2019 and 2018

	€ Million	
	03/31/2019	03/31/2018
Profit before tax	841	853
Adjustments to profit:	519	529
Amortization of non-current assets	551	517
Other adjustments to net profit/(loss)	(32)	12
Changes in working capital	(541)	(385)
Other cash flows from/(used in) operating activities:	(58)	(218)
Dividends received	40	54
Income tax receivable/(payable)	(99)	(178)
Other proceeds from/(payments for) operating activities	1	(94)
CASH FLOWS FROM OPERATING ACTIVITIES	761	779
Payments for investments:	(487)	(566)
Group companies and associates	(22)	(4)
Property, plant and equipment, intangible assets and investment property	(447)	(532)
Other financial assets	(18)	(30)
Proceeds from divestments:	394	8
Group companies and associates	1	1
Property, plant and equipment, intangible assets and investment property	42	7
Other financial assets	351	—
Other cash flows	2	—
CASH FLOWS FROM INVESTMENT ACTIVITIES	(91)	(558)
Proceeds from and (payments for) equity instruments:	(467)	(404)
Acquisition	(527)	(407)
Disposal	60	3
Proceeds from and (payments for) financial liability instruments:	(213)	(157)
Issue	4,924	3,378
Return and amortization	(5,137)	(3,535)
Payments on shareholder remuneration and other equity instruments	(214)	(196)
Other cash flows from financing activities:	(102)	(221)
Interest payments	(148)	(185)
Other proceeds from/(payments for) financing activities	46	(36)
CASH FLOWS FROM FINANCING ACTIVITIES	(996)	(978)
EXCHANGE RATE FLUCTUATIONS EFFECT	13	(20)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(313)	(777)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,786	4,601
CASH AND CASH EQUIVALENTS AT END OF PERIOD:	4,473	3,824
Cash and banks	3,384	3,140
Other financial assets	1,089	684

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

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

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(1) GENERAL INFORMATION

1.1 About the Repsol Group

Repsol is a group of companies that performs all its energy generation, transformation and marketing activities on an integrated basis. In the oil and gas industry, such activities include exploration, development and production of crude oil and natural gas, transportation of oil products, liquefied petroleum gas (LPG) and natural gas, refining, the production of a wide range of oil products and the marketing of oil products, oil derivatives, petrochemical products, LPG, natural gas and liquefied natural gas (LNG). In the electricity industry, the generation and marketing of electricity and natural gas in Spain was included following the acquisition of Viesgo (see Note 4 to the consolidated financial statements for 2018).

The Repsol Group's interim condensed consolidated financial statements (hereinafter, interim financial statements) include its investments in all its subsidiaries, joint arrangements and associates.

Activities performed by Repsol, S.A. and its investees are subject to far-reaching regulations, contained in Appendix III of the consolidated financial statements at December 31, 2018.

1.2 About the interim condensed consolidated financial statements

The accompanying interim condensed consolidated financial statements of Repsol, S.A. and its investees, comprising the Repsol Group (hereinafter, "Repsol", "Repsol Group" or "Group"), present fairly the Group's equity and financial position at March 31, 2019, as well as the Group's consolidated earnings performance, the changes in net equity and the consolidated cash flows for the three-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 April 29, 2019 and are available at www.repsol.com.

1.3 Composition of the Group

Appendix IA of the consolidated financial statements for 2018 detail 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 three 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 March 31, 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.

According to the provisions of IAS 34, these interim financial statements are prepared exclusively to update the content of the most recent consolidated financial statements published, placing an emphasis on new activities, events and circumstances that have taken place during the first three months of the year, without duplicating the information published previously in the 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 shall be submitted at the Annual General Meeting of Repsol, S.A. on May 31, 2019 and are 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 March 31, 2019 and December 31, 2018 were as follows:

	March 31, 2019		December 31, 2018	
	Closing rate	Accumulated average rate	Closing rate	Accumulated average rate
US dollar	1.12	1.14	1.15	1.18
Brazilian real	4.37	4.28	4.44	4.31

2.2 Comparative information

2.2.1 Application of new accounting standards

During the first three months of 2019 different accounting standards have been adopted and other accounting standards¹, previously adopted by the European Union, have started to be applied from January 1, 2019², of which the IFRS 16 *Leases* should be mentioned, due to the impact on these interim financial statements.

IFRS 16 Leases

Application

IFRS 16 *Leases*³ has been 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 (equivalent amount in euros 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 will separate such components and recognize solely the lease component pursuant to IFRS 16 and recognize other component as an executory contract, in accordance with the expense accrual criterion of the expense under the terms of the agreement.

A specific review of the inventory of lease contracts 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 for the remaining agreements the value of the lease liability as the initial value of the corresponding right-of-use asset.

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 reasonable 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 significant, the characteristics of the underlying asset. The 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 within oil exploration and production activities, the Group performed a specific analysis of all its contractual obligations and will recognize all those

¹ 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. The Group has not identified any significant impacts as a result of applying these standards.

² 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.

³ Replaces IAS 17 *Leases*, IFRIC 14 *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*.

arrangements for which it has a contractual obligation with the lessor in the balance sheet, that is, all those arrangements which: (i) it has signed in full as operating partner on its own behalf; (ii) it has jointly signed with the remaining partners in a joint arrangement, in line with his percentage of ownership in the arrangement; or (iii) has been signed by the operating partner on behalf of the consortium or the remaining 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.

Economic 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 4.1.4):

	12/31/2018	Adjustment IFRS 16	01/01/2019
Assets for rights of use of the assets	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 ⁽¹⁾	(1,624)	(1,351)	(2,975)
Non-current provisions ⁽²⁾	(4,738)	122	(4,616)
Effect on net assets and liabilities		(96)	
Deferred tax assets and liabilities		13	
Effect on equity		(83)	

⁽¹⁾ 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.

⁽²⁾ The onerousness 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 IFRS 16	805	144	111	73	20	1,153
Balance at January 1, 2019	1,448	144	111	184	20	1,907
Acquisitions	44	—	—	—	—	44
Amortizations	(39)	(8)	(6)	(5)	(1)	(59)
Translation differences and other	13	2	3	—	—	18
Balance at March 31, 2019	1,466	138	108	179	19	1,910

⁽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

As a result of the new accounting treatment of leases under IFRS 16, the impact on the Group's net income during the first three months of 2019 has not been material. However, other financial aggregates have been affected and, for example, operating profit has increased (lower operating expenses) and financial result has 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 (see Appendix III), 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, either as amortization or finance expense; ii) cash flows from operations has also increased, since from now on it includes 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*") will include 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 Uncertainty over income tax treatments

IFRIC 23⁴ 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 4.1.4). For presentation purposes, uncertain tax treatments arising from the

⁴ International Financial Reporting Interpretations Committee No. 23

recognition of income tax liabilities are recognized under “*Non-current provisions*” and “*Current provisions*” in the consolidated balance sheet, which did not undergo significant changes in the period⁵.

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 expense 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 three 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 quarter, the valuation of the assets and liabilities acquired was reviewed and goodwill decreased by €9 million.

2.2.3 Seasonality

The liquefied petroleum gas (LPG) and natural gas businesses are the Group activities involving the highest degree of seasonal variation due to their connection with climate conditions, with greater activity in the winter and lower activity in the summer of the northern hemisphere.

2.2.4 Earnings per share

In accordance with accounting standards, earnings per share for the interim period ending March 31, 2018 have been restated as the average number of outstanding shares considered in the calculation should be based on the new number of shares issued after the capital increase carried out as part of the compensation scheme to shareholders known as the “*Repsol Flexible Dividend*” program, described in Note 4.1.4 “*Equity*”.

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*.

The definition of the Repsol Group’s business segments is based on the delimitation of the different activities performed and from which the Group earns revenue or incurs expenses, as well as on the organizational structure approved by the Board of Directors for business management. Using these segments as a reference point, Repsol’s executive personnel team (Executive Committee) analyzes the main operating and financial indicators in order to make decisions about segment resource allocation and to assess the Group’s performance.

The operating segments of the Group are:

- *Upstream*, corresponding to exploration and production of crude oil and natural gas reserves, and;
- *Downstream*, corresponding mainly to the following activities: (i) refining and petrochemicals, (ii) trading and transportation of crude oil and oil products, (iii) marketing of oil products, petrochemicals and LPG, (iv) the marketing, transport and regasification of natural gas and liquefied natural gas (LNG) and (v) electricity generation and sale of electricity and gas in Spain.

Finally, *Corporate and other* includes operations not allocated to the above business segments and, in particular, the operating expenses of the Corporation and financial results, in addition to intersegment consolidation adjustments.

The Group has not grouped any segments for reporting purposes.

⁵ See Note 23.4 “*Government and legal proceedings with tax implications*” to the consolidated financial statements for 2018.

In presenting the results of its operating segments Repsol includes the results of its joint ventures⁶ and other companies whose operations are managed as such⁷, in accordance with the Group's stake, considering its operational and economic metrics in the same manner and with the same 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.

In addition, the Group, considering its business reality and in order to make its disclosures more comparable with those in the sector, utilizes as a measure of segment profit the so-called Adjusted Net Profit, which corresponds to Profit from continuing operations at "*Current cost of supply*" or CCS, net of taxes and non-controlling interests and not including certain items of income and expense ("*Special Items*"). The financial result is allocated to Adjusted Net Profit under "*Corporate and other*".

The Current Cost of Supply (CCS), which is commonly used in this industry to present the results of *Downstream* businesses that must work with huge inventories subject to continual price fluctuations, is not an accepted European accounting regulation. However, it does allow for comparability with other sector companies and for monitoring businesses independently of the impact of price variations on their inventories. Under Income at CCS, the cost of volumes sold during the reporting period is calculated using the costs of procurement and production incurred during that same period. As a result, Adjusted Net Profit does not include the so-called Inventory Effect. This Inventory Effect is presented separately, net of taxes and non-controlling interests, and corresponds to the difference between Income at CCS and that arrived at using the Weighted Average Cost approach, which is the method used by the Group to determine its earnings in accordance with European accounting regulations.

Furthermore, Adjusted Net Profit does not include so-called Special Items⁸, i.e. certain material items whose separate presentation is considered appropriate in order to facilitate analysis of ordinary business performance. It includes gains/losses on disposals, restructuring charges, asset impairment gains/losses and provisions for contingencies and other significant income or expenses. Special items are presented separately, net of taxes and non-controlling interests.

For each of the figures shown by segment (Adjusted net profit, Inventory effect, Special items, etc.), the items and concepts that facilitate their reconciliation with the corresponding figures prepared in line with IFRS-EU are indicated in Appendices II and III.

⁶ In the segment reporting model, joint ventures are consolidated proportionally in accordance with the Group's shareholding. See Note 4.1.2 "*Investments accounted for using the equity method*" and Appendix I of the consolidated financial statements for 2018, where the Group's main joint ventures are identified.

⁷ Relates to Petrocarabobo, S.A. (Venezuela), an associate of the Group.

⁸ The way in which the results of exchange rate fluctuations on tax positions in currencies other than the functional currency are presented changed in 2018, and these changes were reflected in the Special items to facilitate the monitoring of business results and align us with best practices in the industry. The figures for the first quarter of 2018 have been restated for comparison purposes.

(3) RESULTS BY SEGMENT AND GEOGRAPHICAL AREA AND MAIN PERFORMANCE INDICATORS⁹

3.1 Results by segment and geographical area

Profit for the period	€ Million	
	03/31/2019	03/31/2018 ⁽¹⁾
Upstream	323	287
Downstream	404	425
Corporate and other	(109)	(129)
ADJUSTED NET PROFIT	618	583
Inventory effect	3	(9)
Special items	(13)	36
NET PROFIT	608	610

⁽¹⁾ Includes the changes necessary with regard to the interim financial statements for the first quarter of 2018 (see Note 2.3 "Information by business segments") in relation to changes in presentation of the exchange rate differences for the tax positions.

On the same date as these interim financial statements, Repsol published *Information on Q1 2019 Results*, a note which contains a detailed explanation of these results.

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

€ Million	First Quarter							
	Profit/(loss) from operations		Adjusted net profit		Operating investments		Capital employed ⁽¹⁾	
	Q1 2019	Q1 2018 ⁽²⁾	Q1 2019	Q1 2018 ⁽²⁾	Q1 2019	Q1 2018	Q1 2019	Q1 2018
Upstream	562	555	323	287	399	452	22,273	21,063
Europe, Africa and Brazil	284	372	137	156	104	153	—	—
Latin America-Caribbean	174	197	122	159	99	44	—	—
North America	66	77	51	60	126	141	—	—
Asia and Russia	90	94	51	53	19	66	—	—
Exploration and other	(52)	(185)	(38)	(141)	51	48	—	—
Downstream	541	558	404	425	189	138	14,857	9,960
Europe	506	475	382	361	148	101	—	—
Rest of world	35	83	22	64	41	37	—	—
Corporate and other	(78)	(56)	(109)	(129)	10	8	1,505	1,806
TOTAL	1,025	1,057	618	583	598	598	38,635	32,829

NOTE: To reconcile these figures with IFRS-EU figures, see Appendices II and III.

⁽¹⁾ Includes capital employed from continuing operations and lease liabilities.

⁽²⁾ Includes the changes necessary with regard to the interim financial statements for the first quarter of 2018 (see Note 2.3 "Information by business segments") in relation to changes in presentation of the exchange rate differences for the tax positions.

⁹ 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 the 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⁾	Q1 2019	Q1 2018	Our business performance ⁽¹⁾	Q1 2019	Q1 2018
Results			Upstream		
Operating profit ⁽²⁾	1,025	1,057	Net daily liquids production (kbb/d)	244	269
Adjusted net profit	618	583	Net daily gas production (kboe/d)	456	458
Net profit	608	610	Net daily hydrocarbon production (kboe/d)	700	727
Earnings per share (€/share)	0.40	0.38	Average crude oil realization price (\$/bbl)	56.5	60.9
EBITDA ⁽²⁾	1,810	1,804	Average gas realization price (\$/kscf)	3.4	3.5
Investments	598	598	EBITDA ⁽²⁾	1,064	1,101
Capital employed	34,956	32,829	Adjusted net profit	323	287
Capital employed (with leases)	38,635	—	Cash flow from operations ⁽²⁾	742	592
ROACE (%) ⁽³⁾	8.0	8.0	Investments	399	452
ROACE (with leases) (%) ⁽³⁾	7.3	—			
			Downstream		
Cash and debt			Conversion utilization Spanish Refining (%)	102.1	104.4
Cash flow from operations ⁽²⁾	1,161	919	Distillation utilization Spanish Refining (%)	92.8	92.5
Free cash flow ⁽²⁾	593	319	Refining margin indicator in Spain (\$/Bbl)	5.3	6.6
Cash flow generated	(235)	(466)	Oil product sales (kt)	12,341	12,096
Net Debt	3,686	6,836	Petrochemical product sales (kt)	755	688
Net Debt (with leases)	7,457	—	LPG sales (kt)	394	437
			Gas sales in North America (Tbtu)	162.7	142.8
Shareholder remuneration			Generation (GWh)	688	48
Shareholder remuneration (€/share) ⁽⁴⁾	0.41	0.39	EBITDA ⁽²⁾	800	733
			Adjusted net profit	404	425
Stock market indicators	Q1 2019	Q1 2018	Cash flow from operations ⁽²⁾	463	353
Share price at period-end (€/share)	15.26	14.4	Investments	189	138
Period average share price (€/share)	14.99	14.7			
Market capitalization at period-end (€ million)	23,788	22,436	Sustainability indicators	Q1 2019	Q1 2018
			People		
Macroeconomic environment	Q1 2019	Q1 2018	No. of employees ⁽⁵⁾	25,338	25,099
Brent average (\$/bbl)	63.1	66.8	New employees ⁽⁶⁾	844	784
WTI average (\$/bbl)	54.9	62.9			
Henry Hub average (\$/Mbtu)	3.1	3.0	Safety and Environment		
Pool Eléctrico - OMIE (€/MWh)	55	48	Frequency Rate of Accidents ⁽⁷⁾	0.84	0.78
Exchange rate average (\$/€)	1.14	1.23	Total Frequency Rate of Accidents ⁽⁸⁾	1.34	1.52
			Annual CO ₂ emissions reduction (Mt) ⁽⁹⁾	31.30	50.93

NOTE: Non-financial figures and operating indicators are not reviewed by the auditor.

⁽¹⁾ In millions of euros, where applicable.

⁽²⁾ As indicated in Note 2.2.1, the magnitude in 2019 includes the effects of the application of IFRS 16

⁽³⁾ ROACE has been annualized by extrapolating data for the period. Excludes discontinued operations.

⁽⁴⁾ Fixed price guaranteed by Repsol for the bonus share issue awarded under the "Repsol Flexible Dividend" program (see Note 4.1.4).

⁽⁵⁾ Number of employees that belong to companies in which Repsol establishes people management policies and guidelines, irrespective of the type of contract (fixed, temporary, partially retired, etc.).

⁽⁶⁾ Only fixed or temporary employees with no prior working relationship with the Company are considered to be new hires. Some 52% of new employees in 2019 and 43% in 2018 had permanent contracts.

⁽⁷⁾ Accident frequency rate: number of injuries (fatalities and loss of days) accumulated during the year, for every million hours worked. The figure for 2018 is the annual figure.

⁽⁸⁾ Total frequency rate: total number of injuries (fatalities, loss of days, medical treatment and restricted work) accumulated during the period, for every million hours worked. The figure for 2018 is the annual figure.

⁽⁹⁾ Reduction of CO₂ compared with the 2010 baseline.

(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 Property, plant and equipment

In accordance with the Group's reporting model, investments during the period amounted to €598 million and are distributed as detailed in Note 3.1. In the *Upstream* segment (€399 million), investments decreased by 12% mainly as a result of the acquisition of 7.7% of the *Visund* field in Norway in the first quarter of 2018 and they were made mainly in production and/or development assets in the US, Trinidad and Tobago, Norway, Canada, the UK, Algeria and Colombia. In the *Downstream* segment (€189 million), there was an increase of €51 million and it corresponds mainly to projects for improving the industrial complexes and expanding the mobility businesses in Mexico.

In relation to the increase in this heading as a result of the rights of use recognized in the application of IFRS 16, see Note 2.2.1.

4.1.2 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 investments¹⁰. The breakdown of the balance at March 31 is as follows:

	€ Million	
	Carrying amount of investment	
	03/31/2019	12/31/2018
Joint ventures	7,242	7,037
Associates ⁽¹⁾	163	157
TOTAL	7,405	7,194

⁽¹⁾ Includes mainly the stake in Petrocarabobo, S.A. and Oleoducto de Crudos Pesados (OCP) Ltd.

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

	€ Million	
	Q1 2019	Q1 2018
Balance at December 31	7,194	9,268
Impact of new standards (see Note 2.2.1)	(50)	—
Adjusted balance at January 1	7,144	9,268
Net investments	—	3
Changes in scope of consolidation	25	—
Profit from investments accounted for using the equity method ⁽¹⁾	132	138
Profit from discontinued operations	—	68
Dividends paid out	(76)	(82)
Translation differences	131	(142)
Reclassifications and other movements ⁽²⁾	49	(3,314)
Balance at March 31	7,405	5,939

⁽¹⁾ See Note 4.2.3.

⁽²⁾ In 2018, includes the reclassification to assets held for sale from the investment in Naturgy, prior to its disposal.

¹⁰ The most significant investments are as follows: Repsol Sinopec Brasil, YPFB Andina, S.A., BPRY Caribbean Ventures, LLC., Repsol Sinopec Resources UK Ltd., YPF Andina, S.A. and Equion Energía Ltd.

4.1.3 Financial asset

	€ Million	
	03/31/2019	12/31/2018
Non-current financial assets	1,147	1,103
Non-current trade operation derivatives ⁽¹⁾	41	33
Other current financial assets ⁽²⁾	1,378	1,711
Current trade operation derivatives ⁽³⁾	135	241
Cash and cash equivalents ⁽⁴⁾	4,473	4,786
Total financial assets	7,174	7,874

⁽¹⁾ Recognized under "Other non-current liabilities" on the balance sheet.

⁽²⁾ The variation is explained mainly by the cancellation of deposits during the period.

⁽³⁾ Recognized under "Other receivables" of the balance sheet.

⁽⁴⁾ The variation is explained by the change in cash and cash equivalents in the period (see the consolidated statement of cash flows).

For further details on financial assets, see Appendix II.

4.1.4 Equity

	€ Million	
	03/31/2019	12/31/2018
Shareholders' equity	30,369	30,468
Share capital	1,559	1,559
Share premium and reserves:	28,075	25,894
Share premium	6,428	6,428
Legal reserve	299	299
Retained earnings and other reserves ⁽¹⁾	21,523	19,342
Dividends and remuneration on account	(175)	(175)
Treasury shares and own equity investments	(868)	(350)
Profit for the year attributable to the parent	608	2,341
Other equity instruments	995	1,024
Other cumulative comprehensive income ⁽²⁾	539	160
Non-controlling interests	270	286
TOTAL EQUITY	31,178	30,914

⁽¹⁾ This heading includes the transfer from income for the year attributable to the Parent for 2018 and "Other reserves" includes the impact of the first-time application of IFRS 16 and IFRIC 23 in 2019 (see Note 2.2.1) and of IFRS 9 and IFRS 15 in 2018 (see Note 2.2.2 to the consolidated financial statements for 2018).

⁽²⁾ The variation with regard to December 31, 2018 is due mainly to the increase in translation differences as a result of the change in the period mainly from the exchange rate of the US dollar against the euro.

Capital

The share capital of Repsol, S.A. at March 31, 2019 amounted to €1,558,877,582, represented by 1,558,877,582 fully subscribed and paid shares with a par value of 1 euro each.

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

Significant shareholders	% of share capital
Sacyr, S.A. ⁽¹⁾	7.87
BlackRock, Inc. ⁽²⁾	4.63

⁽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. The information pertaining to Blackrock, Inc. is based on the declaration presented by the latter to the CNMV on August 2, 2018 concerning the share capital figure of 1,596,173,736 shares.

Shareholder remuneration

The following table breaks down the remuneration received by Repsol, S.A.'s shareholders during the three-month period ending in March 31, 2019, carried out under 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

The Board of Directors, at its meeting held on March 27, 2019, agreed to submit a proposal to increase share capital with a charge to voluntary reserves arising from unappropriated profits, equal to €0.525 gross per share, at the Annual General Meeting -which is expected to be held on May 31, 2019 on second call-, within the framework of the "Repsol Flexible Dividend" program and to replace the final dividend for 2018.

The Board of Directors also agreed to submit at this Annual General Meeting a proposal to reduce share capital through the retirement of treasury shares for the purpose of offsetting the dilutive effect of the capital increases through the issue of bonus shares carried out in 2019 under the framework of the "Repsol Flexible Dividend" program (one was carried out in January, to replace the traditional interim dividend payment for 2018, in which 31,481,259 shares were issued, and the other is expected for June-July 2019, to replace the traditional final dividend for 2018). This capital reduction will be carried out through the retirement of treasury shares at the date of the Board resolution and the shares acquired through a share repurchase plan and, where applicable, through the settlement of derivatives arranged prior to March 27, 2019. The main effect of this capital reduction will be an increase in earnings per share, which will be to the shareholders' benefit.

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	1.55%
Market purchases ⁽¹⁾	66,377,112	987	4.26%
Market sales ⁽¹⁾	(31,862,053)	(469)	2.04%
Balance at 03/31/2019 ⁽²⁾	58,672,613	868	3.76%

⁽¹⁾ Includes any shares acquired 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 29.4 to the consolidated financial statements for 2018). In 2019, 180,153 shares have been delivered as per the provisions of each of the plans .

⁽²⁾ The balance at March 31, 2019 includes derivatives arranged by Repsol, S.A. with financial institutions for a total notional amount of 58 million shares in Repsol, S.A., under which dividend rights and the economic risk inherent to the shares were transferred to the Group.

4.1.5 Financial liabilities

	€ Million	
	03/31/2019	12/31/2018
Non-current financial liabilities ⁽¹⁾	11,933	10,818
Non-current trade operation derivatives ⁽²⁾	12	18
Current financial liabilities ⁽¹⁾	4,696	4,486
Current trade operation derivatives ⁽³⁾	303	250
Total financial liabilities	16,944	15,572

⁽¹⁾ This change is explained mainly by the application of IFRS 16, as well as by the cancellation of a bond upon maturity and the reclassification of bonds maturing in no more than 12 months between both headings.

⁽²⁾ Recognized under "Other non-current liabilities" on the balance sheet.

⁽³⁾ Recognized under "Trade and other payables" on the balance sheet.

"Non-current financial liabilities" and "Current financial liabilities" increased by €1,351 million as a result of the application of IFRS 16 from January 1, 2019 (see Note 2.2.1). For further details on financial liabilities, see Appendix II.

During the first three months of 2019, there were no new issues of debentures or marketable debt securities. In February 2019 the bond issued by Repsol International Finance B.V. (RIF) in January 2012 as part of the EMTN Program was repaid upon maturity for a nominal amount of €1,000 million, with a fixed annual coupon of 4.875%.

The outstanding balance of the debentures and marketable securities at March 31 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
XS1451452954 ⁽¹⁾	Repsol International Finance, B.V.	Jul-16	Euro	100	0.125%	Jul-19	LuxSE
XS1613140489 ⁽¹⁾	Repsol International Finance, B.V.	May-17	Euro	500	5.000%	May-22	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.

⁽¹⁾ Issues made under the EMTN Program, which is 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 over-the-counter 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 March 31, 2018 of €1,993 million.

4.2 Income statement

4.2.1 Revenue from ordinary activities

The distribution, by country, of revenue from ordinary activities ("*Sales*" and "*Income from services rendered*") in the first three months of 2019 is as follows:

€ Million	03/31/2019	03/31/2018
Spain	6,364	6,917
Peru	701	861
United States	662	547
Portugal	603	623
Other	3,793	2,067
Total ⁽¹⁾	12,123	11,015

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

In 2019, revenue from *Upstream* activities amounted to €1,091 million, while that of the *Downstream* segment totaled €11,505 million (€1,139 million and €10,286 million, respectively, in the same period of 2018)¹¹. In *Upstream*, income was generated

¹¹ For more information, see Appendix II.

either from the sale of crude oil, condensed oil and LPG and natural gas, or from the provision of a service for the operation of resources, depending on the contracts in force in each of the countries in which the Group operates. In *Downstream*, income is generated mainly from the marketing of oil products (petrol, fuel oil, LPG, asphalt, lubricants, etc.), petrochemicals (ethylene, propylene, polyolefins and interim products), gas (natural gas and LNG) and electricity. The increase in revenue in the *Downstream* segment is a result of the greater volumes sold in industrial businesses, and the contribution of the new electricity and gas businesses.

4.2.2 Operating profit and financial results

Operating profit and financial results are in line with those of the same period of 2018. On the same date as these interim financial statements, Repsol published *Information on Q1 2019 Results*, a note which contains a detailed explanation of these results.

4.2.3 Profit from investments accounted for using the equity method

The breakdown of the profit, net of taxes, from investments accounted for using the equity method is as follows:

	Profit ⁽¹⁾	
	03/31/2019	03/31/2018
Joint ventures	132	132
Associates	—	6
TOTAL	132	138

⁽¹⁾ Corresponds to the profit for the period from continuing operations. Does not include other comprehensive income of €131 million at March 31, 2019 corresponding to joint ventures and €-141 million at March 31, 2018 (€-139 million corresponding to joint ventures and €-2 million corresponding to associates).

4.2.4 Income tax

The effective tax rate¹² applicable to profit from continuing operations (before tax and before considering the profit/(loss) of entities accounted for using the equity method) was 32%. This rate is lower than the rate applied in the same period in 2018 (43%) mainly as a result of the mix of nominal rates.

4.2.5 Profit from discontinued operations

In the first quarter of 2018, "*Profit from discontinued operations*", net of taxes, included the profit generated by Naturgy until February 22, 2018, the date on which it was reclassified as held for sale, for an amount of €68 million.

4.2.6 Earnings per share

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

EARNINGS PER SHARE	03/31/2019	03/31/2018
Profit attributable to the parent (€ million)	608	610
Adjustment to interest expense on subordinated perpetual obligations (€ million)	(7)	(7)
Weighted average number of shares outstanding on March, 31 (millions of shares) ⁽¹⁾	1,509	1,607
Basic and diluted earnings per share (euros/share)	0.40	0.38

⁽¹⁾ The share capital recognized at March 31, 2018 came to 1,556,464,965 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 payment system, as per the applicable accounting regulations (see Note 2.2 "*Comparative information*").

¹² 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.

(5) RISKS

5.1 Litigation risks

The information provided in this section updates the following lawsuits 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 these 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 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 president of the National Assembly, Juan Guaidó, was sworn in as interim president of Venezuela on January 23, 2019. In the first quarter, the currency depreciated against the euro (€3,698/BsS compared to €730/BsS at December 31, 2018, SIMECA exchange rate), without having any 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" are prohibited from carrying out operations with PdVSA, the Central Bank of Venezuela and/or any of the companies controlled thereby (stake equal to or greater than 50%) and are required to block their assets. Although the US has granted certain time limits to facilitate the orderly termination of operations through the granting of several general licenses, these new measures have aggravated the country's crisis situation. Repsol is taking the measures necessary to continue its activities in Venezuela, which includes 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.

Accordingly, at the end of the period, Repsol's equity exposure¹³ of Repsol in Venezuela amounted to €436 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 those that are loyal to the GNA (the official government established in Tripoli and backed by the United Nations). The diminished security situation continues to affect the prospects of its oil industry, however, the country has currently recovered part of its oil production and exports.

Repsol's equity exposure in Libya amounted to €382 million at March 31, 2019 (including mainly the property, plant and equipment at that date).

Algeria

The social protests that took place in February have led to the resignation of President Abdelaziz Buteflika and the announcement that new presidential elections will take place on July 4. Given the peaceful nature of these protests, they are not expected to

¹³ Equity exposure relates to the net consolidated assets exposed to risks specific to the countries for which they are reported.

have a significant impact at the operational level on the activities of the Oil & Gas industry, beyond a slowdown in the decision-making process, as a result of the likely institutional reorganization.

The Group's equity exposure in the country at March 31, 2019 amounted to €834 million (including mainly the property, plant and equipment at this date).

BREXIT

After the Parliament of the United Kingdom rejected the withdrawal agreement reached between its government and the European Union, an extension was granted to the process carried out pursuant to Article 50. If Parliament is unable to reach an agreement shortly and if the United Kingdom does not take part in the European elections on May 23, then a no-deal Brexit would take place on June 1. Even if the elections do take place, the next deadline would be October 31.

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.

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, whereby even in the worst case scenarios regarding BREXIT, no significant risks have been detected.

(6) OTHER INFORMATION

Corporate governance

The Board of Directors, at its meeting held on March 27, 2019, agreed to submit a proposal at the Annual General Meeting - which is expected to be held on May 31, 2019 on second call- to re-elect Antonio Brufau Niubó, Josu Jon Imaz San Miguel, José Manuel Loureda Mantiñán and John Robinson West as directors, to ratify the appointment by co-option and re-elect Henri Philippe Reichstul as director, to appoint 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, and to set the number of Board members at fifteen.

The Board of Directors also agreed to appoint Mariano Marzo Carpio as Lead Independent Director.

Information on related party transactions

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

(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 three months of 2019 are as follows:

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

Registered name	Country	Parent	Item	Date	03/31/2019		
					Method of consolidation ⁽¹⁾	% voting rights acquired	% total voting rights in entity following 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.	Share increase	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.	Share increase	March 2019	F.C.	10.04%	92.42%

⁽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.

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

Registered name	Country	Parent	Item	Date	03/31/2019			
					Method of consolidation ⁽¹⁾	% voting rights disposed or derecognized	% 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%	0.00%	—
TEGSI (UK) Limited	United Kingdom	TE Holding S.ar.l.	Liquidation	January 2019	F.C.	100.00%	0.00%	—
Gastream México, S.A. de C.V.	Mexico	Repsol, S.A.	Liquidation	February 2019	F.C.	100.00%	0.00%	—
Talisman South Mandar B.V.	The Netherlands	Talisman International Holdings B.V.	Liquidation	February 2019	F.C.	100.00%	0.00%	—
Talisman Sadang B.V.	The Netherlands	Talisman International Holdings B.V.	Liquidation	February 2019	F.C.	100.00%	0.00%	—

⁽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, categorized by asset type, is as follows:

€ Million	March 31, 2019 and December 31, 2018							
	At fair value through profit or loss		At fair value through other comprehensive income		At amortized cost ⁽⁴⁾		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Equity instruments ⁽¹⁾	24	24	104	105	—	—	128	129
Derivatives ⁽²⁾	41	33	—	—	—	—	41	33
Loans	—	—	—	—	940	921	940	921
Others	53	53	—	—	26	—	79	53
Non-current	118	110	104	105	966	921	1,188	1,136
Derivatives	265	308	2	10	—	—	267	318
Loans	—	—	—	—	131	174	131	174
Time deposits	—	—	—	—	1,103	1,455	1,103	1,455
Cash and cash equivalents	9	9	—	—	4,464	4,777	4,473	4,786
Others	2	3	—	—	10	2	12	5
Current	276	320	2	10	5,708	6,408	5,986	6,738
TOTAL ⁽³⁾	394	430	106	115	6,674	7,329	7,174	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).

⁽³⁾ Does not include "Other non-current assets" and "Trade and other receivables" in the consolidated balance sheet, which at March 31, 2019 amounted €681 million and €668 million classified as non-current and €6,192 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, categorized by liability type, is as follows:

€ Million	March 31, 2019 and December 31, 2018							
	At fair value ⁽²⁾		At amortized cost		Total		Fair value	
	2019	2018	2019	2018	2019	2018	2019	2018
Bonds and obligations	—	—	5,251	5,243	5,251	5,243	5,626	5,493
Loans	—	—	2,867	2,789	2,867	2,789	2,867	2,789
Lease liabilities	—	—	2,624	1,426	2,624	1,426	n/a	n/a
Bank borrowings	—	—	1,030	1,208	1,030	1,208	1,056	1,161
Derivatives ⁽¹⁾	74	74	—	—	74	74	74	74
Other financial liabilities	—	—	99	96	99	96	100	97
Non-current	74	74	11,871	10,762	11,945	10,836	9,723	9,614
Bonds and obligations	—	—	2,154	2,855	2,154	2,855	2,154	2,862
Loans	—	—	737	660	737	660	737	660
Lease liabilities	—	—	397	197	397	197	n/a	n/a
Bank borrowings	—	—	1,348	704	1,348	704	1,348	704
Derivatives ⁽¹⁾	343	300	—	—	343	300	343	300
Other financial liabilities	—	—	20	20	20	20	20	20
Current	343	300	4,656	4,436	4,999	4,736	4,602	4,546
TOTAL	417	374	16,527	15,198	16,944	15,572	14,325	14,160

⁽¹⁾ In 2019, includes non-current and current hedging derivatives amounting to €62 million and €21 million, respectively (€54 million and €1 million in 2018).

⁽²⁾ "Fair value of financial instruments" in this appendix 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 financial statements at their fair value at March 31, 2019 and December 31, 2018, is as follows:

€ Million	March 31, 2019 and December 31, 2018							
	Level 1		Level 2		Level 3		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Financial assets								
At fair value through profit or loss	144	204	226	202	24	24	394	430
At fair value through other comprehensive income	—	—	2	10	104	105	106	115
Total	144	204	228	212	128	129	500	545
Financial liabilities								
At fair value ⁽¹⁾	253	223	164	151	—	—	417	374
Total	253	223	164	151	—	—	417	374

⁽¹⁾ Includes level 1 and level 2 hedging derivatives amounting to €20 million and €83 million, respectively.

The financial instruments recognized at fair value are classified under the different fair value hierarchies, as described below:

Level 1: Valuations based on a quoted price in an active market for an identical instrument.

Level 2: Valuations based on a quoted price in an active market for similar financial assets or based on other valuation techniques that rely on observable market inputs.

Level 3: Valuations based on variables that are not directly observable in the market.

The valuation techniques used for instruments classified under hierarchy level 2, in accordance with accounting regulations, are based on the income approach, which entail the discounting to present value of future cash flows, either known or estimated, using discount curves from the market reference interest rates (in the case of derivative instruments, estimated using implicit forward curves offered in the market), including adjustments for credit risk based on the life of the instruments. In the case of options, price-setting models based on the Black & Scholes formula are used.

The most significant variables for valuing financial instruments vary depending on the type of instrument, but fundamentally include: exchange rates (spot and forward), interest rate curves, counterparty risk curves, prices of equity securities and the volatilities of all the aforementioned factors. In all cases, market data is obtained from reputed information agencies or correspond to quotes issued by official bodies.

The fair value of level 3 instruments, corresponding to investments in the equity of unlisted companies, has been established primarily by means of discounting cash flows, and, when this information is not available, the carrying amount of equity. Cash flow projections, in addition to the measurement of equity, cannot be considered as measurement inputs that can be observed on the market.

However, none of the indicated inputs should result in a significant change in the fair value of the remaining financial instruments classed at this level.

Segment reporting

Revenue from ordinary activities by segments between customer and inter-segment revenue is displayed below:

Segments	Millions of euros					
	Customers		Inter-segment		Total	
	03/31/2019	03/31/2018	03/31/2019	03/31/2018	03/31/2019	03/31/2018
Upstream	1,200	1,410	438	406	1,638	1,816
Downstream	11,594	10,287	35	4	11,629	10,291
Corporate	—	—	—	—	—	—
(-) Adjustments and eliminations of operating income between segments	—	—	(473)	(410)	(473)	(410)
TOTAL	12,794	11,697	—	—	12,794	11,697

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

	Millions of euros	
	03/31/2019	03/31/2018
Profit from continuing operations ⁽¹⁾	12,794	11,697
<i>Adjustments</i>		
Upstream	(547)	(677)
Downstream	(124)	(5)
Profit from continuing operations IFRS-EU ⁽²⁾	12,123	11,015
Operating profit ⁽¹⁾	1,025	1,057
<i>Adjustments</i>		
Upstream	(194)	(244)
Downstream	(39)	(17)
Corporate	(2)	—
Operating profit IFRS-EU	790	796
Capital employed from continuing operations ⁽¹⁾	38,635	32,829
<i>Adjustments</i>		
Upstream	2,198	1,390
Downstream	55	20
Capital employed from discontinued operations		3,291
Capital employed	40,888	37,530

⁽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 measurements prepared in accordance with the regulations applicable to financial information, as well as other measurements prepared in accordance with the Group's Reporting Model¹⁴ known as Alternative Performance Measurements (APMs). APMs are measurements which are "adjusted" compared to those presented in accordance with IFRS-EU or with information on oil and gas exploration and production activities¹⁵, 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 measurements

Adjusted net profit

The adjusted net profit is the key financial performance measurement which Management (Executive Committee) consults when making decisions in accordance with IFRS 8 "*Operating segments*".

In presenting the results of its operating segments, Repsol 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 profit is calculated as the Profit from continuing operations at Current Cost of Supply (CCS)¹⁶ 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 income corresponds to the adjusted net profit under "Corporate and other".

The Adjusted net profit 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 **Profit from continuing operations at current cost of supply (CCS)** and the profit 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 **Profit 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 measurement 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.

¹⁴ See Note 2.3. Information by business segments.

¹⁵ 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).

¹⁶ 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 independently of the impact of price variations on their inventories. As a result of the foregoing, adjusted net profit does not include the inventory effect. Profit from continuing operations at the current cost of supply (CCS) is equal to EBIT.

Special items

Significant items of which separate presentation is considered convenient 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.

There follow the results for the first quarter of 2019 and 2018:

Millions of euros	Q1	
	2019	2018
Divestments	30	2
Workforce restructuring	(5)	(2)
Impairment	(2)	(2)
Provisions and other ⁽¹⁾	(36)	(30)
Discontinued operations	—	68
TOTAL	(13)	36

⁽¹⁾ The information for Q1 2018 was restated for comparison purposes as a result of the inclusion of the effect of the exchange rate on tax positions in currencies other than the functional currency.

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

€ Million	First Quarter											
	Adjusted net profit		ADJUSTMENTS								IFRS-EU profit/loss	
	2019	2018 ⁽¹⁾	Reclassification of joint ventures		Special items		Inventory effect ⁽²⁾		Total adjustments		2019	2018
Operating profit	1,025 ⁽³⁾	1,057 ⁽³⁾	(240)	(180)	(2)	(69)	7	(12)	(235)	(261)	790	796
Financial result	(97)	(114)	31	40	(15)	(7)	—	—	16	33	(81)	(81)
Net profit of companies accounted for using the equity method - net of tax	6	11	126	127	—	—	—	—	126	127	132	138
Profit before tax	934	954	(83)	(13)	(17)	(76)	7	(12)	(93)	(101)	841	853
Income tax	(309)	(366)	83	13	4	44	(2)	3	85	60	(224)	(306)
Profit from continuing operations	625	588	—	—	(13)	(32)	5	(9)	(8)	(41)	617	547
Profit from continuing operations attributable to non-controlling interests	(7)	(5)	—	—	0	—	(2)	—	(2)	—	(9)	(5)
Profit from continuing operations attributable to the parent	618	583	—	—	(13)	(32)	3	(9)	(10)	(41)	608	542
Profit from discontinued operations	—	—	—	—	—	68	—	—	—	68	—	68
TOTAL PROFIT ATTRIBUTABLE TO THE PARENT	618	583	—	—	(13)	36	3	(9)	(10)	27	608	610

⁽¹⁾ Includes the changes necessary with regard to the interim financial statements for the first quarter of 2018 (see Note 2.3 "Information by business segments") in relation to changes in presentation of the exchange rate differences for the tax positions.

⁽²⁾ The inventory effect represents an adjustment to "Procurements" and "Changes in inventory of finished goods" on the IFRS-EU income statement.

⁽³⁾ Profit from continuing operations at current cost of supply (CCS).

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

	First Quarter							
	Group Reporting Model		Reclassification of joint ventures and others		Inventory effect		IFRS-EU ⁽¹⁾	
	2019	2018	2019	2018	2019	2018	2019	2018
Upstream	1,064	1,101	(459)	(434)	—	—	605	667
Downstream	800	733	(11)	(1)	—	—	789	732
Corporate and other	(54)	(30)	20	13	—	—	(34)	(17)
EBITDA	1,810	1,804	(450)	(422)	—	—	1,360	1,382
EBITDA at CCS	1,803	1,816	(450)	(422)	7	(12)	1,360	1,382

⁽¹⁾ Corresponds to "Profit before tax" and "Adjustments to profit" on the consolidated statements of cash flows.

ROACE:

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

The **ROACE** ("Return on average capital employed") is calculated as: (Adjusted Net Profit, 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). The **capital employed** 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)	Q1 2019		Q1 2018	
Operating profit (IFRS-EU)	790		796	
Reclassification of joint ventures	240		180	
Income tax ⁽¹⁾	(335)		(345)	
Net profit of companies accounted for using the equity method - net of tax	6		11	
Impact of IFRS 16	(9)		—	
I. ROACE result at weighted average cost	692	2,769⁽³⁾	642	2,644⁽³⁾
DENOMINATOR (Million of euros)	Q1 2019		Q1 2018	
Total equity	31,270		29,284	
Net Debt	3,686		6,836	
Capital employed at period-end	34,956		36,120	
II. Average capital employed ⁽²⁾	34,654		32,968	
ROACE (I/II)	8.0		8.0	

⁽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 save for special items.

ROACE with leases is calculated as: (Adjusted Net Profit, 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)	Q1 2019	
Operating profit IFRS-EU	790	
Reclassification of joint ventures	240	
Income tax ⁽¹⁾	(335)	
Net profit of companies accounted for using the equity method - net of tax	6	
I. ROACE result at weighted average cost	701	2,804⁽³⁾
DENOMINATOR (Millions of euros)	Q1 2019	
Total equity	31,178	
Net debt with leases	7,457	
Capital employed at period-end (with leases)	38,635	
II. Average capital employed ⁽²⁾	38,280	
ROACE with leases (I/II)	7.3	

⁽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 save for special items.

2. Cash flow measurements

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

The three main measurements 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:

	First 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)	1,161	919	(400)	(140)	761	779
II. Cash flows from / (used in) investing activities	(568)	(600)	477	42	(91)	(558)
Free cash flow (I+II)	593	319	77	(98)	670	221
Cash flow generated	(235)	(466)	76	(98)	(159)	(564)
III. Cash flows from / (used in) financing activities and others ⁽¹⁾	(785)	(1,093)	(198)	95	(983)	(998)
Net increase / (decrease) in cash and cash equivalents (I+II+III)	(192)	(774)	(121)	(3)	(313)	(777)
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	4,829	4,046	(356)	(222)	4,473	3,824

⁽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:

	First Quarter					
	Group Reporting Model		Reclassification of joint ventures and others		IFRS-EU	
	Mar - 2019	Dec - 2018	Mar - 2019	Dec - 2018	Mar - 2019	Dec - 2018
Cash and cash equivalents	4,829	5,021	(356)	(235)	4,473	4,786
Undrawn credit lines	1,969	2,265	(9)	(16)	1,960	2,249
Deposits of immediate availability ⁽¹⁾	1,103	1,456	—	—	1,103	1,456
Liquidity	7,901	8,742	(365)	(251)	7,536	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 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.

	First Quarter					
	Operating investments		Reclassification of joint ventures and others		IFRS-EU ⁽¹⁾	
	2019	2018	2019	2018	2019	2018
Upstream	399	452	(117)	(63)	282	389
Downstream	189	138	(13)	1	176	139
Corporate and other	10	8	1	—	11	8
TOTAL	598	598	(129)	(62)	469	536

⁽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 APM used by management to measure the Company's level of debt. It is 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). It also includes 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
	March 2019	March 2019	March 2019
Non-current assets			
Non-current financial instruments ⁽²⁾	84	909	993
Current assets			
Other current financial assets	1,356	14	1,370
Cash and cash equivalents	4,829	(356)	4,473
Non-current liabilities			
Non-current financial liabilities ⁽³⁾	(6,474)	(2,835)	(9,309)
Current liabilities			
Current financial liabilities ⁽³⁾	(3,766)	(533)	(4,299)
Items not included on the balance sheet			
Net mark to market financial derivatives (excl. exchange rate) ⁽⁴⁾	285	(236)	49
NET DEBT ⁽⁵⁾	(3,686)		(6,723)
Non-current lease liabilities (net) ⁽⁶⁾	(3,267)	669	(2,598)
Current lease liabilities (net) ⁽⁶⁾	(504)	115	(389)
NET DEBT with leases	(7,457)		(9,710)

⁽¹⁾ Mainly includes the net financing of the Repsol Sinopec Brazil Group, broken down in the following sections: Cash and cash equivalents of €88 million and current financial liabilities as a result of an intra-group loan of €2,867 million, less €131 million for loans to third parties and €677 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 €34 million.

Gross Debt and **Gross Debt with leases** are measures used to analyze the Group's solvency; they include their financial liabilities (including lease liabilities as the case may be) and the net fair value of its exchange rate derivatives. It also includes 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
	Mar-2019	Mar-2019	Mar-2019
Current financial liabilities ⁽²⁾	(3,726)	(533)	(4,259)
Net mark to market valuation of financial derivatives (excl. exchange rate)	80	—	80
Current gross debt	(3,646)	(533)	(4,179)
Non-current financial liabilities ⁽²⁾	(6,411)	(2,836)	(9,247)
Non-current gross debt	(6,411)	(2,836)	(9,247)
GROSS DEBT ⁽¹⁾	(10,057)	(3,369)	(13,426)
Current lease liabilities	(512)	115	(397)
Non-current lease liabilities	(3,293)	669	(2,624)
GROSS DEBT with leases	(13,862)	784	(16,447)

⁽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 based on **Debt** and are used by Group management to evaluate 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** correspond 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), as well as to compare it to similar sector companies.
- 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, see Note 21 "Financial result" to the 2018 Consolidated Financial Statements) divided by EBITDA. This ratio is a measurement that can determine the company's ability to cover interest payments with its EBITDA.

€ Million	First Quarter					
	Group Reporting Model		Reclassification of joint ventures		IFRS-EU	
	2019	2018	2019	2018	2019	2018
Interest ⁽¹⁾	65	72	1	(16)	66	56
EBITDA	1,810	1,804	(450)	(422)	1,360	1,382
Interest cover	3.6%	4.0%			4.9%	4.0%

⁽¹⁾ Lease effect is not included.