Official Notice

Repsol International Finance, B.V.

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The Hague, July 26, 2018

In accordance with Article 14 of the Law of 9 May 2006, on market abuse, Repsol International Finance, B.V. (the "**Company**") is filing the attached official notices published by Repsol, S.A., the Guarantor of the Company´s Euro 10,000,000,000 Guaranteed Euro Medium Term Note Programme, related to: management team changes and its results during the second quarter and first half of 2018.

The official notices were filed today by Repsol, S.A. with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

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JANUARY-JUNE 2018 EARNINGS
Press release
Madrid, July 26th, 2018
7 pages

REPSOL EARNINGS INCREASE 46% TO 1.546 BILLION EUROS

- **Repsol's net income was 1.546 billion euros between January and June 2018, representing an increase of 46% compared with the same period of the previous year, and the highest profit recorded for this period in the last decade.**
- **Adjusted net income, which specifically measures the performace of the company's businesses, increased by 12% to 1.132 billion euros, while EBITDA rose to 3.811 billion euros after a 23% increase.**
- **The company increased its hydrocarbon production by 6% during the first six months of the year, reaching an average of 724 thousand barrels of oil equivalent per day.**
- **Earnings from the Upstream unit (Exploration and Production) increased by 91% as a result of higher production and efficiency measures implemented in recent years, as well as rising international prices.**
- **The Downstream unit (Refining, Chemicals, Marketing, Lubricants, Trading, LPG and Gas & Power) demonstrated its strength with earnings of 762 million euros, supported by significant improvements in the areas of Marketing, Trading and Gas & Power, and LPG.**
- **Net debt decreased by 64% compared to June 30th, 2017, to 2.706 billion euros at the close of the first half of 2018; a period in which Repsol's shares rose 14%, outperforming the Ibex 35 by 18 percentage points and among the best in the industry in Europe.**

724 kboe/d
Average production increases by 6%

647 million euros
Upstream earnings increase by 91%

6.9 dollars per barrel
Refining margin indicator, among the best in Europe

14%
Increase in Repsol share value in the first half of the year

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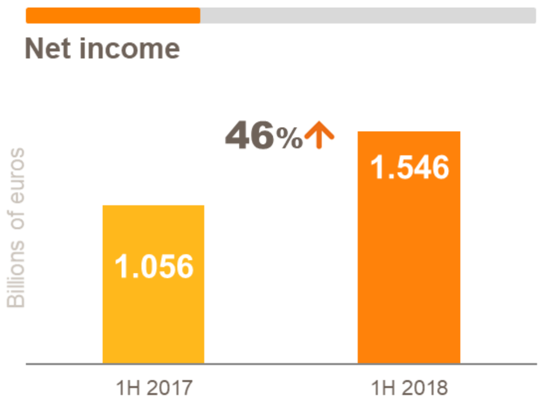
In the first half of the year, Repsol obtained a net income of 1.546 billion euros, compared to the 1.056 billion euros earned in the same period of 2017. This represents a 46% increase, and the company's highest net income recorded for this period in the last ten years.



In addition, adjusted net income, which specifically measures the progress of Repsol's businesses and excludes inventory effects, was 1.132 billion euros, a 12% increase compared with the 1.015 billion euros earned between January and June 2017.

The company relied on the flexibility afforded by its integrated business model and on the efficiency and value-creation measures implemented to achieve success in the first half of the year. Compared to the same period of last year, it was marked by higher crude oil prices (Brent +36%), lower gas prices (Henry Hub -11%), and the weakness of the dollar against the euro, as well as an international environment that was less favorable to some industrial businesses in general, and petrochemicals in particular.

Upstream earnings rose to 647 million euros, the highest recorded for the first half of the year since 2012

The Upstream unit's performance was positive, with earnings of 647 million euros: 91% higher than the earnings obtained between January and June of last year. This figure is the highest recorded by Repsol in the first half of the year since 2012, when Brent prices averaged 113.6 dollars per barrel, compared to an average of 70.6 dollars per barrel in the first six months of 2018. The implementation of the synergies and efficiencies program, increased production and higher crude prices enabled better performace from the unit.

The Downstream unit earned 762 million euros in this six-month period, in which the areas of Marketing, Trading and Gas & Power and LPG stood out. On the other hand, the Refining and Chemicals areas were affected by the weakness of the dollar against the euro, a more complex international environment, and maintenance shutdowns at some industrial facilities.

EBITDA stood at 3.811 billion euros—23% higher than the 3.108 billion euros earned between January and June 2017—demonstrating the strength of Repsol's integrated model.

In Downstream, the Marketing, Trading, Gas & Power and LPG areas stood out in the first half of the year

Net debt decreased by 64% in the year through June 30th to 2.706 billion euros. During this period Repsol's shares saw a 14% increase in value, outperforming the Ibex 35 and peers in Europe.

As the objectives set out in the 2016-2020 Strategic Plan were achieved two years earlier than projected, and after the sale of the stake in Naturgy Energy Group (formerly known as Gas Natural SDG), Repsol presented its updated strategy through 2020 on June 6th. The strategy is based on three pillars: an increase in shareholder compensation; profitable

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business growth in Upstream and Downstream; and the development of new businesses connected to the energy transition.

In the latter area, Repsol took a significant step forward on June 27th, reaching an agreement with the Macquarie and Wren House funds—valued at 750 million euros—to purchase Viesgo's non-regulated low-emissions electricity generation businesses and its gas and electricity distributor.

The agreement will have economic effects from January 1st, 2018 and is slated for completion in the fourth quarter of the year, once the necessary regulatory authorizations have been granted. It consists of the acquisition of a low-emissions generating capacity of 2,350 megawatts (MW) and a portfolio of around 750,000 customers, allowing Repsol to strengthen its position as a multi-energy provider.

Upstream: increased earnings and production

The adjusted net income of the Upstream unit increased by 91% to 647 million euros, compared with the 339 million euros earned in the same period in 2017.

The company's management and the implementation of its efficiencies and synergies boosted the unit's results, and greater production and improved crude oil price realization were crucial to the increase in earnings.

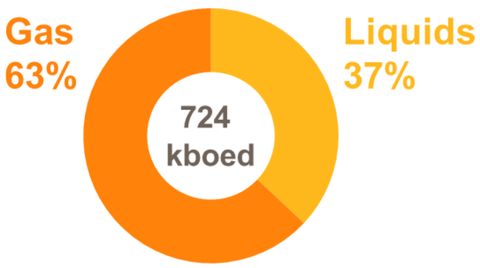
As of June, average hydrocarbon production had increased by 6%

International raw materials benchmark prices fluctuated during this period. The Brent crude oil benchmark increased by 36% in relation to the same period in 2017, with an average price of 70.6 dollars per barrel. In contrast, the Henry Hub gas benchmark decreased by 11% compared to the first half of last year, with an average price of 2.9 dollars per MBtu.

In the first half of this year, Repsol reached a hydrocarbon production of 724,000 barrels of oil equivalent per day, a 6% increase with regard to the first six months of the previous year. This increase was due to the startup of projects in Trinidad and Tobago, the United Kingdom, Algeria and Malaysia, as well as increased contributions from Libya and Norway.

During the period, the company completed three exploration wells and one appraisal drilling project with positive results in Russia (1) and Colombia (3). One project in the latter country was carried out in the CPO-9 block, part of the Akacias development project of which the first phase was approved in 2018.

Production



In Norway, the company signed an agreement in early February to acquire 7.7% of the Visund field, located in the North Sea. With this deal, Repsol is significantly increasing its production in the country to reach approximately 30,000 barrels of oil equivalent per day.

In the first six months of the year, gas production also began in Bunga Pakma, Malaysia, and Repsol began development of the Buckskin project in the United States. The company also acquired new exploration blocks in various bidding rounds in Mexico, Brazil, and Norway.

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Downstream: solidity and diversification

The Downstream unit recorded an adjusted net income of 762 million euros, compared to the 929 million euros it earned between January and June 2017.

The industrial businesses, Refining and Chemicals, were influenced by a less favorable environment, the weakness of the dollar against the euro and planned maintenance shutdowns at the industrial facilities in Puertollano, Spain; Tarragona, Spain; and Sines, Portugal. These halts allowed the company to implement improvements in innovation, efficiency, and productivity, enabling Repsol to remain at the forefront of the sector in Europe.

The refining margin indicator was 6.9 dollars per barrel, among the best in Europe

The refining margin indicator during the first half of the year stood at 6.9 dollars per barrel, placing it above the company's projections and among the best in Europe. The company also increased distillation at its facilities thanks to plants´ utilization improvement.
The area of Trading and Gas & Power increased its earnings due to higher margins and the low temperatures recorded during the month of January in the northeastern United States. Similarly, the LPG business improved its performance with better margins of regulated packaging, and benefited from increased demand due to lower temperatures in Spain.

Repsol continued to innovate in order to provide greater value and services to its customers, and advanced in its growth strategy for digital business

For its part, the Marketing area increased its earnings and sales, while continuing to innovate in order to provide more value to customers. Repsol has integrated the El Corte Inglés shopping card into the Waylet application, enabling the card's 11 million users to pay at Repsol service stations and earn 4% of the total amount spent for purchases at El Corte Inglés.

Furthermore, as part of its growth strategy for digital business, Repsol acquired 70% of the digital platform Klikin earlier this year. This has allowed its Waylet app to evolve it into a universal means of mobile payment that can be used at additional points of sale beyond service stations.

In the month of January, the company also announced the launch of its new car sharing service, WiBLE, in partnership with Kia. It will begin operating in Madrid during the second half of the year.

In March, Repsol opened its first service stations in Mexico as part of its international expansion strategy. This marks the beginning of a long-term project through which the company aims to gain an 8-10% market share in the country in the next five years.

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REPSOL

Reorganization of the management team

The Board of Directors of Repsol, under the chairmanship of Antonio Brufau, has resolved today upon the proposal of the CEO, Josu Jon Imaz, to restructure the management team concluding, at the highest level, the adjustments made in the last weeks after the recent update of the Strategic Plan. This restructuring is aimed at boosting business and reinforcing the Company's technical capabilities to face the new challenges in its commitment to the energy transition.

In this sense, the area of Technology Development, Digitization, Resources and Sustainability has been reinforced and will be taken over, with the level of Executive Managing Director, by Luis Cabra Dueñas, former E&P Executive Managing Director. The E&P Executive Managing Director will be taken over by the former Executive Director of Europe, Africa and Brazil, Tomás García Blanco.

In the financial area, the former Corporate Director of Strategy, Control and Resources, Antonio Lorenzo Sierra, will replace Chief Financial Officer (CFO) Miguel Martínez San Martin, who leaves the company after an extensive professional career. The Board of Directors, through its Chairman, expressed deep thanks to Miguel Martínez San Martín for the brilliant and successful work he has carried out at Repsol.

Following the new appointments, the Corporate Executive Committee of Repsol, headed by the Chief Executive Officer, Josu Jon Imaz, will be integrated by the following Executive Managing Directors:

- Luis Cabra Dueñas (Technology Development, Resources and Sustainability)
- Begoña Elices García (Communication and Chairman’s Office)
- Tomás García Blanco (Exploration and Production)
- Arturo Gonzalo Aizpiri (People and Organization)
- Miguel Klingenberg Calvo (Legal Affairs)
- Antonio Lorenzo Sierra (CFO)
- Mª Victoria Zingoni Domínguez (Downstream)

The General Counsel and Secretary of the Board of Directors will continue under the responsibility of the Executive Managing Director Luis Suárez de Lezo Mantilla.

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REPSOL

Repsol earnings by segment (*)

(unaudited figures)

Million euros	1H 2017	1H 2018	Variation
Upstream	339	647	
Downstream	929	762	
Corporate and others	(253)	(277)	
ADJUSTED NET INCOME	**1,015**	**1,132**	**12%**
Inventory effect	(60)	202	
Special items	101	212	
NET INCOME	**1,056**	**1,546**	**46%**

Key business figures (*)

(unaudited figures)

	1H 2017	1H 2018	Variation
Oil and gas production (kboep/d)	685	724	5.7%
Crude processed (Mtoe)	22.6	22.4	(0.7)%
Sales of oil products (kt)	25,071	25,217	0.6%
Sales of petrochemical products (kt)	1,407	1,313	(6.7)%
LPG sales (kt)	750	739	(1.5)%

(*) The earnings for each segment and the main figures include those from joint ventures or other managed companies operated as such, in accordance with the percentage of interest held by the Group, considering its operational and economic metrics in the same manner and with the same detail as for fully consolidated companies. For more information on the definition of business segments and the presentation model of the Group's financial results, see Note 2.6 of the Interim Consolidated Financial Statement corresponding to the first quarter of 2018, which is to be registered today in the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores) and is viewable on Repsol.com.

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Average production by geographical area

(Barrels of oil equivalent per day)

Europe, Africa & Brazil	165 kboe/d
Latin America & Caribbean	303 kboe/d
North America	176 kboe/d
Asia & Russia	80 kboe/d
TOTAL PRODUCTION	**724 kboe/d**

REPSOL, S.A. and its subsidiaries

Report on limited review of condensed interim consolidated financial statements at June 30, 2018 pwc

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 its subsidiaries (hereinafter, "the group"), which comprise the balance sheet as at June 30, 2018, the income statement and the statement of recognized profit and loss for the three-month and six-month period then ended, and statement of changes in equity and cash flow statement for the six-month period then ended, and related notes, all condensed and consolidated. The parent company´s directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

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

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six months period ended June 30, 2018 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, 2017. Our conclusion is not modified in respect of this matter.

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Other matters

Interim consolidated directors' Report

The accompanying interim consolidated directors' Report for the six months period ended June 30, 2018 contains the explanations which the parent company´s directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this directors' Report is in agreement with that of the interim financial statements for the six months period ended June 30, 2018. Our work is limited to checking the interim consolidated directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Repsol, S.A. and its subsidiaries accounting records.

Preparation of this review report

This report has been prepared at the request of the Board of Directors in relation to the publication of the half-yearly financial report required by Article 119 of Royal Legislative Decree 4/2015 of 23 October, approving the revised text of the Securities Market Law developed by the Royal Decree 1362/2007, of 19 October.

PricewaterhouseCoopers Auditores, S.L.

Iñaki Goiriena Basualdu

July 26, 2018

REPSOL Group | 2018 Interim consolidated financial statements First Half

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 June 30, 2018 and December 31, 2017

ASSETS	Note	€ Million 6/30/2018	€ Million 12/31/2017
Intangible Assets:		4,765	4,584
a) Goodwill		2,919	2,764
b) Other intangible assets		1,846	1,820
Property, plant and equipment	4.3	25,175	24,600
Investment properties		67	67
Investments accounted for using the equity method	4.4	6,263	9,268
Non-current financial assets	4.2	1,625	2,038
Deferred tax assets		3,743	4,057
Other non-current assets		504	472
NON-CURRENT ASSETS		42,142	45,086
Non-current assets held for sale	1.3	22	22
Inventories		4,719	3,797
Trade and other receivables		6,279	5,912
a) Trade receivables		4,140	3,979
b) Other receivables		1,487	1,242
c) Current income tax assets		652	691
Other current assets		211	182
Other current financial assets	4.2	1,654	257
Cash and cash equivalents	4.2	5,722	4,601
CURRENT ASSETS		18,607	14,771
TOTAL ASSETS		60,749	59,857

EQUITY AND LIABILITIES	Note	€ Million 6/30/2018	€ Million 12/31/2017
Capital		1,596	1,556
Share premium and reserves		27,152	25,694
Treasury shares and own equity investments		(283)	(45)
Net income for the period attributable to the parent		1,546	2,121
Dividends and other remuneration		-	(153)
Other equity instruments		1,005	1,024
SHAREHOLDERS' EQUITY		31,016	30,197
Available-for-sale financial assets		8	-
Hedging instruments		(131)	(163)
Translation differences		(25)	(241)
OTHER ACCUMULATED COMPREHENSIVE INCOME		(148)	(404)
NON-CONTROLLING INTERESTS		290	270
EQUITY	4.1	31,158	30,063
Grants		3	4
Non-current provisions		5,080	4,829
Non-current financial debt	4.2	9,180	10,080
Deferred tax liabilities		1,061	1,051
Other non-current liabilities		1,831	1,795
NON-CURRENT LIABILITIES		17,155	17,759
Liabilities linked to non-current assets held for sale		1	1
Current provisions		506	518
Current financial liabilities	4.2	4,296	4,206
Trade payables and other payables:		7,633	7,310
a) Trade payables		3,052	2,738
b) Other payables		4,259	4,280
c) Current income tax liabilities		322	292
CURRENT LIABILITIES		12,436	12,035
TOTAL EQUITY AND LIABILITIES		60,749	59,857

Notes 1 to 5 are an integral part of the balance sheet.

Repsol S.A. and investees comprising the Repsol Group
Income statement corresponding to the second quarter of 2018 and 2017 and the interim periods ending June 30, 2018 and 2017

		€ Million			
	Note	Q2 2018	Q2 2017 (1)	6/30/2018	6/30/2017 (1)
Sales		12,442	10,081	23,419	20,105
Services rendered and other income		40	101	78	198
Changes in inventory of finished goods and work-in-progress goods		(380)	(112)	(190)	31
Reversal of impairment losses and gains on disposal of non-current assets		14	216	16	409
Other operating income		83	285	398	501
OPERATING INCOME	4.5	12,199	10,571	23,721	21,244
Supplies		(8,701)	(7,560)	(17,005)	(14,794)
Personnel expenses		(497)	(502)	(928)	(962)
Other operating expenses		(1,419)	(1,277)	(2,823)	(2,577)
Depreciation and amortization of non-current assets		(492)	(790)	(1,009)	(1,389)
Impairment losses recognized and losses on disposal of non-current assets		(89)	(29)	(159)	(265)
OPERATING EXPENSES		(11,198)	(10,158)	(21,924)	(19,987)
OPERATING INCOME		1,001	413	1,797	1,257
Finance income		50	45	96	89
Finance expenses		(152)	(155)	(298)	(318)
Change in fair value of financial instruments		149	4	132	38
Net exchange gains /(losses)		445	40	496	5
Impairment gains (losses) on disposal of financial instruments	4.8	(380)	1	(395)	1
FINANCIAL RESULT		112	(65)	31	(185)
SHARE OF RESULTS OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD AFTER TAXES	4.4	55	32	193	112
NET INCOME BEFORE TAX		1,168	380	2,021	1,184
Income tax	4.6	(562)	(60)	(868)	(226)
NET INCOME FROM CONTINUING OPERATIONS		606	320	1,153	958
NET INCOME ATTRIBUTED TO NON-CONTROLLING INTERESTS FROM CONTINUING OPRATIONS		(14)	(4)	(19)	(13)
NET INCOME ATTRIBUTED TO THE PARENT FROM CONTINUING OPERATIONS		592	316	1,134	945
NET INCOME ATTRIBUTED TO THE PARENT FROM DISCONTINUED OPERATIONS	2.2.1	344	51	412	111
TOTAL NET INCOME ATTRIBUTED TO THE PARENT		936	367	1,546	1,056

EARNINGS PER SHARE ATTRIBUTED TO THE PARENT	4.9	€ / share		€ / share	
Basic		0.59	0.23	0.97	0.66
Diluted		0.59	0.23	0.97	0.66

(1) Includes the amendments required in terms of condensed interim consolidated financial Statements corresponding to the first half of 2017 (see Note 2 "*Basis of presentation*") in relation to the sale of the stake in Naturgy Energy Group, S.A. (see Note 1.3).

Notes 1 to 5 are an integral part of the income statement.

Repsol S.A. and investees comprising the Repsol Group
Statement of recognized income and expenses for the second quarter of 2018 and 2017 and the interim periods ending June 30, 2018 and 2017

	€ Million			
	Q2 2018	Q2 2017	6/30/2018	6/30/2017
CONSOLIDATED NET INCOME [1]	950	371	1,565	1,069
For actuarial gains and losses	(2)	(6)	-	(7)
Investments accounted for using the equity method	13	4	15	4
Tax effect	-	-	-	-
OTHER COMPREHENSIVE INCOME. ITEMS NOT RECLASSIFIABLE TO INCOME	11	(2)	15	(3)
Financial assets available for sale:	-	(1)	-	-
Measurement gains/(losses)	-	(1)	-	-
Amounts transferred to the income statement	-	-	-	-
Cash flow hedges:	9	-	23	9
Measurement gains/(losses)	3	(6)	11	(6)
Amounts transferred to the income statement	6	6	12	15
Translation differences:	586	(1,390)	77	(1,606)
Measurement gains/(losses)	586	(1.354)	77	(1,570)
Amounts transferred to the income statement	-	(36)	-	(36)
Stake in investments for joint ventures and associates:	181	(97)	181	(99)
Measurement gains/(losses)	-	(97)	-	(99)
Amounts transferred to the income statement	181	-	181	-
Tax effect	(18)	(29)	(23)	(41)
OTHER COMPREHENSIVE INCOME. ITEMS RECLASSIFIABLE TO INCOME	758	(1,517)	258	(1,737)
TOTAL OTHER COMPREHENSIVE INCOME	769	(1,519)	273	(1,740)
TOTAL RECOGNIZED INCOME OF THE YEAR	1,719	(1,148)	1,838	(671)
a) Attributable to the parent	1,702	(1,147)	1,818	(678)
b) Attributable to non-controlling interest	17	(1)	20	7

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

Notes 1 to 5 are an integral part of the statement of recognized income and expenses.

Repsol S.A. and Investees comprising the Repsol Group
Statement of changes in equity for the interim periods ending June 30, 2018 and 2017

	Equity attributed to the parent and other equity instrument holders						Non-controlling interests	Equity
	Shareholders' Equity					Other accumulated comprehensive income		
€ Million	Capital	Share premium, reserves and dividends	Treasury shares and own equity investments	Net income for the period attributable to the parent	Other equity instruments			
Closing balance at 12/31/2016	1,496	24,232	(1)	1,736	1,024	2,380	244	31,111
Total recognized income/(expense)	-	(3)	-	1,056	-	(1,731)	7	(671)
Transactions with shareholders or owners								
Increase/decrease share capital	31	(31)	-	-	-	-	-	-
Distribution of dividends	-	-	-	-	-	-	-	-
Treasury share transactions (net)	-	1	(36)	-	-	-	-	(35)
Increases / (Decreases) due to scope	-	-	-	-	-	-	-	-
Other transactions with shareholders and owners	-	(189)	-	-	-	-	-	(189)
Other changes in equity								
Transfers between equity items	-	1,736	-	(1,736)	-	-	-	-
Subordinated perpetual bonds		(15)	-	-	(19)	-	-	(34)
Other changes	-	1	-	-	-		-	1
Closing balance at 6/30/2017	1,527	25,732	(37)	1,056	1,005	649	251	30,183
Total recognized income/(expense)	-	5	-	1,065	-	(1,054)	24	40
Transactions with shareholders or owners								
Increase/decrease share capital	29	(29)	-	-	-	-	-	-
Distribution of dividends	-	-	-	-	-	-	(5)	(5)
Treasury share transactions (net)	-	(1)	(8)	-	-	-	-	(9)
Increases / (Decreases) due to scope	-	-	-	-	-	-	-	-
Other transactions with shareholders and owners	-	(153)	-	-	-	-	-	(153)
Other changes in equity								
Transfers between equity items	-	-	-	-	-	-	-	-
Subordinated perpetual bonds		(14)	-	-	19	-	-	5
Other changes	-	1	-	-	-	1	-	2
Closing balance at 12/31/2017	1,556	25,541	(45)	2,121	1,024	(404)	270	30,063
Impact of new standards (see Note 2.2.3)	-	(356)	-	-	-	-	-	(356)
Adjusted closing balance	1,556	25,185	(45)	2,121	1,024	(404)	270	29,707
Total recognized income/(expense)	-	15	-	1,546	-	257	20	1,838
Transactions with shareholders or owners								
Increase/decrease share capital	40	(40)	-	-	-	-	-	-
Distribution of dividends	-	-	-	-	-	-	-	-
Treasury share transactions (net)	-	(13)	(238)	-	-	-	-	(251)
Increases / (Decreases) due to scope	-	-	-	-	-	-	-	-
Other transactions with shareholders and owners	-	(100)	-	-	-	-	-	(100)
Other changes in equity								
Transfers between equity items	-	2,121	-	(2,121)	-	-	-	-
Subordinated perpetual bonds	-	(15)	-	-	(19)	-	-	(34)
Other changes	-	(1)	-	-	-	(1)	-	(2)
Closing balance at 6/30/2018	1,596	27,152	(283)	1,546	1,005	(148)	290	31,158

Notes 1 to 5 are an integral part of the statement of changes in equity.

Repsol S.A. and Investees comprising the Repsol Group

Statement of cash flows for the interim periods ending June 30, 2018 and 2017

	€ Million	
	6/30/2018	6/30/2017
Net income before tax	**2,021**	**1,184**
Adjustments to net income:	**982**	**1,277**
Depreciation of property, plant and equipment	1,009	1,389
Other adjustments to net income	(27)	(112)
Changes in working capital	**(1,116)**	**10**
Other cash flows from / (used in) operating activities:	**(518)**	**(389)**
Dividends received	57	215
Income tax (receipts)/payments	(449)	(341)
Other (receipts)/payments of operating activities	(126)	(263)
CASH FLOW FROM OPERATING ACTIVITIES	**1,369**	**2,082**
Payments on investments:	**(2,455)**	**(1,136)**
Group companies and associates	(5)	(135)
Property, plant and equipment, intangible assets and investment property	(1,111)	(883)
Other financial assets	(1,339)	(118)
Proceeds from divestments:	**3,836**	**22**
Group companies and associates	3,824	(18)
Property, plant and equipment, intangible assets and investment property	11	37
Other financial assets	1	3
Other cash flow	**14**	**(4)**
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES	**1,395**	**(1,118)**
Receipts and (payments for) on equity instruments:	**(457)**	**(183)**
Acquisition	(462)	(190)
Disposal	5	7
Receipts and (payments for) on financial liabilities:	**(745)**	**(290)**
Issued	7,887	6,155
Returns and redemption	(8,632)	(6,445)
Payments for shareholder remunerations and other equity instruments	**(196)**	**(143)**
Other cash flows from financing activities:	**(252)**	**(291)**
Interest payments	(276)	(341)
Other receipts / (payments for) of financing activities	24	50
CASH FLOWS FROM FINANCING ACTIVITIES	**(1,650)**	**(907)**
EFFECT OF EXCHANGE RATE CHANGES	**7**	**(27)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,121**	**30**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4,601**	**4,687**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**5,722**	**4,717**
Cash and banks	4,115	4,196
Other financial assets	1,607	521

Notes 1 to 5 are an integral part of the cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS

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(1) GENERAL INFORMATION

1.1 About the interim condensed consolidated financial statements

The accompanying interim condensed consolidated financial statements (hereinafter, interim 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 June 30, 2018, as well as the Group's consolidated earnings performance, the changes in the consolidated equity and the consolidated cash flows for the six-month period ending on the above date.

These interim financial statements have been approved by the Board of Directors of Repsol, S.A. at its meeting of July 25, 2018. Given the limitations on the information provided in the interim financial statements, they must be read bearing in mind the consolidated financial statements for 2017 (see Note 2.1).

The Group's Interim Management Report is also published with the interim financial statements. Both reports are available in www.repsol.com.

1.2 About the Repsol Group

Repsol constitutes an integrated group of oil and gas, which is engaged in all the activities relating to the oil and gas industry, including 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 retailing of oil products, oil derivatives, petrochemicals products, LPG, natural gas and liquefied natural gas (LNG).

Repsol Group's interim financial statements include investments in all its subsidiaries, associates and joint arrangements. Appendix I of the consolidated financial statements at December 31, 2017, details the main companies that form part of the Repsol Group and that formed part of the scope of consolidation on said date. Appendix I of these interim financial statements detail the main changes in the composition of the Group that have occurred during the first six months of 2018.

The activities of Repsol, S.A. and its investee companies is subject to extensive regulations, which are provided in Appendix IV of the consolidated financial statements at December 31, 2017. Appendix II provided details of the main changes that have occurred during the first six months of 2018.

1.3 Main changes in the Group's activities

Sale of stake in Gas Natural SDG, S.A.

On May 18, 2018, Repsol, S.A. completed the sale of its stake in Gas Natural SDG, S.A.[1], (200,858,658 shares representing approximately 20.072% of the share capital) for the total price of €3,816,314,502, equivalent to €19 per share, pursuant to the provisions of the purchase agreement entered into with Rioja Bidco Shareholdings, S.L.U. on February 22, 2018.

Update of strategy 2018-2020

On June 6, 2018, Repsol publicly presented an update of its Strategic Plan with a horizon 2018-2020. For more information, see section 2.1 of the Interim Management Report of the first half of 2018.

[1] Currently denominated Naturgy Energy Group, S.A. hereinafter "Naturgy" or "Naturgy group".

(2) BASIS OF PRESENTATION

2.1 General principles

These interim financial statements have been prepared using the accounting records of the investee companies that form part of the Group under the International Financial Reporting Standards adopted by the European Union (IFRS-EU) as of June 30, 2018, 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, this interim financial information is prepared solely and exclusively to update the contents of the most recent consolidated financial statements published, placing an emphasis on new activities, events and circumstances that have occurred during the first six months of the year and without duplicating information published previously in the consolidated financial statements for the previous year. To properly understand the information included in the accompanying interim financial statements and as they do not include the information that comprehensive financial statements prepared in line with IFRS-EU require, they shall be read bearing in mind Repsol Group's 2017 consolidated financial statements, which were approved by the Annual General Meeting of Repsol, S.A. held on May 11, 2018 and which are available at www.repsol.com.

These financial statements are presented in million euros (unless otherwise indicated).

2.2 Comparative information

2.2.1 Changes in the consolidation scope

Following the sale of the stake in Naturgy (Note 1.3), income from said stake have been classified under "*Income from discontinued operations, net of taxes*". The 2017 income statement has also been restated for comparative purposes.

"*Income from discontinued operations, net of taxes*" for this period includes the income from the transfer of the stake in Naturgy for €344 million, as well as the income generated for this stake up to February 22, 2018, the date it was reclassified as held for sale, for an amount of €68 million (€111 million in the first half of 2017).

During the first half of 2018, cash flows from discontinued operations generated by the sale of the stake in Naturgy came to €3,816 million, recognized as "*Proceeds from divestments – Group companies and associates*" under Cash flows from investment activities on the consolidated statement of cash flows.

During the first half of 2017, cash flows from discontinued operations generated by the dividends received from the stake in Naturgy came to €135 million, recognized as "*Proceeds from dividends*" under Cash flows from operating activities on the consolidated statement of cash flows.

2.2.2 Application of new accounting standards

Different accounting standards that shall apply in the future[1] were issued during the first half of 2018, and other new accounting standards[2] have started to be applied, of which the following are of mention, due to their impact on these financial statements:

IFRS 9 *Financial instruments*

IFRS 9 *Financial Instruments* came into force on January 1, 2018, with the option of not restating comparative information corresponding to 2017 used. The impact of its initial application, has been recognized directly in equity, as follows:

Impairment of assets:

The initial application of the new model of impairment due to credit risk based on expected loss[3] has entailed a negative impact of €433 million, mainly attributable to financial assets associated with Venezuela. This impact has been recognized on the statement of financial position under "*Retained earnings and other reserves*", broken down as follows:

	12/31/2017	Adjustment to IFRS 9	1/01/2018
Investments accounted for using the equity method (Note 4.4)	9,268	(12)	9,256
Non-current financial assets [(i)]	2,038	(289)	1,749
Other non-current assets	472	(40)	432
Trade and other receivables	5,912	(73)	5,839
Current and non-current provisions	5,347	(19)	5,328
Effect on net assets		**(433)** [(ii)]	
Deferred tax assets		85	
Effect on Equity		**(348)**	

[(i)] Includes loans extended to joint arrangements.
[(ii)] Accumulated losses are presented, as applicable, less the corresponding asset account.

[1] In terms of the consolidated financial statements of the Repsol Group corresponding to 2017, the following changes have occurred concerning the information provided in Note 2.2.: Adoption by the European Union of Amendments to IFRS 9 Prepayment features with negative compensation, applicable from January 1, 2019 and the release of *Amendments to References to the Conceptual Framework in IFRS Standards*, applicable from January 1, 2020. To date, the Group has not identified any impacts resulting from the application of these regulatory changes.

[2] The standards applied effective January 1, 2018, are: i) IFRS 9 Financial Instruments; ii) IFRS 15 Revenue from contracts with customers; iii) Clarifications to IFRS 15 Revenue from contracts with customers; iv) Amendments to IFRS 4 Application of IFRS 9 Financial Instruments in conjunction with IFRS 4 Insurance contracts; v) Annual Improvements to IFRSs, 2014-2016 Cycle; vi) Amendments to IAS 40share-based payments; vii) Amendments to IAS 40Transfers of investment property; and viii) IFRIC 22 Foreign currency transactions and advance consideration. The impacts resulting from the application of these norms are detailed in Note 2.3.

[3] The Group assumes the simplified approach to recognize credit loss expected during the lifetime of its trade receivables accounts, it has its own risk measurement models that it applies to its customers and expected loss estimation models based on the likelihood of default, the exposed balance and its estimated severity, considering the information available on each customer (sector of activity, payment performance, financial information, future outlook, etc.). This model employs a threshold of more than 180 days past due for it to be considered that impairment has occurred. These criteria are applied in the absence of objective evidence of a breach, such as insolvency proceedings, etc. Other financial instruments, mainly financial guarantees and loans extended to joint arrangements are monitored separately for the purposes of establishing when, as applicable, there may have been a significant deterioration in credit risk or a breach. Concerning Venezuela, and faced with the circumstances in the country, the Group has used different severity scenarios to quantify expected losses under IFRS 9. The standards applied effective January 1, 2018, are: i) IFRS 9 Financial Instruments; ii) IFRS 15 Revenue from contracts with customers; iii) Clarifications to IFRS 15 Revenue from contracts with customers; iv) Amendments to IFRS 4 Application of IFRS 9 Financial Instruments in conjunction with IFRS 4 Insurance contracts; v) Annual Improvements to IFRSs, 2014-2016 Cycle; vi) Amendments to IAS 40share-based payments; vii) Amendments to IAS 40Transfers of investment property; and viii) IFRIC 22 Foreign currency transactions and advance consideration. The impacts resulting from the application of these norms are detailed in Note 2.3.

Classification of financial assets:

Financial assets have been classified at January 1, 2018, as financial assets measured at fair value through profit or loss under "*Other comprehensive profit/(loss)*" according to the nature of the contractual cash flows of the assets and the business model applied by the company.[1]

Below is the reconciliation of the classification and measurement of financial assets under IAS 39 and IFRS 9 on the date of first application:

Type of instrument	Classification 12/31/2017 (IAS 39)	Classification 1/1/2018 (IFRS 9)	Amount (€ Million)
Equity instruments[(1)]	Available for sale	FV[2] with changes through other comprehensive income	99
		FV[2] with changes through profit and loss	20
Derivatives	Held for trading	FV[2] with changes through profit and loss	79
Loans	Loans and receivables	Amortized cost	2,106
Cash and cash equivalents	Held to maturity investments	Amortized cost	4,593
Other instruments	FV[2] with changes through profit and loss	FV[2] with changes through profit and loss	62

[(1)] Portfolio of non-consolidated companies not accounted for using the equity method.
[(2)] FV: Fair value.

NOTE: Does not include "*Other non-current assets*" and "*Trade receivables and other receivables*" on the consolidated statement of financial position, which, at December 31, 2017, came to €470 million (non-current) and €5,161 million (current), of which €1,028 million correspond to current accounts receivable on commodities sales agreements, which are measured at fair value with changes through profit and loss; the remainder corresponds mainly to trade accounts receivable measured at amortized cost.

In terms of financial liabilities, there has been no impact on the classification or measurement as a result of the application of IFRS 9.

Hedge accounting and derivatives:

The Group has chosen to apply IFRS 9 for the accounting of its hedging activities, despite the standard allowing for the continued application of IAS 39 until the IASB completes its “Dynamic risk management” project, on account of the greater flexibility provided by the new standard.

The new norm: (i) removes the requirement concerning retrospective assessment in terms of assessing the continuity of the hedge; (ii) makes it possible to mitigate accounts asymmetries caused by *commodities* provisioning and marketing agreements and derivative instruments used as an economic hedge for them, by applying the fair value option to these agreements, and; (iii) provides greater flexibility in terms of hedge accounting, specifically in terms of instruments that can be used as hedge instruments and the transactions that can be hedged.

The first application of IFRS 9 has had no impact on hedge accounting.

[1] Investments in debt held within a business model whose objective is to obtain contractual cash flows consisting exclusively of the principal and interest, generally speaking, are measured at amortized cost. When these debt instruments are held within a business model whose objective is achieved by obtaining contractual cash flows of the principal and interest and the sale of financial assets, generally speaking, they are measured at fair value with changes through profit or loss with changes to other comprehensive income. All other investments in debt and equity will be measured at fair value with changes through profit or loss. However, it is possible to irreversibly decide to include subsequent changes in the fair value of certain equity instruments in "*Other comprehensive income*" and, generally speaking, in this case only dividends will be recognized afterwards in income.

IFRS 15 *Revenue from contracts with customers*

IFRS 15 *Revenue from contracts with customers* and the amendments to the other IFRS affected as a result came into force on January 1, 2018, with the option of not restating comparative information corresponding to 2017.

IFRS 15 replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts* and applies to all revenue generated from customer contracts, unless said contracts are within the scope of other standards. Pursuant to the new accounting requirements, revenue from each different contractual obligation must be identified, classified and accrued separately. Among other issues, the standard also implements the accounting criteria for capitalizing the incremental costs of acquiring a contract with a customer.

The Group has revised the type of customer contracts (mainly for the sale of crude oil, gas, naphtha, oil products, chemicals and petrochemicals), having identified the following impacts deriving from the application of IFRS 15, which have been recognized under "*Retained earnings and other reserves*" on the statement of financial position:

	12/31/2017	Adjustment to IFRS 15	1/01/2018
Other non-current liabilities [1]	(1,795)	(20)	(1,815)
Trade payables and other payables [1]	(7,310)	(4)	(7,314)
Investments accounted for using the equity method (Note 4.4)	9,268	9	9,277
Effect on net assets and liabilities		(15)	
Deferred tax asset		6	
Effect on Equity		(9)	

[1] In terms of bulk liquefied petroleum gases (LPG) supply contracts, the two following distinct performance obligations have been identified: (i) the sale of liquefied gas, which occurs at a specific point in time; and (ii) maintenance services, which are provided generally over the life span of the contract, giving rise to a contractual liability shown under "*Other non-current liabilities*" and "*Trade payables and other payables*" for outstanding services and that, as of January 1, 2018, came to €20 million and €4 million, respectively, and accumulated losses of €18 million after tax, recognized under "*Retained earnings and other reserves*".

In line with specific Upstream contracts, in payment of the Group's taxes, production deliveries are made to national oil companies which, once control has been transferred, can be sold freely on the market. Based on the economic substance of the transactions, the monetary value of these production volumes is shown under "*Sales*" on the statement of profit or loss (formerly under "*Services rendered and other income*"). The amounts recognized in the first half of 2018 under "*Sales*" in this connection came to €305 million.

In terms of the incremental costs of acquiring a contract with a customer, they are considered as the costs that the Group previously recognized under "*Intangible assets*" on the statement of financial position as flagging costs. The net balance of this item at January 1, 2018, came to €26 million.

Finally, in terms of the additional breakdowns of information, the itemization of revenue from ordinary operations (corresponding to the sum of the "*Sales*" and "*Services rendered and other income*") have been included by geographical area (see Note 4.5)

2.2.3 Changes to accounting estimates and judgements

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

These estimates are made on the basis of the best information available, as described in Note 3 "*Accounting estimates and judgements*" to the consolidated financial statements for 2017.

In 2018, a change in the accounting estimate was made prospectively in relation to the depreciation of certain assets relating to hydrocarbon exploration and production operations. Since January 1, 2018, the production unit criterion (see "*Activity-specific accounting policies*" in Note 3 to the 2017 financial statements) has been applied considering all the amounts of reserves expected to be produced with the investments made (proven reserves[1] plus probable reserves, or proven reserves plus probable developed reserves). Repsol considers that the new amortization ratio will provide a better reflection of the consumption pattern of the economic benefits of this class of assets, having been applied from January 1 with the availability of the necessary reserves information and the completion of the relevant asset performance analyses. The estimated effect of this change in the first six months of 2018 amounts to €165 million[2].

2.2.4 Seasonality

The businesses of liquefied petroleum gas (LPG) and of natural gas 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.

2.2.5 Earnings per share

in accordance with the accounting standard, earnings per share for the second quarter of 2017 and the first six months of 2017 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 "*Repsol Flexible Dividend*" described in Note 4.1 "*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

[1] Reserves are classified as follows:

Proven reserves: Proven reserves (1P scenario) are quantities of crude oil, natural gas and liquids from natural gas that, based on up-to-date information, are estimated to be recovered with reasonable certainty. There should be at least a probability of 90% that the quantities recovered will equal or exceed the 1P estimate.

Probable reserves: Probable reserves are those additional reserves, which in added to proven reserves make up the 2P scenario. There should be at least a 50% probability that the quantities recovered will equal or exceed the 2P estimate. This scenario reflects the best estimate of reserves.

Repsol applies the criteria established by "*SPE-PRMS (SPE - Society of Petroleum Engineers)*" system, where full definitions may be consulted.

[2] The impact on future periods is not included because of the difficulties in calculating it for this type of asset.

structure approved by the Board of Directors for business management. Using these segments as a reference point, Repsol's executive personnel team (the Corporate Executive, E&P and Downstream Committees) analyzes the main operating and financial indicators in order to make decisions about segment resource allocation and to assess how the Company is performing.

The operating segments of the Group are:

- *Upstream*, corresponding to exploration and production of crude oil and natural gas reserves and;
- *Downstream* corresponds 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, and (iv) the marketing, transport and regasification of natural gas and liquefied natural gas (LNG).

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.

In presenting the results of its operating segments Repsol includes the results of its joint ventures[1] and other companies managed as such[2] 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 Income, which corresponds to net income from continuing operations at "*Current cost of supply*" or CCS after taxes and non-controlling interests, and not including certain items of income and expense ("Special Items"). Net finance cost is allocated to the *Corporate and other* segment's Adjusted Net Income.

The Current Cost of Supply (CCS) is commonly used in this industry to present the results of *Downstream* businesses which must work with huge inventories subject to continual price fluctuations is not an accepted European accounting regulation, yet does enable the comparability with other sector companies as well as 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 of the foregoing, Net Income does not include the so-called Inventory Effect. This Inventory Effect is presented separately, net of tax 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 Company to determine its earnings in accordance with European accounting regulations.

Furthermore, Adjusted Net Income does not include the so-called Special Items, i.e. certain material items whose separate presentation is considered appropriate in order to facilitate analysis of the ordinary business performance. It includes gains/losses on disposals, staff 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 presented by segment (adjusted net income, inventory effect, special items...), Appendix IV shows the items and concepts required for reconciliation with the corresponding figures prepared according to IFRS-EU.

[1] In the segment reporting model, joint ventures are consolidated proportionally in accordance with the Group's stake. See Note 12 "*Investments accounted for using the equity method*" and Appendix I of the 2017 consolidated financial statements, where the Group´s main joint ventures are identified.

[2] Corresponds to Petrocarabobo, S.A. (Venezuela), an associate.

Following the agreement reached on February 22, 2018 for the sale of the 20.072% stake in Naturgy Energy Group. S.A. (see Note 1.3), its income prior to said date has been classified as discontinued operations under "*Special items*", previously classified under "*Corporate and other*", restating the figures published in the interim financial statements for the second half of 2017 used for the purposes of comparison.

The way in which the results of exchange rate fluctuations on tax positions in currencies other than the functional currency are presented has changed during the period, and these changes are reflected in the Special Items to facilitate the monitoring of business results and align us with best practices in the industry. The comparative figures for the first half of 2017 have not been restated, given their immateriality (see Appendix II of the Interim Management Report for the first half of 2018).

(3) SEGMENT REPORTING[1]

3.1 Results, cash flows and financial position

	€ Million	
	6/30/2018	6/30/2017 [(1)]
Upstream	647	339
Downstream	762	929
Corporate and other	(277)	(253)
ADJUSTED NET INCOME	**1,132**	**1,015**
Inventory effect	202	(60)
Special items	212	101
NET INCOME	**1,546**	**1,056**

(1) Includes the amendments required in terms of the interim financial statements for the first quarter of 2017 (see Note 2"*Basis of presentation*") concerning the sale of the stake in Naturgy (see Note 1.3).

Information on income, cash flow and financial situation of the first six-month period is included in the Group's interim Management Report for the first half of 2018.

1 All the information presented throughout this Note has been prepared using the Group's reporting model (see Note 2.3), unless expressly indicated otherwise, and is reconciled with IFRS-EU financial statements in Appendix IV. Some of these figures are Alternative Performance Measures (APMs) in accordance with ESMA guidelines (for further information, see Appendix II of the Consolidated Management Report for the first half of 2018 at http://www.repsol.com).

3.2 Information by geographic area

The geographic distribution of the main figures in each of the presented periods is as follows:

	First half 2018 and 2017							
	Operating income		Adjusted net income		Operating investments		Capital employed (2)	
€ Million	6/30/2018	6/30/2017	6/30/2018	6/30/2017 (1)	6/30/2018	6/30/2017	6/30/2018	6/30/2017 (1)
Upstream	**1,236**	**503**	**647**	**339**	**900**	**906**	**21,693**	**22,592**
Europe, Africa and Brazil	803	311	358	141	231	182	-	-
Latin America-Caribbean	341	283	260	159	98	291	-	-
North America	147	(34)	115	(25)	267	214	-	-
Asia and Russia	232	132	132	74	110	91	-	-
Exploration and other	(287)	(189)	(218)	(10)	194	128	-	-
Downstream	**985**	**1,234**	**762**	**929**	**325**	**279**	**10,668**	**9,294**
Europe	942	1,159	723	883	272	219	-	-
Rest of World	43	75	39	46	53	60	-	-
Corporate and other	**(178)**	**(124)**	**(277)**	**(253)**	**20**	**16**	**1,503**	**2,575**
TOTAL	2,043	1,613	1,132	1,015	1,245	1,201	33,864	34,461

NOTE: To reconcile these figures with the IFRS-EU figures, see Appendix IV and Appendix II in the 2018 Interim Management Report.

(1) Includes the amendments required in terms of the interim financial statements corresponding to the first half of 2017 (see Note 2 "*Basis of presentation*") in relation to the sale of the stake in Naturgy (see Note 1.3).

(2) Includes capital employed from continuing operations.

(4) OTHER INFORMATION

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

4.1 Equity

	€ Million	
	6/30/2018	12/31/2017
Shareholders' equity:	**31,016**	**30,197**
Share capital	1,596	1,556
Share premium and reserves:	27,152	25,694
Share Premium (1)	6,428	6,428
Legal reserve (2)	299	299
Retained earnings and other reserves (3)	20,425	18,967
Treasury shares and own equity investments	(283)	(45)
Income for the period attributable to the parent	1,546	2,121
Dividends and other remuneration	-	(153)
Other equity instruments	1,005	1,024
Other accumulated comprehensive income	**(148)**	**(404)**
Non-controlling interests	**290**	**270**
TOTAL EQUITY	31,158	30,063

(1) The Spanish Companies Act expressly permits the use of the share premium account balance to increase share capital and establishes no specific restrictions as to its use.

(2) Under the restated Spanish Companies Act, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not exceed 10% of the increased share capital. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

(3) In 2018, "Other reserves" includes the impact of standards applicable for the first time (see Note 2.2.2).

Share capital

At the Annual General Meeting held on May 11, 2018, the Company's shareholders approved two bonus share issues to implement the shareholder remuneration scheme known as "*Repsol Flexible Dividend*", in substitution of what would have been the traditional final dividend from 2017 profits and the interim dividend from 2018 earnings, under which shareholders can instead choose between receiving their remuneration in cash (by selling their bonus share rights in the market or back to the Company) or in Company shares. The first of these two bonus share issues took place between June and July, the main characteristics of these issues are detailed below:

		June / July 2018
REMUNERATION IN CASH	Owners who accepted the irrevocable purchase commitment [1] Deadline for requesting sale of rights to Repsol at a guaranteed price Fixed price guaranteed by right Gross amount of the acquisition of rights by Repsol	13.26% rights 29 June €0.485 gross / right €100 million
REMUNERATION IN SHARES	Owners who opted to receive new Repsol shares Number of rights required for the allocation of a new share New shares issued Approximate share capital increase Closing of capital increase	86.74% rights 34 39,708,771 2.55% 10 July

(1) Repsol has renounced the bonus share rights acquired by virtue of the purchase commitment and, by extension, the shares corresponding to those rights. The balance sheet at June 30, 2018 recognizes a reduction in equity in the line item "*Retained earnings and other reserves*" along with the obligation to pay the shareholders that had accepted Repsol's irrevocable purchase commitment.

Following these issues, the share capital of Repsol, S.A. at June 30 stood at €1,596,173,736, fully subscribed and paid in, represented by 1,596,173,736 shares with a par value of 1 euro each.

According to the latest information available the significant stockholders of Repsol, S.A. are:

Significant shareholders	% of share capital
CaixaBank, S.A.	9.50
Sacyr, S.A.[1]	7.69
Blackrock [2]	4.45
Temasek Holdings (Private) Limited [3]	3.31

(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 various controlled entities. The information pertaining to Blackrock, Inc. is based on the declaration presented by the latter to the CNMV on July 10, 2018 over the 1,556,464,965 share capital figure.
(3) Temasek holds its stake through its subsidiary, Chembra Investment PTE, Ltd.

Treasury shares and own equity instruments

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

	No. of Shares	Amount (€ Million)	% capital
Balance at 12/31/2017	3,028,924	45	0.19%
Market purchases [1]	51,778,667	787	3.24%
Market sales [1]	(36,544,650)	(549)	2.29%
Balance at 6/30/2018 [3]	18,262,941	283	1.14%

(1) Includes the shares acquired and delivered (as applicable) under the scope of the Share Acquisition Plan and the share purchase programs aimed at beneficiaries of the pluri-annual performance-based remuneration plans. In 2018, 316,798 shares have been delivered as per the provisions of each of the plans (see Note 28.4 of the 2017 Consolidated Financial Statements).
(2) The balance at June 30, 2018, includes derivatives contracted by Repsol, S.A. from financial institutions for a total notional of 10 million shares of Repsol, S.A. under which voting rights and economic risk intrinsic to the underlying were transferred to the Group.

Shareholder remuneration

The following table breaks down the dividend payments received by Repsol's shareholders during the six-month period ending in June 30, 2018, carried out under the "*Repsol Flexible Dividend*" program:

	No. of free-of-charge allocation rights sold to Repsol	Purchase commitment price (€/right)	Remuneration in cash (€ Million)	New shares issued	Remuneration in shares (€ Million)
December 2017/January 2018	393,708,447	0.388	153	29,068,912	440
June / July 2018	206,366,731	0.485	100	39,708,771	655

The Annual General Meeting of Repsol, S.A., held on May 11, 2018, agreed on the reduction of capital[1] by means of the redemption of own shares in order to offset the dilutive effect of capital increases concluded in 2018, described in the table above.

4.2 Financial Instruments

Financial assets

	€ Million	
	6/30/2018	12/31/2017
Non-current financial assets	1.625	2,038
Non-current trade operation derivatives (1)	8	2
Other current financial assets	1,654	257
Term deposits	1,528	231
Other	126	26
Current trade operation derivatives (2)	65	60
Cash and cash equivalents	5,722	4,601
Total financial assets	**9,074**	**6,958**

(1) Recorded in heading "*Other non-current assets*" of the consolidated balance sheet.
(2) Recorded in heading "*Other receivables*" of the consolidated balance sheet.

Financial liabilities

	€ Million	
	6/30/2018	12/31/2017
Non-current financial debt	9,180	10,080
Non-current trade operation derivatives(1)	6	-
Current financial liabilities	4,296	4,206
Current trade operation derivatives (2)	220	215
Total financial liabilities	**13,702**	**14,501**

(1) Recorded in heading *"Other non-current liabilities"* of the consolidated balance sheet.
(2) Recorded in heading *"Other payables"* of the consolidated balance sheet

For more detailed information on the financial instruments in the balance sheet classified by type of financial asset and liability, see Appendix III.

[1] This reduction of capital will be carried out through the amortization of treasury stocks held at April 4, 2018 and the shares acquired as part of the share repurchase scheme and, as applicable, the clearing of derivatives taken out prior to April 4, 2018.

During the first six months of 2018, the main issuances, maturities, repayments or repurchases of obligations and other securities were as follows:

- In January 2018, ROGCI repurchased a bond maturing in February 2021 and a fixed annual coupon of 3.75% for a total of $251 million.
- In February 2018, €750 million of fixed-annual 4.375% bonds issued by RIF in September 2012 within the EMTN Program were repaid at maturity.

The outstanding balance of the obligations and marketable securities at June 30 is as follows:

ISIN	Issuing entity	Date of Issue	Currency	Nominal (millions)	Average rate %	Maturity	Listed [5]
US87425EAE32 [3]	Repsol Oil & Gas Canadá Inc.	oct-97	Dollar	50	7.250%	oct-27	-
US87425EAH62 [3]	Repsol Oil & Gas Canadá Inc.	may-05	Dollar	88	5.750%	may-35	-
US87425EAJ29 [3]	Repsol Oil & Gas Canadá Inc.	Jan-06	Dollar	102	5.850%	feb-37	-
US87425EAK91 [3]	Repsol Oil & Gas Canada Inc.	nov-06	Dollar	115	6.250%	feb-38	-
XS0733696495 [1]	Repsol International Finance, B.V.	Jan-12	Euro	1,000	4.875%	feb-19	LuxSE
US87425EAN31 [3]	Repsol Oil & Gas Canada Inc.	may-12	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
XS1442286008 [1] [6]	Repsol International Finance, B.V.	jul-16	Euro	600	Eur. 3M +70 p.b.	jul-18	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	0.500%	may-22	LuxSE

Note: Does not include the perpetual subordinated bond issued by RIF on March 25, 2015 for an amount of €1,000 million, which qualifies as an equity instrument.

(1) Issues made under RIF's EMTN Program, which is guaranteed by Repsol, S.A.
(2) Subordinated bond issued by Repsol International Finance B.V. and guaranteed by Repsol, S.A. This issue does not correspond to any open-ended or shelf program.
(3) Issues undertaken by Repsol Oil&Gas Canada, Inc. guaranteed by Repsol, S.A.
(4) Coupon scheduled for reset on March 25, 2025 and March 25, 2045.
(5) LuxSE (Luxembourg Stock Exchange). Excludes unofficial trading platforms, other trading centers and OTC markets.
(6) Issue repaid upon maturity in July 2018 (see Note 5).

Furthermore, Repsol International Finance B.V. RIF runs a Euro Commercial Paper (ECP) Program, guaranteed by Repsol, S.A., with a limit up €2,000 million. Under this program, many issues and liquidations were carried out over the course of the period, with an outstanding balance at June 30, 2018 standing at €1,298 million.

4.3 Property, plant and equipment

The breakdown by geography of the Group's most significant investments is detailed in Note 3.2 "*Information by geographic area*", which is presented using the Group's reporting model.

4.4 Investments accounted for using the equity method

Repsol books the stake and income from joint ventures and associates in which it holds a stake using the equity method. The investments in joint ventures correspond mainly to Repsol Sinopec Brasil S.A., YPFB Andina, S.A., BPRY Caribbean Ventures, Llc., Petroquiriquire, S.A., Cardón IV, S.A. and Equion Energía, Ltd.

These investments are reflected in the Group's financial statements as follows:

	€ Million			
	Carrying value of investment		Share of results [(1)]	
	6/30/2018	12/31/2017	6/30/2018	6/30/2017 [(2)]
Joint ventures	6,189	5,969	182	114
Associates	74	3,299	11	(2)
TOTAL	**6,263**	**9,268**	**193**	**112**

(1) Corresponds to the net income for the period from continuing operations. Does not include Other comprehensive income of €119 million in 2018 (€116 million corresponding to joint ventures and €3 million corresponding to associates) and €608 million in 2017 (€496 million corresponding to joint ventures and €112 million corresponding to associates).
(2) Includes the amendments required in terms of the interim consolidated financial statements corresponding to the first half of 2017 (see Note 2 "*Basis of presentation*") in relation to the sale of the stake in Naturgy (see Note 1.3).

The movement in this heading during the period has been as follows:

	€ Million	
	2018	2017
Balance at January 1	9,268	10,176
Net investments	1	130
Changes in scope of consolidation [(1)]	(3,292)	73
Share of results of companies accounted for using the equity method	193	112
Net income from discontinued operations [(2)]	68	111
Dividends paid out	(391)	(378)
Translation differences	118	(599)
Reclassifications and other movements	298	(72)
Balance at June 30	6,263	9,553

(1) Mainly includes the write down of the investment in Naturgy (see Note 1.3).
(2) Includes the amendments required in terms of the interim consolidated financial statements corresponding to the first half of 2017 (see Note 2 "Basis of presentation") in relation to the sale of the stake in Naturgy (see Note 1.3).

4.5 Operating revenue

The distribution by country of the operating revenue from ordinary activities ("*Sales*" and "*Services rendered and other income*" items) in the first half 2018 is as follows:

	€ Million
	6/30/2018
Spain	11,839
United States	1,667
Peru	1,404
Portugal	1,291
Others	7,296
Total [(1)]	23,497

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

4.6 Tax situation

Income tax

To estimate income tax accrued on interim periods, the estimated effective annual 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.

The effective tax rate applicable to adjusted net income for the first six months of the year has been estimated as 40%. This rate is higher than the same period last year (27%), mainly due to the increase in *Upstream* income to which high rates of tax apply.

The effective tax rate applicable to income from continuing operations (before tax and before considering the profit/(loss) of entities accounted for using the equity method) was 40%. This rate is higher than the same period in 2017 (21%), for reasons similar to those set out above.

Government and legal proceedings with tax implications

The information contained in this section updates the Government and legal proceedings with tax implications reported in Note 23 "*Taxes*" of the 2017 consolidated financial statements in the following countries:

Brazil

In relation to the dispute which Petrobras, as operator of Block BM-S-9, in which Repsol has a 25% stake, holds against the State of Sao Paulo (Brazil) for the alleged violation of formal obligations in 2009 (issuance of fiscal notes related to the movement of materials and equipment to the Stena drilling platform), the courts have favorably resolved for the Company. The ruling is final and non-actionable, so the contingency on this matter disappears.

Ecuador

In relation to its ongoing disputes with the Government of Ecuador, Oleoducto de Crudos Pesados, S.A. (OCP), in which Repsol Ecuador, S.A. holds a 29.66% stake, concerning the tax treatment of subordinated debt issued to finance its operations, a request for international arbitration was submitted in March 2018.

4.7 Legal risks

The information provided in this section updates the legal contingencies set out in Note 16 of the 2017 consolidated financial statements in the following lawsuits:

United Kingdom

“Galley” pipeline lawsuit

In August 2012, there was damage and a leak in the Galley oil pipeline, in which Repsol Sinopec Resources UK Limited (“RSRUK”, formerly known as Talisman Sinopec Energy UK Limited, “TSEUK”), at that time had a 67.41% stake. In September 2012, RSRUK filed a claim seeking coverage of the damages and losses sustained as a result of the incident from the insurance company Oleum Insurance Company (''Oleum''), a wholly-owned subsidiary of ROGCI, which in turn has a stake of 51% in RSRUK. In July 2014, RSRUK filed a claim against Oleum seeking 351 million dollars for damages and business disruption.

RSRUK filed a request for arbitration on August 8, 2016, which will take place in London and the law governing the merits of the case will be the law of the State of New York. In June 2017, the Court, at the proposal of the parties, split the proceedings into two phases (*liability* and, as applicable, placing a value on the damages *suffered, quantum*) and the holding of the oral hearing on the issues to be decided at the first stage in a two-week period (between February 19 and March 2, 2018). By decision dated May 10, 2018, the Court has concluded that the policy does not exclude coverage for material damage arising from the incident. Repsol does not believe that the resolution of this dispute will have a significant impact on the financial statements.

Addax arbitration in relation to the purchase of Talisman Energy (UK) Limited (TSEUK)

The oral hearing on liability issues took place between January 29 and February 22, 2018 and between June 18 and 29, 2018, the latter being limited to the questioning of the experts of each party. Repsol maintains the view that the claims made in the arbitration claim are unfounded.

United States of America

Passaic River / Newark Bay Litigation

On June 14, 2018, the Maxus Bankruptcy Administration filed a lawsuit in the Federal Bankruptcy Court of the

State of Delaware against YPF, Repsol and certain subsidiaries of both companies for the same claims as those contained in the *Cross Claim* (“*New Claim*”). Repsol maintains the view, as has been shown in the *Cross Claim*, the claims made in the *New Claim* are unfounded.

4.8 Geopolitical risks

The information concerning this section updates contents of Note 21.3 of the 2017 consolidated financial statements.

Venezuela

In a context of economic and social crisis, with a significant fall in oil production[1], presidential elections were held on May 20, 2018, in which N. Maduro was re-elected.

During the six-month period, there have been amendments in the Venezuela exchange rate system (see Appendix II), establishing the DICOM exchange rate as the reference for foreign currency settlement and conversion. The Venezuelan currency -according to the DICOM exchange rate- has been sharply devalued, from 4,014 Bs/€ at January 1 to 134,263 Bs/€ at June 30, 2018 (exchange rate which was the result of the last auction held on June 29). This devaluation has had no negative impact on the interim financial statements.

At the end of the period, Repsol's equity exposure to Venezuela amounts to €795 million[2]. The exposure has been reduced compared to December 31, 2017 as a result of the credit risk provisions resulting from the first application of IFRS 9 (see Note 2.2.2 and 2.2.3), due to the losses recorded in the Venezuelan investees and accounted for using the equity method (€-46 million, after tax) and the impairment of financial instruments (€-405 million), all this as a result of the evolution of the situation of the oil industry in Venezuela and the amendments in the operating plans of the assets.

Vietnam

Repsol owns in Vietnam mining rights on thirteen blocks, distributed across 6 production-sharing contracts (PSC): one in production over a net area of 152 km^2 (*Thang Long JOC*), one under development over 1,236 km^2 (*Ca Rong Do*) and four in exploration over a net surface area of 72,248 km^2 (among them Block 135-136/03). Net average production in 2017 came to 5.2 thousand barrels of oil equivalent/day (7.1 thousand barrels of oil equivalent/day in the first half of 2018). As of December 31, 2017, estimated net proven reserves amounted to 27 million barrels of oil equivalent. The carrying amount of assets at June 30, 2018 came to €1,071 million and there are additional commitments relating to the investment in these areas.

Over this six-month period, Repsol has received instructions from PetroVietnam to refrain from performing the programmed activities as part of the *Ca Rong Do* (CRD) development project in Block 07/03, located in the South China Sea. On the other hand, in July 2017, the Government of Vietnam instructed Repsol to stop CKN-1X drilling activities in exploratory blocks 135-136/03, also located in the South China Sea. The scope of the suspension of activities has yet to be determined and the company is working with PetroVietnam to find frameworks for action that satisfy the interests of both parties. In any case, Repsol believes that it has a solid legal basis for claiming compensation for the damages that may arise from these circumstances.

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[1] The fall of crude oil production in Venezuela last year has been 28% (up to 1,531 thousand Bbl/d), according to several sources (e.g. Average production from May’s figures sent by PDVSA to OPEC).

[2] This corresponds to net assets of businesses in Venezuela in addition to the financing granted to Venezuelan subsidiaries.

4.9 Earnings per share

Earnings per share in the first six months of 2018 and 2017 are detailed below:

EARNINGS PER SHARE	6/30/2018	6/30/2017
Net income for the period attributed to the parent (€ million)	1,546	1,056
Adjustment to interest expense corresponding to subordinated perpetual bonds (€ million)	(15)	(15)
Weighted average number of shares outstanding at June 30 (millions of shares)[(1)]	1,573	1,589
Basic and diluted earnings per share (€/share)	**0.97**	**0.66**

(1) The share capital recognized at June 30, 2017 came to 1,527,396,053 shares, although the average weighted 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*").

4.10 Remuneration of the members of the Board of Directors and personnel obligations[1]

The information in this section is provided by way of an update on the contents of Notes 27 and 28 of the 2017 consolidated financial statements for 2017.

Remuneration of the members of the Board of Directors and key management personnel

During the first half of 2018, a total of 18 people sat on the Board of Directors and 8 people on the Corporate Executive Committee.

The table below details the remunerations accrued during the first half of 2018 by the people who, at some point during the six-month period and during the time they occupied such positions, were members of the Board of Directors, and by the people who, similarly for the same period and with the same criterion, were members of the Corporate Executive Committee. Unless indicated otherwise, the compensation figures provided for "*Executive personnel*" do not include the compensation accrued by people who are also directors of Repsol, S.A.; the compensation disclosures for these individuals are included under "*Directors.*"

	€ Thousand	
Directors [(1)]	H1 2018	H1 2017
Fixed remuneration	1,229	1,320
Variable remuneration	1,957	1,811
Statutory benefits	3,594	3,733
Others [(2)]	230	194
Total remunerations received by the Directors	7,010	7,058
Total remunerations received by the Executive personnel [(2)]	5,991	5,425

(1) The composition of the Board of Directors has changed in 2018 and 2017 (see Note 4.11).
(2) Includes the payment of the fifth cycle of the Loyalty Programs, in addition to payment in kind. Payments in-kind include payments on account/withholdings related to in-kind remuneration.

During the first half of 2018, the accrued cost of the retirement, disability, and death insurance policies for Board of Directors members, including the corresponding tax payments on account, amounts to €165 thousand (€142 thousand in the first half of the previous year); and the contributions to pension plans and long-service bonuses amount to €225 thousand (the same amount for the same period in the previous year).

1For reporting purposes in this section, Repsol considers "*key management personnel*" to be the members of the Corporate Executive Committee. The above definition of "*key management personnel*", made purely for reporting purposes, neither substitutes nor comprises a benchmark for interpreting other senior management pay concepts applicable to the Company under prevailing legislation (e.g. Royal Decree 1382/1985), nor does it have the effect of creating, recognizing, amending or extinguishing any existing legal or contractual rights or obligations.

As for the Group's executive personnel, the amount accrued during the first half of 2018 in respect of contributions to the pension plans offered to these individuals by the Group, contributions to savings plans and life and accident insurance premiums (including in the latter instance the corresponding payments on account) totaled €676 thousand (€726 thousand during the first semester of the previous period).

Share Purchase Plans for the Beneficiaries of the Long-term Incentive Programs and Share Acquisition Plans

i.) "Share purchase program for beneficiaries of Long-term Incentive Programs"

A total of 157 employees and executive personnel have been included in the eighth cycle of the 2018-2021 Plan, acquiring a total of 129,473 shares on May 31, 2018, at an average price of €16.3021 per share. Additionally, shares delivered to the Executive Directors as a partial payment of the Incentive Program 2014-2017, which amounted to 21,003 shares, have been included in the calculation of the expected investment in this current Share Acquisition Plan by the Beneficiaries of the Long-term Incentive Programs. Therefore, the total amount of shares by this Plan amounted to 150,476 shares. Thus, the maximum share delivery commitment corresponding to this eighth cycle by the Group with employees who meet the requirements of the Plan after the three years in which it remains in force, comes to 50,159 shares.

As part of the eighth cycle, the current members of the Corporate Executive Committee have acquired a total of 63,606 shares.

In addition, the fifth cycle of the Plan vested on May 29, 2018. As a result, the rights of 166 beneficiaries to 37,570 shares vested (receiving a total of 28,523 shares net of the payment on account of the personal income tax to be made by the Company). In parallel, the rights of the members of the Corporate Executive Committee and the rest of the Executive Directors to 13,328 shares also vested (net of the withholding retained by the Company, these individuals received a total of 9,222 shares).

ii.) *"Share Acquisition Plan"*

During the first half of 2018, the Group purchased 267,272 treasury shares for €4,112,462.85, which were delivered to employees. The members of the Corporate Executive Committee acquired a total of 2,723 shares in accordance with the plan terms and conditions during the first-half of the year.

The shares to be delivered in plans i) and ii) may be taken from Repsol's direct or indirect treasury shares, newly issued shares or third parties with whom agreements are entered into to ensure the satisfaction of commitments assumed.

4.11 Other information

Purchase agreement of Viesgo's non-regulated electricity generation business

In the framework of Repsol's Strategic Plan (see section 2.1 of the Interim Management Report for the first half of 2018), on June 27 the Board of Directors approved the purchase of Viesgo's unregulated generation of low-emissions power business, as well as its gas and electricity commercialization business for the sum of €750 million.

As regards to the generation business, the purchase encompasses hydroelectric power stations in the north of Spain and two combined cycle gas power stations in Algeciras (Cádiz) and Escatrón (Zaragoza), with Viesgo's coal power plants being excluded from the transaction. In respect of the commercialization business, the operation implies the acquisition of nearly 750,000 customers that are distributed throughout the Spanish territory, mainly in Cantabria, Galicia, Andalucía, Asturias, Castilla y Leon and the Madrid Region.

It is expected that this transaction will be completed in the fourth quarter of the year, once the necessary merger and regulatory authorizations have been received. For more information, please see section 2.3 of the interim Management Report of the first half of 2018.

Changes to governance bodies

The Annual General Meeting of Repsol, S.A., held on May 11, 2018, approved the ratification of the appointment via co-option and re-election of Mr. Jordi Gual Solé for a term of office of 4 years, and the appointment as independent external directors for a term of office of 4 years of Ms. María del Carmen Ganyet i Cirera and Mr. Ignacio Martín San Vicente to cover the vacancies generated by the end of the term of office of Mr. Artur Carulla Font and the departure of Mr. Mario Fernández Pelaz.

Average headcount

The average headcount at June 30, 2018 and 2017 can be seen below:

	6/30/2018	6/30/2017
Men	15,631	15,952
Women	8,721	8,564
Average headcount	24,352	24,516

(5) SUBSEQUENT EVENTS

- On July 6, 2018, the bond issued by RIF in July 2016 within the EMTN Program for the nominal sum of €600 million, indexed to the 3-month Euribor plus 70 basic points, matured (see Note 4.2).

- On July 25, 2018, the Board of Directors of the Company has resolved to approve to restructure its management team that culminates the adaptation of the organization to update its Strategic Plan. In this regard, the former Corporate Director of Strategy, Control and Resources, Mr. Antonio Lorenzo Sierra, will replace Chief Financial Officer (CFO) Mr. Miguel Martínez San Martin, who leaves the company after a long career professional.

  Additionally, another series of changes took place in the management team at the highest level, so that the Corporate Executive Committee, is constituted by:

  - Luis Cabra Dueñas (Executive Managing Director of Technology Development, Resources and Sustainability)
  - Begoña Elices García (Executive Managing Director of Communication and Chairman's Office)
  - Tomás García Blanco (Executive Managing Director of Exploration and Production)
  - Arturo Gonzalo Aizpiri (Executive Managing Director of People and Organization)
  - Miguel Klingenberg Calvo (Executive Managing Director of Legal Affairs)
  - Antonio Lorenzo Sierra (CFO)
  - Mª Victoria Zingoni Domínguez (Executive Managing Director of Downstream)

  The General Counsel and Secretary of the Board of Directors will continue under the responsibility of the Executive Managing Director Luis Suárez de Lezo Mantilla.

APPENDIX I: COMPOSITION OF THE GROUP

The main companies that form part of the Repsol Group are contained in Appendix I of the 2017 consolidated financial statements. The main changes in the composition of the Group in the first six months of 2018 are as follows:

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

					6/30/2018		
Name	Country	Parent Company	Item	Date	Method of cons.(1)	% voting rights acquired	% total voting rights following acquisition (2)
WIB Advance Mobility, S.L.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Incorporation	mar-18	EM	50.0%	50.0%
Repsol Jambi Merang, S.L.	Spain	Repsol Exploración, S.A.	Incorporation	may-18	FC	100.00%	100.00%

(1) Method of consolidation:
FC: Full consolidation.
EM: Equity method. Joint ventures are identified as "JV"
(2) Corresponds to the percentage stake in the acquired company's equity.

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

					6/30/2018			
Name	Country	Parent Company	Item	Date	Method of cons. (1)	% voting rights disposed or derecognized	% total voting rights following disposal	Profit / (Loss) generated (€ Million) (2)
Repsol Oil & Gas Canada Inc.	Canada	Repsol Energy Resources Canada Inc.	Amalgamation (3)	jan-18	FC	100.00%	0.00%	-
Rocsole, Ltd.	Finland	Repsol Energy Ventures, S.A.	Liquidation	feb-18	EM	0.66%	12.50%	-
Asfalnor, S.A.	Spain	Petróleos del Norte, S.A.	Liquidation	mar-18	FC	100.00%	0.00%	-
OGCI Climate Investments, Llp.	United Kingdom	Repsol Energy Ventures S.A.	Decrease part	apr-18	EM	1.79%	12.50%	-
Repsol Venezuela Gas, S.A.	Venezuela	Repsol Venezuela, S.A.	Absortion	may-18	FC	100.00%	0.00%	-
Gas Natural SDG, S.A.	Spain	Repsol, S.A.	Sale	may-18	EM	20.07%	0.00%	344
AESA - Construcciones y Servicios, S.A. - Bolivia	Bolivia	Repsol Bolivia, S.A.	Absortion	may-18	FC	100.00%	0.00%	-
Repsol GLP de Bolivia, S.A.	Bolivia	Repsol Bolivia, S.A.	Absortion	may-18	FC	100.00%	0.00%	-
Talisman Sierra Leone, B.V.	Netherlands	Talisman International Holdings, B.V.	Liquidation	may-18	FC	100.00%	0.00%	-
Talisman Vietnam 05-2/10, B.V.	Netherlands	TV 05-2/10 Holding, B.V.	Liquidation	may-18	FC	100.00%	0.00%	-
CSJC Eurotek - Yugra	Russia	Repsol Exploración Karabashsky, B.V.	Decrease part	jun-18	EM (JV)	1.28%	72.33%	3
Repsol Netherlands Finance, B.V.	Netherlands	Repsol International Finance, B.V.	Liquidation	jun-18	FC	100.00%	0.00%	-

(1) Method of consolidation:
FC: Full consolidation.
EM: Equity method. Joint ventures are identified as "JV"
(2) Corresponds to net income before tax.
(3) With effect from January 1, 2018, Repsol Oil & Gas Canada Inc. (ROGCI) and Repsol Energy Resources Canada Inc. have been involved in a corporate reorganization process known under Canadian law as "*vertical amalgamation*"; as a result, these companies have been merged into a single company which have assumed the corporate name of ROGCI.

APPENDIX II: REGULATORY FRAMEWORK

Venezula

Presidential Decree No. 2,184, by which a State of Economic Emergency was declared throughout the national territory for a period of sixty (60) days, which empowers it to issue exceptional and extraordinary measures of an economic, social, environmental, political, legal and other nature, has been extended consecutively on a total of 13 occasions, the most recent being Presidential Decree No. 3,413, published on 10 May 2018 in Official Gazette No. 41,394.

On January 5, 2018, the period established for the review and validation of all national and international contracts signed and those to be signed by PDVSA, its subsidiaries and the Mixed Companies in which PDVSA holds shares, established by Resolution No. 164 of the Ministry of People's Power of Petroleum, ended. To date, the review process initiated during the term of the resolution continues in progress in the Mixed Companies, and the results of this process are awaited.

In Official Gazette No. 41,310 of December 29, 2017, the Constitutional Law on Foreign Productive Investment was published, which establishes principles, policies and procedures that regulate foreign productive investment in goods and services. Special legislation regulating foreign investment in specific sectors of the economy shall apply in preference to such legislation, including those relating to hydrocarbons, mining and telecommunications. To date, the relevant sectoral regulation has not been published.

Exchange rate system

On January 26, 2018, Foreign Exchange Agreement No. 39 was published, revoking No. 35 and No. 38, and establishing the rules that must regulate operations in the DICOM exchange rate system from that date onwards. The most relevant aspects to Repsol are: i) The DICOM exchange rate will apply to all foreign currency operations in the public and private sector, in addition to all foreign currency operations not expressly covered therein, ii) the conversion of foreign currency to establish the tax base of tax liabilities shall employ the DICOM exchange rate, iii) each month, legal persons may acquire the equivalent of 30% of their monthly average gross income, included in the Income Tax Return for the preceding year, up to a maximum amount equivalent to €340 thousand or its equivalent in another currency, and iv) legal persons acquiring foreign currency via DICOM shall apply the exchange rate obtained at auction as the basis for calculating their cost structure and for other purposes. The first auction took place on 5 February 2018, resulting in an exchange rate of 30,985 Bs/€.

On February 20, 2018, the launch of the "Petro" cryptocurrency was announed, backed with reserves of Ayacucho Block field 1 of the Orinoco Oil Belt, with the aim of creating an alternate currency to the dollar and a digital and transparent economy for the benefit of the emerging countries. As of March 23, legal and natural persons can effectively start to purchase the "Petro".This purchase can be made in convertible currencies: Yuan, Turkish Lira, Euros and Roubles. On 19 March, the President of the United States of America signed the executive order that prohibits U.S. persons and residents in the United States to carry out transactions with any digital currency issued by the Venezuelan Government with effect from 9 January 2018, which increases the sanctions regime for that country on natural and legal persons of Venezuela.

A monetary restructuring is expected from August 4, under which the unit of the Venezuelan monetary system must be re-exprssed in the equivalent of a thousand current Bolívares (Bs. 1,000), that is to say, any amount expressed in national currency before that date, should be converted to the new unit, dividing it between one thousand (1,000), which will be called the "bolívar soberano".

APPENDIX III: OTHER DETAILED INFORMATION

Financial Instruments

Financial assets

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

	June 30, 2018 and December 31, 2017							
	Financial assets at FV with changes through P&L [(2)]		Financial assets at FV with changes through other comprehensive income [(2)]		Financial assets at amortized cost		Total	
€ Million	2018	2017	2018	2017	2018	2017	2018	2017
Equity Instruments	20	-	102	118	-	-	122	118
Derivatives	8	2	-	-	-	-	8	2
Other financial assets	52	52	-		1,451	1,868	1,503	1,920
Long term / Non-current	**80**	**54**	**102**	**118**	**1,451**	**1,868**	**1,633**	**2,040**
Derivatives	164	77	-	-	-	-	164	77
Other financial assets	13	10	-	-	7,265	4,831	7,278	4,841
Short term / Current	**177**	**87**	**-**	**-**	**7,265**	**4,831**	**7,442**	**4,918**
TOTAL [(1)]	**257**	**141**	**102**	**118**	**8,716**	**6,699**	**9,075**	**6,958**

(1) Does not include "*Other non-current assets*" and "*Trade receivables and other receivables*" of the consolidated balance sheet, which, at June 30, 2018 and December 31, 2017, came to €144 and €470 million (non-current) and €5,915 and €5,161 million (current), of which €877 and €1,028 million correspond to current accounts receivable on commodities sale agreements, which are measured at fair value with changes through profit and loss; the remainder corresponds mainly to trade accounts receivable measured at amortized cost.

(2) The classification of all financial instruments by hierarchical fair value levels can be consulted under "*Fair value of financial instruments*" of this appendix.

Financial liabilities

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

	June 30, 2018 and December 31, 2017									
	Financial liabilities held for trading [(2)]		Loans and payables		Hedge derivatives [(2)]		Total		Fair Value	
€ Million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Bank borrowings	-	-	1,057	1,064	-	-	1,057	1,064	1,018	1,043
Bonds and other securities	-	-	5,335	6,323	-	-	5,335	6,323	5,674	6,812
Derivatives	6	-	-	-	53	68	59	68	59	68
Other financial liabilities [(3)]	-	-	2,735	2,625	-	-	2,735	2,625	2,735	2,625
Long term / Non-current	**6**	**-**	**9,127**	**10,012**	**53**	**68**	**9,186**	**10,080**	**9,486**	**10,548**
Bank borrowings	-	-	892	539	-	-	892	539	892	539
Bonds and other securities	-	-	2,981	3,406	-	-	2,981	3,406	3,013	3,419
Derivatives	260	241	-	-	1	2	261	243	261	243
Other financial liabilities	-	-	382	233	-	-	382	233	382	233
Short term / Current	**260**	**241**	**4,255**	**4,178**	**1**	**2**	**4,516**	**4,421**	**4,548**	**4,434**
TOTAL [(1)]	**266**	**241**	**13,382**	**14,190**	**54**	**70**	**13,702**	**14,501**	**14,034**	**14,982**

(1) At June 30, 2018 and December 31, 2017, this item includes €1,372 and €1,347 million corresponding to "*Other non-current liabilities*" and €200 and €195 million corresponding to "*Other payables*" related to finance leases carried at amortized cost that are not included in the table above.

(2) The classification of all financial instruments by hierarchical fair value levels can be consulted under "*Fair value of financial instruments*" of this appendix.

(3) It mainly relates to the loan granted by Repsol Sinopec Brasil S.A. through its subsidiary Repsol Sinopec Brasil B.V.

Fair value of financial instruments

The classification of the financial instruments recognized in the financial statements at fair value at June 30, 2018 and December 31, 2017, is as follows:

€ Million	June 30, 2018 and December 31, 2017							
	Level 1		Level 2		Level 3		Total	
Financial assets	2018	2017	2018	2017	2018	2017[(1)]	2018	2017
Financial assets at FV with changes through P&L	66	68	171	73	20	-	257	141
Financial assets at FV with changes through other comprehensive income	-	1	-	-	102	-	102	1
Total	**66**	**69**	**171**	**73**	**122**	**-**	**359**	**142**

	Level 1		Level 2		Level 3		Total	
Financial liabilities	2018	2017	2018	2017	2018	2017	2018	2017
Financial liabilities held for trading	160	139	106	102	-	-	266	241
Hedge derivatives	-	-	54	70	-	-	54	70
Total	**160**	**139**	**160**	**172**	**-**	**-**	**320**	**311**

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.

(1) Does not include €117 million at December 31, 2017 related to investments in shares of companies that are recorded at acquisition cost in accordance with IAS 39.

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 value 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.

Related party transactions

For the purposes of presenting this information, the following are considered to be related parties:

a. Significant shareholders: Caixabank, S.A., Sacyr, S.A. and Temasek Holdings (Private) Limited (see section 4.1).

b. Directors and executive personnel: includes members of the Board of Directors as well as members of the Corporative Executive Committee whose members are considered "key *management personnel*" for purposes of this section (see section 4.10).

c. People, companies or entities within the Group: includes transactions with Group companies or entities for the part not eliminated in the consolidation process, corresponding mainly to transactions undertaken with companies consolidated using the equity method.

Below, details are provided of income and expenditure, in addition to other transactions, recognized in the first half of 2018 and 2017 associated with related-party transactions:

€ Thousand	Significant shareholders		Directors and executives [1]		People, companies or entities within the Group		TOTAL	
INCOME AND EXPENSES	Jun 2018	Jun 2017	Jun 2018	Jun 2017	Jun 2018	Jun 2017	Jun 2018	Jun 2017
Finance costs	5,152	2,612	-	-	41,354	35,633	46,506	38,245
Transfer of R&D	-	-	-	-	-	2	-	2
Leases	307	221	-	-	847	685	1,154	906
Service receptions	11,535	10,770	-	-	41,014	65,781	52,549	76,551
Purchase of goods [2]	62	8	-	-	852,969	844,704	853,031	844,712
Valuation changes for bad or doubtful debts	-	1	-	-	-	-	-	1
Losses arising from the derecognition or disposal of assets	-	-	-	-	-	208	-	208
Other costs	3,481	6,131	-	-	2	56	3,483	6,187
TOTAL COSTS	20,537	19,743	-	-	936,186	947,069	956,723	966,812
Finance income	3,061	-	-	-	77,165	80,606	80,226	80,606
Dividends received	290	337	-	-	3,555	1,887	3,845	2,224
Services rendered	2,900	3,769	-	-	2,524	777	5,424	4,546
Sale of goods [3]	77,007	75,059	-	-	262,004	344,293	339,011	419,352
Earnings arising from the derecognition or disposal of assets	-	-	-	-	-	2,028	-	2,028
Other income	116	15	-	-	25,039	30,839	25,155	30,854
	-	-	-	-	-	-	-	-
TOTAL REVENUE	83,374	79,180	-	-	370,287	460,430	453,661	539,610

€ Thousand	Significant shareholders		Directors and executives (1)		People, companies or entities within the Group		TOTAL	
OTHER TRANSACTIONS	Jun 2018	Jun 2017	Jun 2018	Jun 2017	Jun 2018	Jun 2017	Jun 2018	Jun 2017
Purchase of property, plant and equipment, intangible and other assets	32,177	46,656	-	-	-	-	32,177	46,656
Finance agreements: credits and capital contributions (lender) (4)	-	-	-	-	2,645,353	3,724,860	2,645,353	3,724,860
Financial lease agreements (lessor)	-	-	-	-	492	1,628	492	1,628
Sale of property, plant and equipment, intangible and other assets	32,787	39,475	-	-	-	-	32,787	39,475
Finance agreements: loans and capital contributions (lender) (5)	286,039	344,755	-	-	4,036,708	3,922,211	4,322,747	4,266,966
Commitments and guarantees provided (6)	279,982	294,905	-	-	2,176,395	2,124,554	2,456,377	2,419,459
Commitments and guarantees received	28,792	45,577	-	-	3,632	3,942	32,424	49,519
Commitments assumed (7)	126,645	201,268	-	-	3,318,348	9,692,080	3,444,993	9,893,348
Dividends and other income distributed (8)	82,162	67,204	-	37	-	-	82,162	67,241
Other transactions (9)	1,270,305	1,242,245	-	-	-	-	1,270,305	1,242,245

NOTE: the above tables include transactions with the Naturgy group until February 22, 2018, date in which it was reclassified to held for sale (see Note 1.3).

(1) Includes, as applicable, transactions completed as of June 30 with directors and executive personnel not included in Note 4.11 on Remunerations received by directors and executive personnel, corresponding to the outstanding balance of loans extended to senior management and the corresponding interest accrued, in addition to dividends and other remuneration received as stockholders in the Company.

(2) Includes, mainly, the purchase of goods from Repsol Sinopec Brasil (RSB) and BPRY Caribbena Ventures, which are accounted for using the equity method (see section 4.4 "*Investments accounted for using the equity method*") for the sum of €436 and €204 million, respectively.

(3) Mainly includes product sales to Iberian Lube Base Oils Company (ILBOC) and the Dynasol Group for the sum of €125 and €65 million, respectively.

(4) Mainly includes financing and loans extended to Group companies with entities consolidated using the equity method and these entities' undrawn credit lines,

(5) At June 30, "*Significant shareholders*" mainly includes credit lines held with Caixa for the maximum amount awarded, which comes to €208 million, The column "*People, companies or entities within the Group*" mainly includes the loan granted by Repsol Sinopec Brasil S,A, to its shareholders, in addition to the undrawn credit lines with entities consolidated using the equity method,

(6) Mainly includes the guarantees provided by Repsol, S.A. in relation to the lease agreements on three floating platforms entered into by its subsidiary Guará B.V., as well as the counter-guarantees granted by the Group related to bank guarantees issued in the name of RSRUK covering decommissioning obligations arising from their exploration activity in the North Sea (see Note 15.2 of the 2017 consolidated financial statements).

(7) Corresponds to purchase commitments outstanding at June 30. The decrease in the column "*People, companies or entities within the Group*" is mainly explained by the reduction of commitments with the Naturgy group for the refinery supply contracts.

(8) The amounts recorded under dividends and other profit distributions include the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of free-of-charge allocation rights as part of the paid-up capital increase closed in January 2018 under the framework of the remuneration program named "*Repsol Flexible Dividend*", In contrast, this sub-heading does not include the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of free-of-charge allocation rights as part of the paid-up capital increase closed in July 2018, which in the case of the significant stockholders amounted to €10 million, These rights are recognized as an amount payable at June 30, 2018, Repsol shares subscribed as part of these capital increases have not been included.

(9) In 2018, mainly includes remunerated accounts and deposits held with Caixa for the sum of €900 million.

APPENDIX IV: ALTERNATIVE PERFORMANCE MEASURES: RECONCILIATION OF REPSOL´S REPORTING MODEL FIGURES AND IFRS-EU

The reconciliation between adjusted net income/(loss) and IFRS-EU net income/(loss) for the first half of 2018 and 2017 is as follows:

	First half											
			ADJUSTMENTS									
	Adjusted net income		Joint ventures reclassification		Special items		Inventory effect[2]		Total Adjustments		EU-IFRS income	
€ Million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Operating income	2,043 [1]	1,613 [1]	(286)	(221)	(242)	(49)	282	(86)	(246)	(356)	1,797	1,257
Financial result	(175)	(229)	60	39	146	5	-	-	206	44	31	(185)
Share of results of companies accounted for using the equity method	21	24	172	88	-	-	-	-	172	88	193	112
Net income before tax	**1,889**	**1,408**	**(54)**	**(94)**	**(96)**	**(44)**	**282**	**(86)**	**132**	**(224)**	**2,021**	**1,184**
Income tax	(746)	(376)	54	94	(104)	34	(72)	22	(122)	150	(868)	(226)
Net income from continuing operations	**1,143**	**1,032**	**-**	**-**	**(200)**	**(10)**	**210**	**(64)**	**10**	**(74)**	**1,153**	**958**
Net income attributed to non-controlling interests	(11)	(17)	-	-	-	-	(8)	4	(8)	4	(19)	(13)
Net income from continuing operations attributed to the parent	**1,132**	**1,015**	**-**	**-**	**(200)**	**(10)**	**202**	**(60)**	**2**	**(70)**	**1,134**	**945**
Net income from discontinued operations	-	-	-	-	412	111	-	-	412	111	412	111
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	**1,132**	**1,015**	**-**	**-**	**212**	**101**	**202**	**(60)**	**414**	**41**	**1,546**	**1,056**

(1) Income from continuing operations at current cost of supply (CCS),
(2) The inventory effect represents an adjustment to "*Supplies*" and "*Changes in inventory of finished goods and work-in-progress goods*" of the Income statement under IFRS-EU,

€ Million	First half					
	Group Reporting Model		Joint ventures reclassification and other [1]		IFRS-EU	
OTHER FIGURES	2018	2017	2018	2017	2018	2017
EBITDA	3,811	3,108	(808)	(647)	3,003	2,461
Net debt	2,706	7,477	1,844	873	4,550	8,350

(1) The EBITDA adjustment includes the inventory effect before taxes.

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

	€ Million					
	Customers		Intersegment		Total	
Segments	6/30/2018	6/30/2017)	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Upstream	2,850	2,308	925	789	3,775	3,097
Downstream	21,918	19,083	5	11	21,923	19,094
Corporate	-	1	-		-	1
(-) Adjustments and eliminations of operating income between segments	(68)	(1)	(930)	(800)	(998)	(801)
TOTAL	24,700	21,391	-	-	24,700	21,391

The reconciliation of other figures presented in Note 3.2 with those of IFRS-EU for the first half of 2018 and 2017 is as follows:

	€ Million	
	6/30/2018	6/30/2017
Revenue from ordinary activities[1]	24,700	21,391
Adjustments		
Upstream	(1,189)	(1,075)
Downstream	(14)	(13)
Revenue from ordinary activities IFRS-EU [2]	23,497	20,303
Operating income [1]	2,043	1,613
Adjustments		
Upstream	(428)	(267)
Downstream	256	(63)
Corporate and adjustments	(74)	(26)
Operating income IFRS-EU	1,797	1,257
Capital employed from continuing operations [1]	33,864	34,461
Adjustments		
Upstream	1,828	854
Downstream	16	19
Capital employed from discontinued operations	-	3,199
Capital employed	35,708	38,533

(1) Figures compiled in keeping with the Group´s reporting model described in Note 2,3 “*Segment reporting*”,
(2) Corresponds to the sum of the “*Sales*” and “*Services rendered and other income*” headings on the consolidated income statement.

REPSOL Group | 2018 Management Report First Half

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

REPSOL

ABOUT THIS REPORT

The Repsol[1] Group's **Interim Management Report** must be read together with the 2017 Consolidated Management Report. In addition to this report, Repsol publishes condensed interim consolidated financial statements[2] for the first half of 2018 for the Group (hereinafter, interim financial statements of the first half of 2018). Both reports have been approved by the Board of Directors of Repsol, S.A. at its meeting of July 25, 2018.

The **financial information** contained in this document, unless otherwise indicated, has been produced in line with the Group's reporting model set out in Note 2.3 "*Segment reporting* of the interim financial statements for the first half of 2018. Some of the financial indicators and ratios are classified as Alternative Performance Measures (APMs) in accordance with *European Securities Markets Authority (ESMA)* guidelines. Appendix II, "*Alternative Performance Measures*", includes the reconciliation between the adjusted figures and those corresponding to IFRS-EU financial information, also available on www.repsol.com.

The **non-financial information** corresponding to sustainability indicators contained in this document have been calculated according to corporate rules that specify the criteria and common methodology to be applied to each topic.

The **forward-looking information** contained in this document reflects the plans, forecasts or estimates of the Group's managers at the date of approval. They are based on assumptions considered reasonable; however, this forward-looking information must not be interpreted as a guarantee of future performance. These plans, forecasts or estimates are subject to risks and uncertainties that may mean that the Group's future performance may not necessarily reflect initial expectations.

OUR VISION AND ACTION PRINCIPLES:

Repsol's **vision** is to be a global energy company that, based on innovation, efficiency and respect, creates value sustainably to the benefit of society. Our **action principles are:**

VALUE CREATION / RESPECT/ EFFICIENCY/ FORESIGHT

Further information at www.repsol.com.

[1] Hereinafter, the names "Repsol," "Repsol Group" or "the Company" are used interchangeably to refer to the company group consisting of Repsol, S.A. and its subsidiaries, associates and joint ventures.
[2] The interim financial statements of the first half of the year have been subject to a limited independent review by the Group's auditor.

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1. SUMMARY OF THE PERIOD

Strategic update

Once the objectives set out in the 2016-2020 Strategic Plan were reached early and following the sale of the stake in Gas Natural Fenosa[1], a **strategic update** was undertaken with a 2018-2020 horizon. The new strategy is focused on growth and creating value and is structured around three main pillars: i) growth in shareholder remuneration; ii) profitable growth of the business; (iii) and development of new businesses associated with the energy transition.

Results

The financial performance during the first half, in an **environment** with a sustained increase in crude oil prices and whose favorable impact has been partially offset by the weakness of the dollar compared to the euro, **net income** increased to €1,546 million (+46% over the same period of the previous year), and the **free cash flow** from operations amounted to €4,306 million (+357% compared to the first half of 2017) which has allowed the **net debt** to be reduced to €2,706 million (€4,771 million lower than the first half of 2017).

↑ 46%
Net income

RESULTS FOR THE PERIOD *(million euros)*	1H 2018	1H 2017	Δ
Upstream	647	339	91%
Downstream	762	929	(18)%
Corporate and other	(277)	(253)	(9)%
Adjusted net income	**1,132**	**1,015**	**12%**
Inventory effect	202	(60)	437%
Special items	212	101	110%
Net income	**1,546**	**1,056**	**46%**

Upstream results far exceed those of the first half of 2017 (91%), mainly attributable to the increase in realization prices of crude and gas, the increase in production in Libya and the organic growth projects (Trinidad and Tobago, UK, US-*Marcelus*, Malaysia and Algeria).

In **Downstream**, the strong results are less than those obtained in 2017, mainly due to the negative impact of the weaker dollar and due to lower results in Chemicals owing to a more adverse international environment and maintenance stoppages.

The results of ***Corporate and other*** show the continuity in the reduction in financing and Corporate costs, but are lower than those of the same period in 2017 due to the consolidation adjustments, which are included in this caption.

As a result of the foregoing, **adjusted net income**, which reflects ordinary income generated in the course of business operations, amounts to €1,132 million, which is 12% higher than in 2017.

The *inventory effect*, which reflects the impact of price changes on inventories, was up due to the increase in crude prices.

In terms of *special items* in the period (€212 million), the capital gain generated by the divestment in Gas Natural Fenosa, the extraordinary income due to the exchange rate and write-offs (in assets related to Venezuela) are worth particular mention.

€ 0.97
/share
Earnings
per share

In sum, the Group's **net income** in the first half of 2018 came to 1,546 million euros, up 46% on the same period in 2017, and net profit per share was €0.97.

The **EBITDA** of €3,811 million, is 23% higher than in 2017, driven mainly by a substantial improvement in results in *Upstream* and the strength of *Downstream*. The **cash flow from operations** in the first half

[1] Sale of the 20% stake in Gas Natural SDG, S.A. (currently denominated NaturgyEnergy Group, S.A., hereinafter "Naturgy" or "Naturgy group"), for a total price of €3,3816 million on May 18, 2018 (see section 2.2).

(€1,726 million) covered investments, interest payments and shareholder remuneration; free cash flow amounted to €4,306 million and includes the cash flow generated by the divestment of Naturgy.

↓64%
Net debt

The net debt at the end of the period came to €2,706 million, which represents a significant decrease compared to the first six months of 2017 (€7,477 million) and a leverage of 8%. The Group's credit rating has remained the same following the improvement achieved at the end of 2017.

Shareholder remuneration, equivalent to 0.388 euros per share[1] in January and 0.485 euros per share in July, implies an increase of 15% over the previous year. Shareholders, through the scheme known as "*Repsol Flexible Dividend*", have had the option of perceiving this remuneration either in newly issued shares or in cash. The Annual General Meeting approved the reduction of capital through the redemption of treasury stock to offset the dilutive effect of the bonus share issues arranged in 2018 as part of the said scheme.

↑15%
Shareholder remuneration

Repsol shares have gained 14% during the first half of the year, outperforming both the Ibex-35 index and the average of the European oil & gas industry. Share performance was boosted by the recovery of the price of Brent crude, particularly from April onwards, and the progress made achieving strategic objectives.

↑14%
Share price revaluation

OTHER EVENTS DURING THE PERIOD

In *Upstream*, highlights in the first six months of the year included three exploratory discoveries in Colombia and another in Russia, the start of gas production in the Bunga Pakma project in Malaysia, the start of the development of the Buckskin project in (US, the acquisition of a stake in the Visund production field in Norway, the start of phase I of the Akacias project in Columbia and the acquisition of new exploratory blocks in different tenders in Mexico, Brazil and Norway.

In *Downstream*, an agreement worth €750 million was reached on June 27 for the purchase of Viesgo's unregulated businesses of low-emissions electricity generation (three hydroelectric power plants in the north of Spain and two combined cycle gas power stations in Cádiz and Zaragoza, with a joint generation capacity of 2,350 MW) in addition to its gas and electricity commercialization (750,000 customers). In Mexico, the first service stations were opened, which represents the start of a project, the goal of which is to open 200-250 service stations in the coming years.

Acquired
2,350 MW
Of low-emission electricity generation

Against the backdrop of an energy transition towards a low-emissions future that will limit the effects of climate change, in 2018 Repsol implemented improvement actions in its facilities that prevented 189 thousand tons in CO_2 emissions, thereby reducing energy consumption.

With respect to the employee accident rate, there were no deaths among either our own personnel or that of contractors and the process security indicator has improved by 58% compared to the 2017 figure.

0 fatalities
Own and contractors´ personnel

During the course of the half-year period, three new Directors were appointed (two of whom are independents), thus enhancing the knowledge and gender diversity of the Board of Directors.

[1] It corresponds to the commitment to purchase of free-allocation rights assumed by Repsol in the capital increase closed in January 2018.

MAIN FIGURES AND INDICATORS

Financial indicators [(1)]	1H 2018	1H 2017
Results		
Operating income	2,043	1,613
Adjusted net income	1,132	1,015
Net income	1,546	1,056
Earnings per share (€/share)	0.97	0.66
EBITDA	3,811	3,108
Investments	1,245	1,201
Capital employed [(2)]	33,864	34,461
ROACE (%)[(3)]	8.2	6.4
Cash and debt		
Cash flow from operations	1,726	2,175
Free cash flow	4,306	943
Net debt (ND)	2,706	7,477
ND / EBITDA (x times) [(4)]	0.36	1.20
ND / Capital employed (%)	8.0	19.9
Debt interest / EBITDA (%)	3.8	5.9
Shareholder remuneration		
Shareholder remuneration (€/share) [(5)]	0,388	0,335

Stock market indicators	1H 2018	1H 2017
Share price at period-end (€/share)	16.77	13.40
Period average share price (€/share)	15.44	14.28
Market capitalization at year-end (€ million)	26,094	20,052

Macroeconomic environment	1H 2018	1H 2017
Brent average ($/bbl)	70.6	51.7
WTI average ($/bbl)	65.5	50.0
Henry Hub average ($/MBtu)	2.9	3.3
Algonquin average ($/MBtu)	5.7	3.7
Exchange rate average ($/MBtu)	1.21	1.08

Our business performance [(1)]	1H 2018	1H 2017
Upstream		
Net daily hydrocarbon production (kboe/d)	724	685
Net daily liquids production (kbbl/d)	266	256
Net daily gas production (kboe/d)	458	429
Average crude oil realization price ($/bbl)	64.2	46.7
Average gas realization price	3.3	2.9
EBITDA	2,289	1,666
Adjusted net income	647	339
Investments	900	906
Downstream		
Distillation utilization Spanish Refining (%)	90.4	89.3
Conversion utilization Spanish Refining (%)	103.9	100.0
Refining margin indicator in Spain ($/Bbl)	6.9	6.6
Oil product sales (kt)	25,217	25,071
Petrochemical product sales (kt)	1,313	1,407
LPG sales (kt)	739	750
Gas sales in North America (TBtu)	258	266
EBITDA	1,649	1,518
Adjusted net income	762	929
Investments	325	279

Other indicators	1H 2018	1H 2017
People		
No. employees [(6)]	25,580	25,746
New employees [(7)]	1,830	1,476
Health and Environment		
Process safety (PSIR) [(8)]	0.26	0.62
Process safety (IFT) [(9)]	1.50	1.43
Annual CO_2 emissions reduction (Mt) [(10)]	0.189	0.149

(1) Where applicable, figure shown in million euros.
(2) Capital employed from continuing operations.
(3) ROACE has been annualized by extrapolating data for the period. It does not include discontinued operations.
(4) EBITDA has been annualized by extrapolating data for the period.
(5) Fixed price guaranteed by Repsol for the freely allocated rights awarded under the "Repsol Flexible Dividend" program (see Note 4.1) in the interim financial statements for the first half of 2018.
(6) 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.).
(7) Only fixed or temporary employees with no prior working relationship with the company are considered to be new hires. Some 37% of new employees in 2018 and 36% in 2017 had permanent contracts.
(8) Process Safety Incident Rate (PSIR): number of process safety incidents classified as TIER and TIER, according to the standard API Recommended Practices 754 (Second Edition – April 2016) Process Safety Performance Indicators for Refining and Petrochemical, accumulated in the period, per million work hours related to process activities. The 2017 figure corresponds to the annual amount.
(9) Integrated frequency total (IFT): total number of cases with personal consequences (fatal accidents, with loss of days, medical treatment and restricted work) accumulated over the year, per million work hours. The 2017 figure corresponds to the annual amount.
(10) Reduction of CO_2 compared with the baseline of 2010.

2. OUR COMPANY

2.1 STRATEGIC UPDATE 2018-2020

Growth and Value creation

Having achieved all the objectives set out in the 2016-2020 Strategic Plan ahead of schedule, on July 6, 2018, an update to the Strategic Plan for the 2018-2020 periods was published (hereinafter "the Plan"). This renewed strategy targets growth and the creation of value in all scenarios; so, a price of 50 dollars per barrel of Brent for the entire period has been taken as a reference.

The new strategy is structured around **three pillars**: growth in shareholder remuneration; profitable growth of the business (Upstream and Downstream); and development of new businesses associated with the energy transition.

The Plan may be self-financed at 50 dollars/barrel (Brent crude), a price at which the company maintains a sound financial position and flexibility.

1. Improvement in shareholder remuneration:

↑8%
Increase in shareholder remuneration

One of the keys of the Plan is to continue increasing shareholder remuneration. Specifically, an annualized average growth target of 8% has been set, employing the scrip dividend formula, in addition to reductions of capital, redeeming own shares, avoiding the dilution of those choosing to receive their remuneration in cash.

2. Profitable growth of our portfolio:

The company has two catalysts for growth to increase value and remunerate shareholders, its *Upstream* and *Downstream* businesses, which make it possible to establish growth objectives for 2018-2020 in a scenario of 50 dollars/barrel in terms of the operating cash flow of +1,900 million euros (+12% annualized) and earnings per share of +0.6 euros per share (+12% annualized). Upstream will seek greater returns and an improvement in the asset portfolio, whilst Downstream will consolidate the excellent performance seen in recent years and create new sources of growth and added value.

Upstream – Increase production and profitability

Following the integration of Talisman Energy Inc. (currently Repsol Oil&Gas Canada Inc.) and duplicating the size of Upstream, the company faces a period in which it will increase its production of hydrocarbons, obtain greater returns and optimize its asset portfolio.

The *Upstream* business is expected to invest approximately 8,000 million euros between 2018 and 2020. Around 60% of this sum will be allocated to growth and exploration projects, to increasing production and ensuring an ideal level of reserves in the medium and long term; furthermore, onshore projects and projects in shallow waters will be given priority, as here Repsol has a competitive advantage. In the short term, organic growth will concentrate on existing assets and will not require significant developments, these are important generators of cash flow and will make it possible to increase production, as is the case of Sagari (Peru), Marcellus, Eagle Ford and Buckskin (United States), Yme (Norway), Bunga Pakma and Kinabalu (Malaysia), Corridor (Indonesia), NC-115 and NC-186 (Libya) and Reggane (Algeria).

The target set of increasing production to 750,000 equivalent barrels of oil per day in 2020 (annualized growth of 2.6% per year) will be complemented by an active approach to portfolio management, as part of which the production of barrels will be replaced with other goals with a higher profit margin.

750 kboe/d
in 2020

The Plan targets a 50% increase in organic operating cash flow Upstream, to 3,000 million euros, in a linear scenario in which the price of Brent is 50 dollars per barrel.

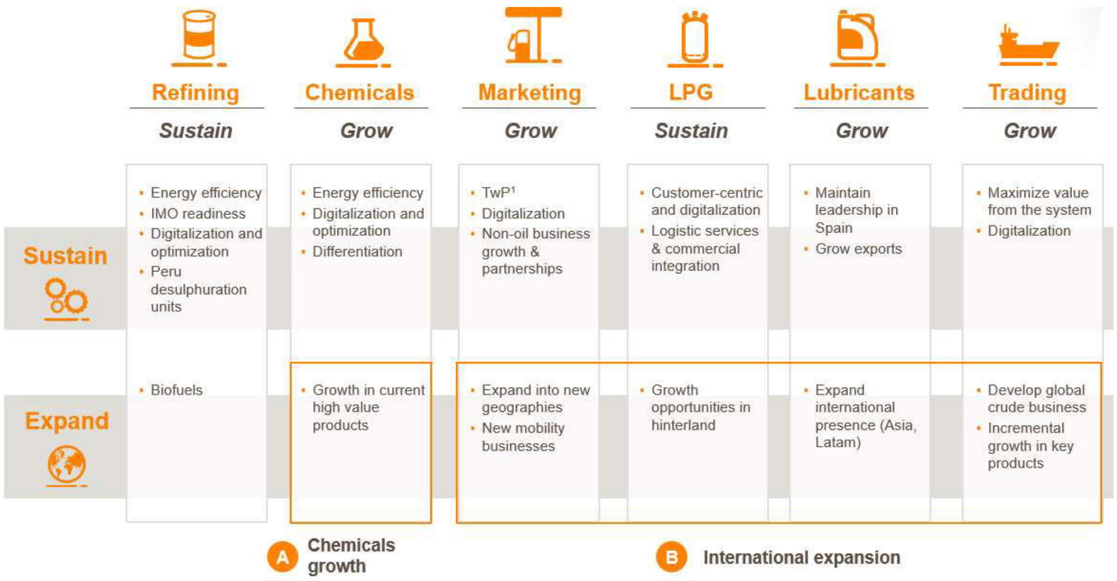
Furthermore, Upstream will implement a new efficiency and digitalization program in order to reach the free cash flow per year target of 1,000 million dollars by 2020.

Downstream – International expansion:

The Plan provides for areas such as Refining and Marketing to consolidate their position and harness the new fuel regulation for maritime transport (IMO), the increase in demand and new growth opportunities.

The Downstream business is expected to invest a total of 4,200 million prior to 2020, to be allocated to projects that pursue the international expansion of certain businesses (1,500 million euros) and the maintenance and improvement of key assets that ensure optimum performance (2,700 million euros).

€4,200
million
Investment
Downstream



(1) Transforming While Performing (TwP): operational excellence program.

International expansion includes the service station business, in markets like Mexico, where Repsol has opened 50 facilities in six months, and Peru, where the company now has more than 500 points of sale. In other businesses, such as lubricants and liquefied petroleum gases (LPG), growth in Asia and South America will be catalyzed, in terms of the former, in France and Morocco, in terms of the latter. Trading will be another of the Downstream areas that will be revitalized between 2018 and 2020, particularly as part of the development of a global crude oil business and the optimization of fleet operations.

Chemicals will also experience a boost, focusing on high-value products, with applications in high-demand and sectors and margins, where Repsol's objective is to position itself as one of the five top companies in the world in the segments in which we are most competitive, whether through organic or inorganic growth.

Repsol believes that the Downstream operating cash flow will increase by 700 million euros in 2020 compared to 2017, which entails an increase of 27% during the period and returns (ROACE) of more than 18% for the entire period.

ROACE > 18%
Downstream
2018-2020

3. Energy transition – New opportunities:

The objective is to make progress with the energy transition and reduce emissions generated by Repsol operations and products, in line with the Company's commitment to fighting climate change adopted at the Paris Summit (COP21). Repsol has a set reducing carbon intensity by 3% and CO_2 emissions by 2.1 million metric tons as a goal for 2020.

In the coming years, the way in which energy is consumed will change, meaning the sector will evolve, driven by technology and digitalization. Following the update to the Plan, Repsol is getting head of the main trends, including the increase in demand for electricity and the key role that gas will play in the energy transition, developing new capacities and establishing a profitable position as a long-term operator in this segment.

↓2,1 Mt
CO_2 in 2020

Investments in this area will come to 2,500 million euros between 2018 and 2020, with a view to reaching 2.5 million retail gas and electricity customers in Spain by 2025, and the following roadmap:

€2.500 million

Investments in energy transition related businesses

(1) Market share in Spain including consumption at our refineries.
(2) Market share in Spain by number of customers.
(3) Not adjusted for dual customers.

Further information at [www.repsol.com.](http://www.repsol.com)

2.2 MAIN CHANGES IN THE GROUP'S ACTIVITIES[1]

Sale of the stake in Naturgy

On May 18, 2018, Repsol, S.A. sold its stake (20.072%) in Naturgy Energy Group, S.A., to Rioja Bidco Shareholdings, S.L.U. for the price of €3,816 million (equivalent to €19 per share), obtaining a capital gain of €344 million.

€3,816 million

For the sale of Naturgy

Agreement for the purchase of low-emission and electricity and gas distribution businesses from Viesgo

On June 27, an agreement was reached to purchase Viesgo's unregulated low-emission electricity generation businesses, in addition to its gas and electricity distributor, for the sum of €750 million.

The agreement entails the acquisition of low-emissions generation capacity of 2,350 megawatts (MW) and a portfolio of nearly 750,000 customers, consolidating our position as a multi-energy supplier, thus taking a decisive step forwards in fulfilling the roadmap for the energy transition defined in its Strategic Plan (see section 2.1).

The agreement entails the acquisition of hydroelectric power stations in the north of Spain with an installed capacity of 700 MW and significant potential for organic growth, in addition to two combined cycle gas power stations in Algeciras (Cádiz) and Escatrón (Zaragoza), with a total capacity of 1,650 MW. Viesgo's coal power plants were excluded from the transaction.

2,350 MW

Low-emission generation capacity

The combined gas cycles play a key role in the energy transition. Furthermore, hydroelectric installations are a renewable and efficient course of electricity and facilitate the storage of usable energy in the event of a shortfall in other renewable sources. Furthermore, with their operation, Repsol improves the efficiency of its energy consumption, which represents the main cost of its five industrial installations in Spain.

The customer portfolio, which allows Repsol to significantly increase its presence in the retail gas and electricity sector and strength its position as a multi-energy supplier, is distributed across Spain, mainly in Cantabria, Galicia, Andalucía, Asturias, Castilla y León and the Madrid Region.

[1] For further information, see Note 1.3 and Annex I of the interim consolidated financial statements for the first half of 2018.

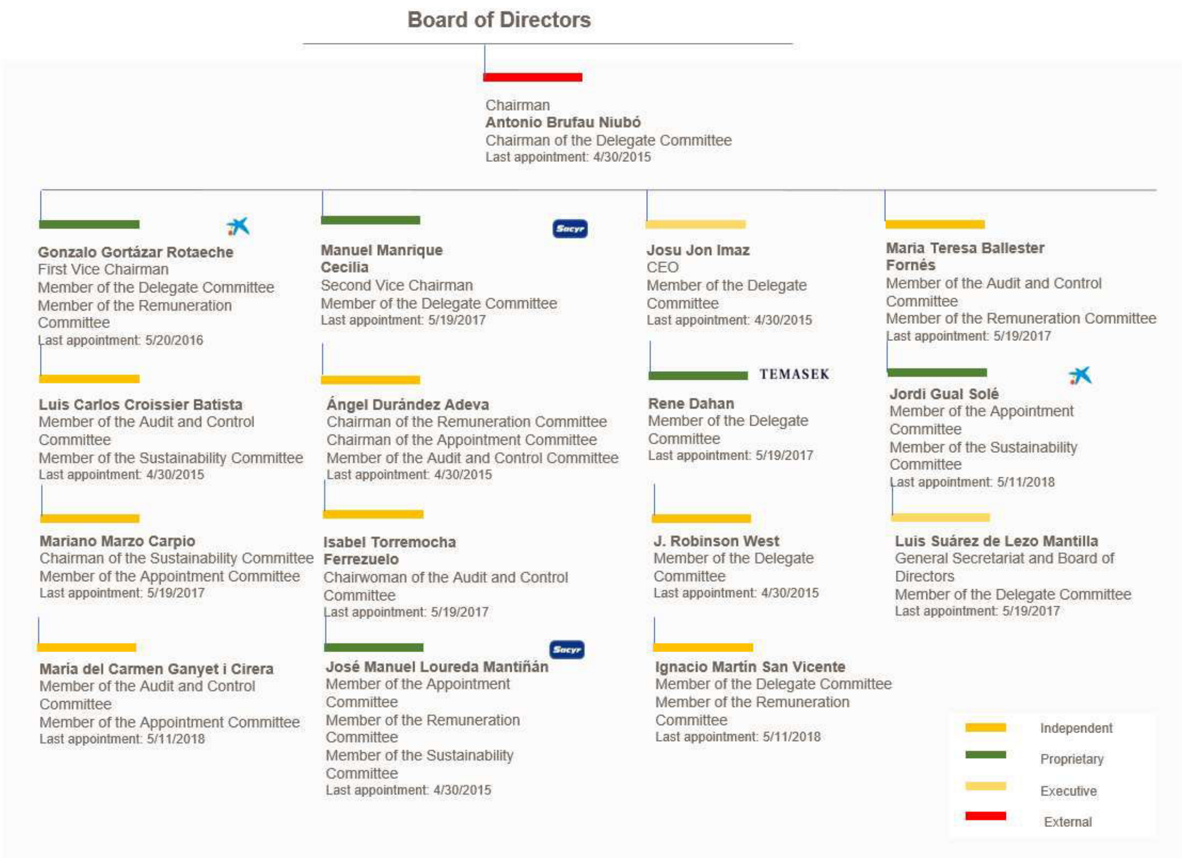
2.3 CORPORATE GOVERNANCE

Changes to the Board

The Annual General Meeting of Repsol, S.A., held on May 11, 2018, approved the ratification of the appointment via co-option and re-election of Mr. Jordi Gual Solé for a term of office of 4 years, and the appointment as independent external directors for a term of office of 4 years of Ms. María del Carmen Ganyet i Cirera and Mr. Ignacio Martín San Vicente to cover the vacancies generated by the end of the term of office of Mr. Artur Carulla Font and the departure of Mr. Mario Fernández Pelaz.

19%
Women in the Board

The composition of the Board of Directors (BoD) and its committees is currently as follows:



3. ENVIRONMENT

3.1 MACROECONOMIC ENVIRONMENT

The **global economy**, having experienced a notable upturn in 2017, growing 3.8%, has continued to experience this revitalization in the first half of 2018. According to estimates made by the International Monetary Fund (IMF) (World Economic Outlook April 2018), world growth will reach 3.9% in 2018.

↑3.9%
Global growth 2018

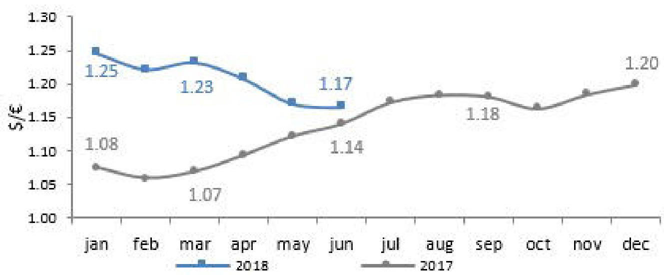
In any case, and in sequential terms, the speed of growth seen at the end of 2017 and start of 2018 has slowed somewhat in recent months. This moderation has been more notable in the Eurozone and Japan, whilst in the U.S., growth is higher than expected thanks to the fiscal stimulus. On the other hand, growth remains high in emerging countries, for the large part, with the recovery of countries that produce commodities worth particular note. However, some of the most vulnerable countries like Argentina and Turkey have experienced outflows of capital, which increase domestic interest rates, which will see their economies slow down as a result.

The strong revitalization of world activity and upturn in crude prices are driving inflation upwards, although they were at low levels and remain relatively contained. Against this backdrop, the normalization of monetary policy has maintained its course, without generating too much stability on the markets. The Federal Reserve of the United States has increased reference rates twice in the first half of the year and a further two increases are expected in the second half of 2018. Meanwhile, the European Central Bank has announced the end of its public debt purchase program "*quantitative easing*" by the end of the year.

In the first six months of 2018, the **depreciation of the dollar** intensified, dropping to 1.25 euros/dollar, given the expectation that the fiscal stimuli announced in the US would intensify the external imbalance further still (increase of twin deficits). However, since the start of April, the dollar has managed to undo some of its previous depreciation, stabilizing at around 1.16 euros/dollar, whilst growth in the Eurozone ceased to surprise and the interest rate differential took on a more significant role.

€ 1.17 /$
fx June closing 2018

Evolution of closing exchange rate (€/$)



3.2 ENERGY LANDSCAPE

Crude - Brent

In terms of the crude oil market, the first half of the year has been marked by the scarcity of the balance of supply and demand. The deficit in supply can be traced to different factors, including: i) the solid growth in world demand, at a pace of more than 1.5%; ii) high commitment to production cutbacks agreed between the OPEC and non-OPEC group of exporter nations at the end of 2016 (joint commitment of 1.8 million barrels/day); iii) the significant decline in important producers, such as Venezuela, Mexico and Angola; and iv) geopolitical tensions.

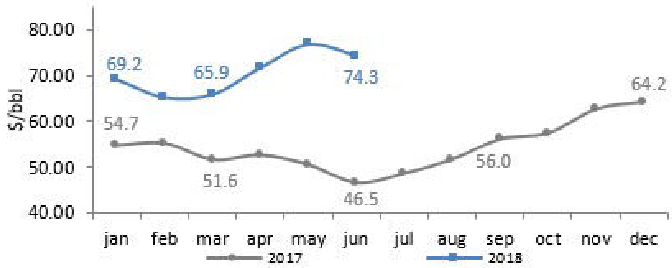
↑36%
Brent

At the end of the first half of the year, the average price of Brent crude came to 70.6 $/bl, 36% up on the average of the same period in 2017. In turn, WTI crude averaged out at 65.5 $/bl, with the differential between the two at 5.1 $/bl. In terms of the evolution of the Brent price, there was a notable difference between the first and second quarter of the year. Between January and March, the price remained stable between 65 and 70 $/bl, before peaking at 80 $/bl at the end of May; it has since stabilized between 75 and 80 $/bl.

The strength of demand in the first half of the year in addition to the production cutbacks agreed between the OPEC and non-OPEC group of exporter nations has over stressed the market. Countries such as Saudi Arabia and its Persian Gulf allies, have kept an iron grip on cutbacks, reducing production by more than agreed and the circumstances in countries like Venezuela, Mexico and Angola have intensified compliance with cutbacks. In total, compliance has been at around 130%.

On June 22, the OPEC underscored the need for countries to comply with the agreed percentage, without exceeding the cutbacks agreed upon. Concern on the market is that the decline in Venezuela will intensify and the decision by the U.S. to abandon the Iran nuclear deal and the reimposition of sanctions starting in November will increase the deficit in supply, leading to much higher prices and a decrease in demand, which would help prices relax.

Evolution of monthly average Brent price



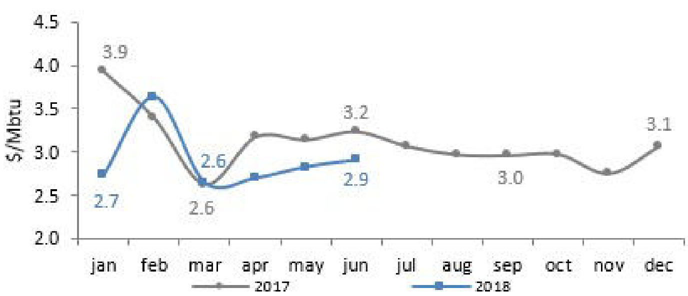
Natural Gas - Henry Hub

The Henry Hub natural gas price averaged out at 2.9 $/mmBtu in the first half of 2018, 11% down on the same period in 2017. This trend has occurred against a backdrop of an increase in dry gas production (+12%), with the balance of supply and demand remaining narrow. The increase in production has been accompanied by a similar increase in total demand in addition to a significant increase in exports of liquefied natural gas (+62%). Against this backdrop, the price has been affected by expectations that there will be an increase in the production of gas associated to oil production in light of an increase in the price of crude oil during the six-month period.

↓11%
Henry Hub

The 2017 balance adjustment was eased in the first half of 2018 in light of the increase in the production of domestic dry gas and a drop in internal demand (mainly residential/commercial, and electricity generation), as part of which the growth in exports (gas via pipeline and liquefied natural gas) served as a vital support.

Evolution of monthly average Henry Hub price



4. FINANCIAL PERFORMANCE AND SHAREHOLDER REMUNERATION

4.1 INCOME

€ Million	1H 2018	1H 2017	Δ
Upstream	647	339	308
Downstream	762	929	(167)
Corporate and other	(277)	(253)	(24)
Adjusted net income	**1,132**	**1,015**	**117**
Inventory effect	202	(60)	262
Special items	212	101	111
Net income	**1,546**	**1,056**	**490**

↑46%
Net income

↑12%
Adjusted net income

The results for the first half of 2018 (hereinafter 1H18), compared to the same period of 2017 (hereinafter, 1H17), occurred in a more favorable **environment** marked by some higher oil prices (Brent +36%, with a notable boost in the second quarter), lower gas prices (Henry Hub -11%) and a weaker dollar vs. the euro (€/$ 1.21 vs. 1.08 in 1H17). On the other hand, the indicator for the Refining margin remains at high levels (US$7/bbl) but the international indicators of the Chemical business margin are significantly lower as a result on the raise in Naphtha prices.

In the context, Repsol obtained an **adjusted net income** of €1,132 million (+12% compared to 1H17, driven by the notable improvement in the results of Upstream), which together with the capital gain generated by the divestment in Naturgy and the effect of the revaluation of inventories, yielded **net income** of €1,546 million (+46% compared to 1H17) and **free cash flow** of €4,306 euros (357% higher than 1H17). The six-month period ends with a **net debt** of €2,706 million (€4,771 million less than at the close of 1H17).

↑23%
EBITDA

The **EBITDA** amounted to €3,811 million, (+23% compared to 1H17), driven by the higher income in the *Upstream* segment.

	TOTAL	
EBITDA (€ Million)	1H 2018	1H 2017
Upstream	2,289	1,666
Downstream	1,649	1,518
Corporate and other	(127)	(76)
TOTAL	3,811	3,108

Upstream

Average **production** in the first half of 2018 came to 724 Kbep/d, is 6% higher than in the same period of 2017. The higher production is explained by higher activity in Libya, the incorporation of new wells in Trinidad and Tobago, the UK, USA-*Marcelus*, Algeria and Malaysia, and the contribution of assets acquired in Norway. (see section 5.1).

↑6%
Production

In terms of **exploration activity**, ten exploratory wells well were completed during the six-month period, of which three have been positive. (see section 5.1). In addition, an appraisal well was successfully completed in the period.

Adjusted net income in *Upstream* amounted to €647 million, well up on 1H17 (€339 million). This improvement was due to the increase in the prices of crude oil and gas (37% and 12%, respectively) and the higher volumes sold (mainly by Libya and the UK). These positive effects are partially offset by the higher taxes as a result of the improvement in operations, the negative impact of the exchange rate on account of the weakening of the dollar and the increase in exploration costs resulting from the amortization and depreciation of wells and investments with a slim probability of success. In addition, the impact on results of the new formula for calculating depreciation of productive assets must be taken into account (see Note 2.2.3 of the interim financial statements for the first half of 2018).

↑91%
Upstream income

Upstream adjusted net income variation

EBITDA for the Upstream segment came to €2,289 million, up 37% on the same period the previous year, driven by the increase in operating income and, notably, by the improvement in operations in Libya, UK, Norway, Brazil and Algeria.

Investments for the first half the year (€900 million) are in line with those of 1H17. Investments were undertaken mainly in production and/or development assets, mainly in the US, Canada, Trinidad and Tobago, Norway, Malaysia and Indonesia. One highlight was the acquisition of 7.7% of the *Visund* field in Norway (see Section 5.1).

€900 million

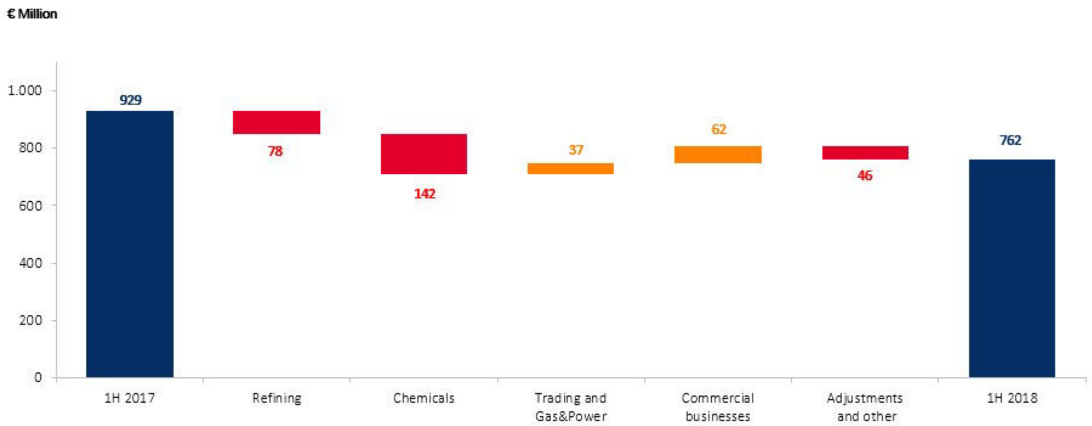
Investments Upstream

Downstream

Adjusted net income for the first six months of 2018 was €762 million, compared to €929 million in the first half of 2017.

↓18%
Downstream income

Downstream adjusted net income variation



Change in result due mainly to:

- In **Refining**, despite the increase in margins (more favorable international environment) and sales in Spain, results have been worse due to the impact of the weakening of the dollar, and reduction in margins in Peru, (affected by price mechanisms place in Peru and worse international environment).

- In **Chemicals**, the lower income is explained by the weakening of the international environment, mainly due to the increase in naphtha prices, as well as lower sales and higher variable costs as a result of operational incidences and maintenance stoppages.

- ***Trading and Gas & Power*** obtained better income, mainly from better margins in gas trading in North America.

- In **Commercial Businesses**, the improvement in results can mainly be attributed to *Marketing*, (driven by the improvement in the margins, maintaining the level of sales) and *LPG* (due to the lower margins of the regulated packaging business and the higher volumes sold as a result of lower temperatures).

The **EBITDA** in the Downstream came to €1,649 million, 9% up on the same period of the previous year.

↑9%
EBITDA
Downstream

Capital **expenditure** in the Downstream segment amounted to €325 million in the first half of 2018 (increased by 16% on the same period of 2017). The largest investments were undertaken to enhance energy efficiency, safety and the environment, and for multi-year shutdowns of refineries in Spain, of Chemical plants, and the remodeling of the gasoline block in the Pampilla refinery in Peru.

Corporate and other

Income for the half-year period amounted to €-277 million (compared to €-253 million in 1H17). The financial results improved due to lower debt cost and the better results in the management of positions (currency and treasury stock); corporate costs were also lower, despite the increase as a result of digitization projects. These positive effects have been offset by the negative impact of the adjustments for the elimination of intragroup transactions between the *Upstream* and *Downstream* segments, which have not yet been passed on to third parties.

The **inventory effect** amounted to €202 million, and was due to upward trend of crude oil and gas prices during the period.

Special items amounted to €212 million, mainly attributable to: i) the capital gain on the sale of the stake in Naturgy Energy Group, S.A. (€344 million), (ii) extraordinary write-offs in Venezuela[1] (for a net amount of €-451 million due to the recovery risk of loans, tax assets and investments) and iii) extraordinary results due to exchange rate differences in financing instruments (€398 million).

€ Million	1H 2018	1H 2017
Divestments	7	23
Workforce restructuring charges	(17)	(36)
Impairment	(123)	(26)
Provisions and other	(67)	30
Discontinued operations (see Note 2.2)	412	111
TOTAL	212	102

As a result of the foregoing, **net income** amounted to €1,546 million, up 46% on 2017.

8.2%
ROACE

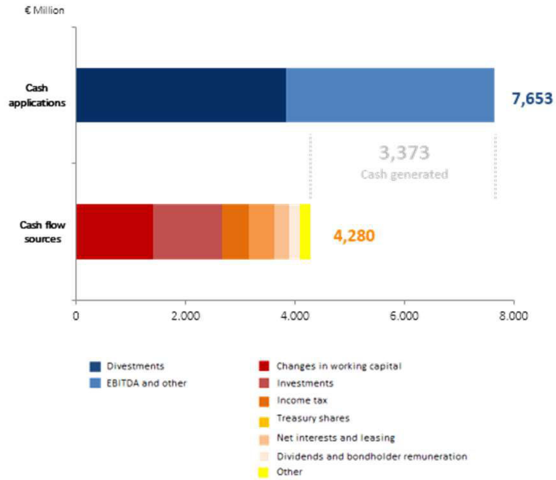
PERFORMANCE INDICATORS	2018	2017
Return on average capital employed (ROACE) (%)	8.2 [1]	6.4
Earnings per share (€/share)	0.96	0.66

[1] Does not include discontinued operations (Naturgy). If included, ROACE would amount to 9%.

4.2 CASH FLOW

Free cash flow in 2018 amounted to €4,306 million, compared to €943 million in 2017, mainly attributable to the improvement in EBITDA and the divestment of Naturgy.

CASH FLOW *(€ Million)*	1H 2018	1H 2017
EBITDA	3,811	3,108
Changes in working capital	(1,414)	(387)
Dividends received	4	140
Income tax receipts/(payments)	(490)	(380)
Other receipts/(payments)	(185)	(306)
I. Cash flow from operations	1,726	2,175
Payments on investments	(1,258)	(1,264)
Proceeds from divestments	3,838	32
II. Investment flow	2,580	(1,232)
FREE CASH FLOW (I+II)	4,306	943
Dividends and other equity instruments	(196)	(345)
Net interest and leasing	(280)	(143)
Treasury shares	(457)	(183)
CASH GENERATED	3,373	272



Cash flow from operations (€1,726 million) was sufficient to cover investments and the payment of interest and dividends. However, it is less than that obtained in 1H17: the increase in EBITDA from business was offset by the larger amount of tax payable, the increase in working capital mainly in *Downstream*, (driven by the inventory increase as a result of price increases) and the absence of dividends payments from Naturgy.

€3,373
million
Cash
generated

Cash flow from investment activities (€2,580 million) reflects the maintenance of investment levels of the previous year and is determined by the cash obtained on the divestment of Naturgy (3,816 million euros).

As a result of the foregoing, having covered payment of financing costs (€280 million), shareholder remuneration (€196 million) and the acquisition of treasury stock (see section 4.4), the **cash generated** came to €3,373 million.

4.3 FINANCIAL OVERVIEW

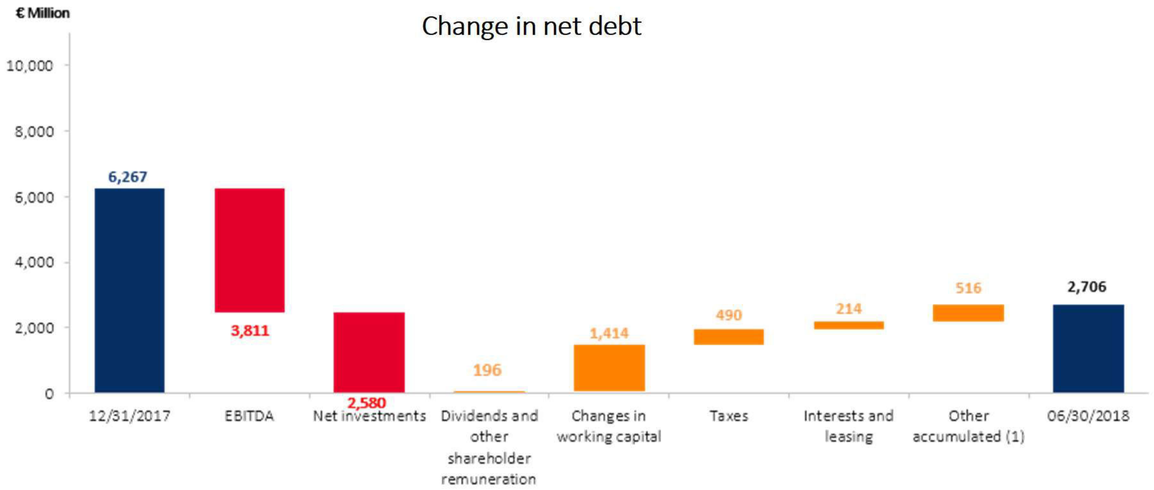
During the first half of 2018, in line with the commitment to strengthening the Group's financial structure, the range of measures that have made it possible to reduce debt have remained in place.

In line with its policy of financial prudence and its commitment to maintaining a high degree of liquidity, the funds held in cash by the Group at the end of the year and available credit lines amply exceed the maturity dates of its short-term debt.

Indebtedness

Net debt (€2,706 million at the end of the six-month period) is significantly lower than June 30, 2017 (€7,477 million) and at December 31, 2017 (€6,267 million) mainly attributable to the cash generated by businesses and cash obtained following the divestment of Naturgy.

↓€4,771 million
Debt reduction



[1] Mainly includes treasury stock transactions, the receipt of dividends, other operating activity payments and the effect of the exchange rate.

Main funding operations

During the first six months of 2018, there have been no issues of bonds or securities. The following cancellations or repurchases have taken place:

- In January 2018, ROGCI repurchased a bond maturing in February 2021 and a fixed annual coupon of 3.75% for a total of 251 million dollars.
- In February 2018, €750 million of fixed-annual 4.375% bonds issued by RIF in September 2012 within the EMTN Program were repaid at maturity.

€10,472 million
Gross Debt

As a result, he issues outstanding as at June 30, are as follows:

Bonds[1]

Issuer	Currency	Nominal	Coupon	Maturity [6]
Repsol International Finance, B.V.	€	600 [2]	Eur. 3M+70p.b.	2018
Repsol International Finance, B.V.	€	1,000 [3]	4.88	2019
	€	100	0.125	
Repsol International Finance, B.V.	€	1,200 [3]	2.63	2020
	€	600 [3]	2.13	
Repsol International Finance, B.V.	€	1,000 [3]	3.63	2021
Repsol International Finance, B.V.	€	500 [3]	0.50	2022
Repsol International Finance, B.V.	€	500 [3]	2.25	2023 and following
Repsol Oil&Gas Canada, Inc.	$	50 [4]	7.25	
Repsol International Finance, B.V.	€	100 [3]	5.38	
Repsol Oil&Gas Canada, Inc.	$	88 [4]	5.75	
Repsol Oil&Gas Canada, Inc.	$	102 [4]	5.85	
Repsol Oil&Gas Canada, Inc.	$	115 [4]	6.25	
Repsol Oil&Gas Canada, Inc.	$	57 [4]	5.50	
Repsol International Finance, B.V.	€	1,000 [5]	4.50	

[1] Does not include the perpetual subordinated bond issued by RIF on March 25, 2015 in the amount of 1,000 million euros, which is classified as an equity instrument.

(2) This issue was cancelled at maturity on July 6th, 2018.
(3) Issues of RIF under the "*Euro 10,000,000,000 Guaranteed Euro Medium Term Note Program* (EMTNs)" guaranteed by Repsol, S.A.
(4) Issues by Repsol Oil & Gas Canada, Inc. guaranteed by Repsol, S.A.
(5) Subordinated bond maturing at 60 years issued by RIF and guaranteed by Repsol, S.A. Coupon scheduled for March 25, 2025 and March 25, 2045.
(6) For more information on maturities, see Note 4.2 of the interim financial statements of the first of 2018.

Additionally, RIF holds a *Euro Commercial Paper* (ECP) Programme guaranteed by Repsol, S.A., with a limit up to 2,000 million euros; the outstanding balance at June 30, 2018 was 1,298 million euros.

The timetable for the **maturity of the gross debt** at June 30, 2018 is as follows:

Maturities	Gross Debt (€ Million)
2018	2,666
2019	1,536
2020	1,989
2021	1,158
2022	622
2023 and following	2,502
TOTAL	10,472

Financial prudence

Liquidity
2.42 times
Short-term debt maturity

Group liquidity, including committed and undrawn credit facilities, stood at €9,932 million at June 30, 2018, which is enough to cover its short-term debt maturities by a factor of 2.42. Repsol had undrawn credit lines amounting to €2,493 and €2,503 million at June 30, 2018 and December 31, 2017, respectively.

INDICATORS OF FINANCIAL POSITION	06/30/2018	06/30/2017
Net financial debt (€ million)	2,706	7,477
Net financial debt / EBITDA (x times)	0.36	1.20
Net financial debt / Total capital employed (%)	8.0	19.9
Liquidity / Gross short-term debt (x times)	2.42	1.91
Debt interest / EBITDA (%)	3.8	5.9

Credit rating

At present, the credit ratings assigned to Repsol, S.A. and ROGCI by the ratings agencies are as follows:

	STANDARD & POOR'S		MOODY'S		FITCH	
TERM	Repsol, S.A.	ROGCI	Repsol, S.A.	ROGCI	Repsol, S.A.	ROGCI
Long-term	BBB	BBB	Baa2	Baa2	BBB	BBB
Short-term	A-2	A-2	P-2	NR	F-3	F-3
Outlook	stable	stable	stable	stable	stable	stable
Most recent change	28/11/2017	28/11/2017	22/06/2017	22/06/2017	16/05/2017	16/05/2017

Treasury shares and own equity investments

At June 30, 2018, the share balance in treasury shares amounts to €18,262,941 million (including derivatives contracted by Repsol, S.A. with financial entities out of a notional total of 10 million shares) representing 1.14% of the share capital at that date. For further information, see Note 4.1 "*Treasury shares and own equity investments*" of the interim financial statements of the first half of 2018.

4.4 SHAREHOLDER REMUNERATION

Remuneration received by shareholders in the first half of 2018 as part of the "*Repsol Flexible Dividend*" scheme includes the amount of the irrevocable commitment to purchase free-of-charge allocation rights assumed by Repsol in the capital increase concluded in January 2018 (€0,388 gross per right). Thus, in the first half of 2018, Repsol paid out a gross total of €153 million to shareholders and distributed 29,068,912 new shares, worth €440 million, to those shareholders opting to take their dividend in the form of new company shares.

€0.388 /share
Shareholder remuneration

In addition, in July 2018, under the "*Repsol Flexible Dividend*" program, replacing what would have been the final dividend from 2017 profits, Repsol paid out €100 million in cash (€0,485 gross per right) to those shareholders opting to sell their bonus share rights back to the Company and delivered 39,708,771 shares, worth €655 million, to those opting to take their dividend in the form of new company shares.

The Annual General Meeting agreed on the reduction of capital by means of the redemption of own shares[1] in order to offset the dilutive effect of capital increases concluded in 2018 as part of the "*Repsol Flexible Dividend*" described above). The main effect of this reduction in capital will be an increase in earnings per share, to the benefit of shareholders.

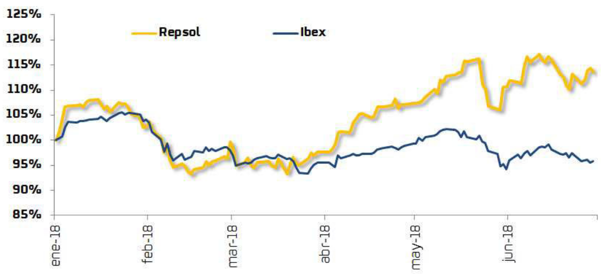
For additional information on the total remuneration received by shareholders and the aforementioned capital increases issued under the "*Repsol Flexible Dividend*" program, see section "*Share capital*" of Note 4.1 "*Equity*" of the interim financial statements for the first half of 2018.

↑14%
Share price revaluation 1H18

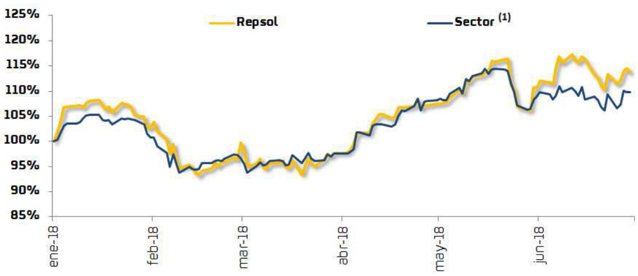
Our share price

The Repsol share price rose by 14% in the first half of 2018, outperforming both the Ibex 35 and the average of its peers in the European Oil & Gas sector.

Repsol share price vs. the Ibex 35



Repsol vs. the European oil sector



Source: Bloomberg
(1) European companies in the sector included: BP, Shell, Total, Eni, Equinor, Galp and OMV.

Share price was positively affected by the progress made achieving the Company's strategic objectives and the recovery of the price of Brent crude.

The price of Brent crude, which was around $67 a barrel at the start of the year, has increased constantly since April, ending the first six-month period at around $79.

[1] Through the amortization of treasury stocks held at April 4, 2018 and the shares acquired as part of the share repurchase scheme and, as applicable, the clearing of derivatives taken out prior to April 4, 2018.

The Group's main stock market indicators in 2018 and 2017 are detailed below:

MAIN STOCK MARKET INDICATORS	1H 2018	1H 2017
Shareholder remuneration (€/share) (1)	0.388	0.335
Share price at period-end (2) (euros)	16.77	13.40
Period average share price (€)	15.44	14.28
Maximum price (€)	17.28	15.09
Minimum price (€)	13.75	13.40
Number of shares outstanding at end of the year (million)	1,556	1,496
Market capitalization at end of the year (million euros) (3)	26,094	20,052
Book value per share (euros) (4)	19.8	20.01

(1) For each period, shareholder remuneration includes the dividends paid and the fixed price guaranteed by Repsol for the bonus share rights awarded under the "Repsol Flexible Dividend" program.
(2) Share price at year-end in the continuous market of the Spanish stock exchanges.
(3) Year-end closing market price per share, times the number of shares in circulation
(4) Equity attributed to the parent/Number of shares outstanding at year-end.

5. OUR BUSINESS PERFORMANCE

5.1 UPSTREAM

Main operating figures

	1H 2018	1H 2017
Total net production of liquids (kbbl/d)	266	256
Total net daily gas production (Mboe/d)	458	429
Total net daily hydrocarbon production (Mboe/d)	724	685
Average crude oil realization price ($/bbl)	64.2	46.7
Average gas realization price ($/kscf)	3.3	2.9
Bonds, dry wells, and general and administration expenses [(1)]	223	141

[(1)] Gross investments during the period can be geographically

Our performance in 2018

€ Million	1H 2018	1H 2017	Δ
Operating income	1,236	503	733
Income tax	(594)	(176)	(418)
Investees and non-controlling interests	5	12	(7)
Adjusted net income [(1)]	647	339	308
Special items	(132)	11	(143)
Net income	515	350	165
Effective tax rate (%)	48	35	13
EBITDA	2,289	1,666	623
Investments	900	906	(6)

[(1)] Disclosure of the Adjusted net income by geographic area:

Geographic area	1H 2018	1H 2017	Δ
Europe, Africa and Brazil	358	141	217
Latin America – Caribbean	260	159	101
North America	115	(25)	140
Asia and Russia	132	74	58
Exploration and other	(218)	(10)	(208)
Adjusted net income	647	339	308

Main events of the six-month period (1/2):

- Average production in Upstream came to 724 Kboe/d in the first half of 2018, representing an increase of 6% (39 Kboe/d) compared to the same period in 2017. This increase is due in large part to the ramp-up of production in Libya, the commissioning of TROC and Juniper (Trinidad and Tobago), Shaw and Cayley (United Kingdom), Reggane (Algeria) and Kinabalu (Malaysia) and the start-up of production of new wells at Marcellus (US) in addition to the acquisition of the Visund field (Norway). The foregoing was offset by the sales of SK (Russia) and Ogan Komering (Indonesia), and a drop in demand from the Brazilian market in Bolivia, reduced production in Venezuela and a drop in gas sales in PM3 (Malaysia).

- Exploratory campaign: In the first half of the year, work completed on drilling 10 exploratory wells and 1 appraisal well, 4 with positive results (3 exploratory wells in Colombia and one appraisal well in Russia) and 7 with negative results (Algeria, Bolivia, U.S., Gabon, Malaysia and Norway). At year end of the period, 6 exploratory wells were still ongoing.

- Acquisition of acreage: 5 blocks in Mexico (3 in deep waters and 2 in shallow waters); 3 blocks in Round 15 in Brazil (2 blocks in the Campos Basin and one in the Santos Basin), 3 licenses in the Sea of Norway, 6 technical evaluation agreements in Peru (5 offshore in the Pisco Basin and 1 onshore in the Pachitea Basin) and one block allocated directly in Indonesia (onshore block in South East Jambi on the island of Sumatra).

- On January 25, the drilling operations envisaged in the development program and the commissioning of the Buckskin project in the deep waters in the US Gulf of Mexico, in Keathley Canyon, were announced. Repsol has a 22.5%; LIOG is the operating company. To perform development drilling at Buckskin, the company has decided to use the Seadrill West Neptune drilling platform, a cutting edge, sixth-generation, class DP3 vessel for drilling in deep waters.

Main events of the six-month period (2/2):

- On January 31, an agreement was reached in Norway with Total for the acquisition of the company's 7.7% stake in the Visund field. The field is located in the Norwegian waters of the North Sea. Operated by Equinor, the Visund field is a crude oil and gas field located 22 kilometers off the coast of Norway. In the first half of 2018, it reached 100% average daily production of 136,000 boe/d (more than 120,000 boe/d in 2017.

- On March 15, Repsol announced the presence of hydrocarbons in the Lorito-1 exploratory well, located in block CPO-9 (Ecopetrol: 55% WI and operator; Repsol: 45%) located in the Llanos Basin in Colombia. Following the tests run to test the results of the well, it was confirmed as a commercial discovery in the second quarter. Lorito-1 is part of the exploration project in block CPO-9.

- In Norway, in the first half of 2018, the country's authorities approved the Yme Field Development Plan (located in blocks PL316 and PL 316B in the Egersund Basin), submitted at the end of 2017 by the consortium led by Repsol (operator and 55% WI).

- In March 2018, official ratification was received in Bolivia of the extension, previously approved in December 2017 by the Bolivian Assembly, of the Caipipendi license (Margarita field) for a period of 10 years to 2041, plus 5 additional years depending on the volume of reserves to be incorporated.

- On April 17, the approval to start phase 1 of the Akacia project development plan, located in Block CPO-9 (Ecopetrol: 55% WI and operator; Repsol: 45%) in Colombia was announced. This plan includes the drilling of 19 producing wells. The expectations as part of this campaign are to attain production levels of 16,000 boe/d (including existing wells). During 2018, we expect to receive approval to continue with the full Akacias development plan and the drilling of an additional 78 wells, in addition to treatment facilities. The Akacias discovery occurred in 2010.

- In Peru, production began at a new well in the Sagari field in block 57 as part of the Development Plan for this asset in April. Production commenced in Sagari in November 2017 and it is located in the Ucayali-Madre de Dios Basin, one of the most prolific gas zones of the country, where Repsol is the operator, with an interest of 53.84%.

- On May 12, gas production started in the Bunga Pakma gas development project in the offshore block PM3 CAA in Malaysia (operated by Repsol with a 41.44% stakeholding).

- In June, an agreement was reached to sell Repsol's stakeholding in all assets in its Papua New Guinea portfolio (9 blocks: 4 exploratory wells expanding over 7,418 km^2 and 5 in the prior development phase expanding over 1,303 km2), subject to compliance with specific conditions precedent.

- In June, Repsol and Total reached an agreement with the Algerian national oil company, Sonatrach, to extend its Tin Fouye Tabankort (TFT) gas and condensate license in the Illizi Basin in Algeria.

- In the first half of 2018, 6 new wells were brought into production in the redevelopment project of the Kinabalu offshore field in Malaysia, in the western part of the Malay Basin. In October 2017, crude production began in this project, where Repsol is the operator with a 60% stakeholding.

5.2 DOWNSTREAM

Main figures

	1H 2018	1H 2017
Refining capacity (kbbl/d)	1,013	1,013
Europe (including the stake in ASESA)	896	896
Rest of world	117	117
Conversion rate in Spain (%)	63	63
Conversion utilization Spanish Refining (%)	103.9	100.0
Distillation utilization Spanish Refining (%)	90.4	89.3
Processed crude oil (million t)	22.4	22.6
Europe	20.1	19.8
Rest of world	2.3	2.8
Refining margin indicator ($/b)		
Spain	6.9	6.6
Peru	2.0	5.5
Number of service stations	4,759	4,712
Europe	4,182	4,246
Rest of world	577	466
Oil product sales (kt)	25,217	25,071
Europe	22,036	21,794
Rest of world	3,181	3,277
Petrochemical product sales (kt)	1,313	1,407
Europe	688	1,189
Rest of world	625	218
LPG sales (kt)	739	750
Europe	727	740
Rest of world	12	10
Gas sales in North America (Tbtu)	258	266
LNG regasified (100%) in Canaport (Tbtu)	12.5	9.8

Our performance in 2018

€ Million	1H 2018	1H 2017	Δ
Operating income	985	1,234	(250)
Income tax	(229)	(301)	74
Investees and non-controlling interests	6	(4)	9
Adjusted net income [1]	762	929	(167)
Inventory effect	202	(60)	262
Special items	(18)	22	(40)
Net income	946	891	55
Effective tax rate (%)	23	24	(1)
EBITDA	1,649	1,518	131
Investments	325	279	46

[1] Net adjusted income by geographic area:

Geographic area	1H 2018	1H 2017	Δ
Europe	723	883	(160)
Rest of world	39	46	7
Adjusted Net Income	762	929	(167)

Main events of the six-month period (1/2):

- During this six-month period, and taking advantage of the scheduled shutdowns at the Puertollano and Tarragona refineries, **improvements** were carried out regarding energy efficiency, security and Units´reliability.
- Repsol has announced a **collaboration with Google Cloud** for the launch of a project using big data and artificial intelligence to optimize the management of the Tarragona refinery with the use of the latest technology solutions of Google Cloud. The objective is to enhance the overall performance of refinery operations.
- The polyolefins chemical plant has achieved the **Food Safety Certification** (ISO FSSC22000) after a series of investments and changes to processes and procedures over recent years.
- The **first production of high-impact copolymers (TPOs)** from polypropylene has been successfully completed, which will be sold under the Repsol ImpactO brand, targeting the automotive market, mainly
- Repsol has completed the coordination and management of the **largest LNG bunkering operation** undertaken to date in Spain in Cartagena (425 m3 of LNG).

Main events of the six-month period (2/2):

- Repsol has included the El Corte Inglés card in the Repsol Waylet application, meaning that the 11 million users that have this card can now use it to pay at Repsol **service stations** and accumulate 4% of the overall amount consumed for their purchases at El Corte Inglés.

- The Chemicals business **has signed up to the Voluntary "*Plastics 2030*"** commitment that PlasticEurope presented to increase the circularity and efficiency of resources in products, following the publication of the European Commission's plastics strategy. It has also signed a technological partnership and supply contract with PEP Licensing Limited to develop a range of biodegradable polyolefins of fossil origin.

- A **70% stakeholding in Klikin** has been acquired; this *startup* has developed a digital platform for reserving, paying and managing promotions to connect local businesses to their customers, allowing Repsol to boost its Waylet mobile payment channel (facilitating the evolution towards a universal mobile method of payment).

- Repsol and Kia Motors Ibérica have **rolled out WiBLE** (Widely Accessible), a new *carsharing* operator that will promote sustainable movement in cities and the surrounding areas. The service, which began in July, will be operational in the second half of the year in Madrid, with a fleet of 500 hybrid Kia Niro cars.

- For the first time, from 2018 onwards, Jet1 will be sold directly to the **French Army**. This agreement represents a significant milestone, with a Spanish company having obtained a contract with one of the most demanding and prestigious institutions in France. The contract will run for a period of one year and can be renewed up to 4 years.

- The **first service stations in Mexico** were opened, which represents the start of a long-term project for Repsol, the goal of which is to reach a market share of 8-10% over the coming five years. As of 30 June, 50 service stations had been opened in the country from the 101 flagging agreements entered into. Another 150 points of sale are expected to be opened in the second half of the year to complete the 200 expected for this year.

- On February 21, Repsol signed a "*Head of Agreement*" with Pertamina **(Indonesia)**, establishing the roadmap to develop project engineering for the construction of a *Treated Distillate Aromatic Extract* plant, which produces extensor oils used in tires.

- In June, Repsol reached an **agreement to purchase Viesgo's unregulated low-emissions electricity generation business** (hydroelectric plants and combined-cycle gas plants), in addition to its gas and electricity distributor Hydroelectric plants and combined cycle plants), for further information, see section 2.2.

- Repsol received the **award for best European polypropylene producer** from the transformer association European Plastics Association (EuPC). This is the third consecutive year that customers have given this award to Repsol, as the company received the award for high-density polyethylene in 2016 and 2017.

5.3 CORPORATE

Our financial performance

€ Million	1H 2018	1H 2017	Δ
Corporate and adjustments	(178)	(124)	(53)
Financial result	(175)	(229)	55
Income tax	77	101	(45)
Investees and non-controlling interests	(1)	(1)	(1)
Adjusted net income	**(277)**	**(253)**	**(42)**
Special items	362	68	517
Net income	**85**	**(185)**	**517**
Effective tax rate (%)	22	29	(16)
EBITDA	**(127)**	**(76)**	**(51)**
Investments	**20**	**16**	**4**

Main events of the six-month period:

- The **Annual General Meeting** was held on May 11.
- All of the shares held in **Naturgy Energy Group, S.A.** were sold to Rioja Bidco Shareholdings, S.L.U. in May, representing 20.072% of the share Capital, amounting to 3,816 million euros (see section 2.2)
- The update to the **Strategic Plan 2016-2020** was published in June (see section 2.1).

6. SUSTAINABILITY

Main events of the semester

- Global Sustainability Plan

The Global Sustainability Plan has been reviewed and the yearly actions to reach the targets defined for 2020 have been approved.

- Climate change:

In April, Repsol signed up to the Task Force on Climate-related Financial Disclosure (TCFD), which promotes the Financial Stability Board (FSB), the objective of which is transparency in terms of climate change-related risks.

In June 2018, Repsol has published the first Report on the “green” bond issued in May 2017, whose funds are dedicated to refinancing and financing projects that seek to prevent greenhouse gas emissions as part of refining and chemical activities in Spain and Portugal. The information is available at www.repsol.com.

- People and diversity:

The changes to the Board of Directors (see section 2.3) have increased the representation of women on the Board of Directors from 13.3% to 18.8%. The 2020 target indicated in the Global Sustainability Plan is to increase the representation of women on the Board of Directors and leadership positions to 30%.

In the first six months of 2018, 1,830 new hires were contracted (24% more than in 1H17), of which 37% were under permanent contracts, reaching a total headcount of 25,580 employees at June 30.

In collective bargaining, following the signing in November 2017 of the 9th Framework Agreement for the majority of the Group companies in Spaoin, collective bargaining agreements were signed for several of the main companies in Spain (Repsol, S.A., Repsol Petróleo, S.A, Repsol Química S.A, Repsol Butano S.A., Repsol Trading, S.A., Repsol Lubricantes y Especialidades, S.A.).

- Operational safety:

There were no deaths among either our own personnel or that of contractors in the first half of 2018.

Personal safety performance as measured by the Total Frequency Rate (TFR) increased by 5% on the 2017 indicator, with an increase in the number of incidents with days lost of 14% and a decrease in hours worked of 4%.

The accident rate of processes as measured by the PSIR $TIER_1$ + $TIER_2$ decreased by 58% compared to the 2017 indicator. Incidents classified as $TIER_1$ occurred in Canada, Malaysia and in the Cartagena refinery.

- Responsible tax policy:

In the first half of 2018, Repsol paid more than €6,000 million in taxes and similar public charges, having filed more than 21,000 tax returns.

Repsol is voluntarily taking part in a pilot program, together with the Tax administrations of 5 OECD countries, sponsored by the OECD for multilateral and joint research and evaluation of the tax risks of multi-national companies, the International Compliance Assurance Program (ICAP).

- Ethics and compliance:

During the six-month period, work continued to disseminate the Ethics and Conduct Code, including a new course that seeks to strength previously-acquired knowledge, obtain a higher level of understanding concerning behavior expected of employees in addition to developing on other related matters, such as internal regulations or the prevention of harassment.

APPENDIX I: RISKS

Repsol's operations and earnings are subject to risks as a result of changes in competitive, economic, political, legal, regulatory, social, industrial, business and financial conditions. The risks facing the Group in the second half of 2018 are detailed in Appendix II, *"Risk Factors"* of the Management Report which accompanied the 2017 Financial Statements. Such risks, which remain at the publication of this report, are updated with the information presented below:

Uncertainty in the current economic context

In the current environment, although global growth remains strong, downside risks would appear to be stronger than in prior months.

First, the threat of trade war has gained in prominence (tariff increases now in effect still have a limited impact, but the threats of new, higher tariffs on a much larger number of products could affect global growth). Further, a protectionist turn would not only reduce international trade, but also affect cross-border investment flows and confidence, which could amplify the final effect and make it more long-lasting. In any event, there is still time for ongoing negotiations to bear fruit.

In addition, the recent strengthening of the dollar and the normalization of US monetary policy is having an impact on less accommodative global financial conditions and problems for some emerging countries that rely heavily on external financing, like Argentina and Turkey.

Lastly, the plans of the new government in Italy, which include a sharp increase in borrowing and a clear anti-immigration stance, could cause tensions in Europe.

With regard to oil prices, the scenario envisaged by the International Energy Agency is of a market at equilibrium for the rest of the year and a large part of next year, which would keep prices at or near current prices. In associated risks, lower-than-expected demand or substantially higher production from countries like Saudi Arabia or Russia could depress prices. However, the biggest risks identified by the market are now the significant decline of Venezuela, the re-imposition of sanctions on Iran and the saturation of the capacity of Permian output pipelines in Texas, which could curtail the boom seen in the region in recent years, and which is not expected to be resolved until the second half of 2019.

Location of reservices (geopolitical risks)

See Note 4.8 "*Geopolitical Risks*" of the interim consolidated financial statements for the first half of 2018.

The Repsol Group is exposed to administrative, judicial and arbitration proceedings.

See Notes 4.6 "*Tax Situation*" and 4.7 "*Legal Risks*" of the interim consolidated financial statements for the first half of 2018.

APPENDIX II: ALTERNATIVE PERFORMANCE MEASURES

Repsol's financial information contains indicators and measures prepared in accordance with applicable financial information regulations, as well as other measures prepared in accordance with the Group's Reporting Model [1]defined as Alternative Performance Measures (APMs). APMs are measures which are "*adjusted*" compared to those presented as IFRS-EU or with Supplementary Information on Oil and Gas Exploration and Production Activities[2], and the reader should therefore consider them in addition to, but not instead of, the latter.

APM 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.

For further information, see www.repsol.com.

1. Financial performance measures

Adjusted net income

Adjusted net income is the key financial performance measure which Management (the E&P Corporate Executive Committee, and Downstream Executive Committee) consults when making decisions in accordance with IFRS 8 "*Operating segments*".

Repsol presents its segment results including joint ventures or other companies which are jointly managed in accordance with the Group's investment percentage, considering its operational and economic indicators within the same perspective and degree of detail as those for companies consolidated under the full consolidation method. Thus, the Group considers that the nature of its businesses and the way in which results are analyzed for decision-making purposes is adequately reflected.

Adjusted net income is calculated as the ***Result from continuing operations at*** *Current Cost of Supply* (or CCS) [3]net of taxes and the result from investments minority interests. It does not include certain income and expense (***Special Items***), and the ***Inventory effect***. ***Financial income*** corresponds to the adjusted net income under "*Corporate and other*."

Adjusted net income is a useful APM for investors in order to be able 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).

[1] See Note 2.3 "Segment reporting" of the condensed interim consolidated financial statements for the first half of 2018.

[2] The hydrocarbon Exploration and Production information, which is compiled and disclosed by the Group annually, 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).

[3] The Current Cost of Supply (CCS) is commonly used in this industry to present the results of Downstream businesses which must work with huge inventories subject to continual price fluctuations is not an accepted European accounting regulation, yet does enable the comparability with other sector companies as well as monitoring businesses independently of the impact of price variations on their inventories. As a result of the foregoing, Net Income does not include the so-called Inventory Effect. This measurement is equivalent to the EBIT at CCS.

Inventory effect

This is the difference between the Result from continuing operations at CCS and the result calculated as the average weighted cost (AWC, 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, in that for the Net income from continuing operations at CCS, the cost of volume sold during the period is determined in accordance with supply costs, and production during the year. Apart from the above effect, the ***inventory effect*** includes other adjustments to the valuation of inventories (write-offs, economic hedges) and is presented net of taxes and minority interests. Repsol management considers that this measure is useful for investors, considering the significant variations arising in the prices of inventory between periods.

The AWC 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 said cost and its market value.

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 divestitures, workforce restructuring costs, impairment, and provisions for risks and expenses and others. Special items are presented net of taxes and minority interests.

During the period, a change was made in the form in which results arising from exchange rate changes on tax positions in a currency other than the functional currency are presented. Such results are now show in special items in order to facilitate monitoring of business results and align ourselves with best practices of the sector. The comparative figures of the first half of 2017 have not been restated owing to their immateriality.

Section 4.1 "*Results*" of this document, includes *Special Items* accumulated in the first half of 2018 and 2017. Those of the second quarter of 2018 are shown below, in addition to those of the first quarter, which have been restated as a result of the change mentioned above:

	Q1		Q2	
Million euros	2018	2017	2018	2017
Divestments	2	19	5	5
Workforce restructuring charges	(2)	(3)	(15)	(34)
Impairment	(2)	(28)	(121)	2
Provisions and other [(1)]	(30)	(12)	(37)	41
Discontinued operations (see section 2.2)	68	60	344	51
TOTAL	36	36	176	66

[(1)] Includes the exchange rate effect on tax positions of currency 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:

First half[3]

			ADJUSTMENTS									
	Adjusted Result		Joint ventures reclassification		Special items		Inventory effect[2]		Total Adjustments		EU-IFRS profit/loss	
Million euros	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Operating income	2,043	1,613[1]	(286)	(221)	(242)	(49)	282	(86)	(246)	(356)	1,797	1,257
Financial result	(175)	(229)	60	39	146	5		-	206	44	31	(185)
Net income from equity affiliates using the equity method	21	24	172	88		-		-	172	88	193	112
Earnings before tax	1,889	1,408	(54)	(94)	(96)	(44)	282	(86)	132	(224)	2,021	1,184
Income tax	(746)	(376)	54	94	(104)	34	(72)	22	(122)	150	(868)	(226)
Profit from continuing operations	1,143	1,032	-	-	(200)	(10)	210	(64)	10	(74)	1,153	958
Income attributed to minority interests	(11)	(17)	-	-	-	-	(8)	4	(8)	4	(19)	(13)
Net income from continuing activities attributable to the parent	1,132	1,015	-	-	(200)	(10)	202	(60)	2	(70)	1,134	945
Profit from discontinued operations	-	-		-	412	111	-	-	412	111	412	111
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT. COMPANY	1,132	1,015		-	212	101	202	(60)	414	41	1,546	1,056

(1) Income from continuing operations at current cost of supply (CCS).
(2) The inventory effect represents an adjustment to *"Supplies*" and *"Changes in inventory of finished goods and work in progress"* on the income statement under IFRS-EU.
(3) The figures for the first half of 2017 have been restated owing to the sale of the stake in Naturgy Energy Group, S.A. (see Note 2 of the consolidated interim financial statements of the first half of 2018).

Second quarter[3]

			ADJUSTMENTS									
	Adjusted Result		Joint ventures reclassification		Special items		Inventory effect[2]		Total Adjustments		EU-IFRS profit/loss	
Million euros	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Operating income	986 [1]	671 [1]	(106)	(96)	(173)	37	294	(199)	15	(258)	1,001	413
Financial result	(61)	(74)	20	8	153	1	-	-	173	9	112	(65)
Net income from equity affiliates using the equity method	10	11	45	21	-	-	-	-	45	21	55	32
Earnings before tax	935	608	(41)	(67)	(20)	38	294	(199)	233	(228)	1,168	380
Income tax	(380)	(154)	41	67	(148)	(23)	(75)	50	(182)	94	(562)	(60)
Profit from continuing operations	522	454	-	-	(168)	15	219	(149)	51	(134)	606	320
Income attributed to minority interests	(6)	(9)	-	-	-	-	(8)	5	(8)	5	(14)	(4)
Net income from continuing activities attributable to the parent	549	445	-	-	(168)	15	211	(144)	43	(129)	592	316
Profit from discontinued operations	-	-	-	-	344	51	-	-	344	51	344	51
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT. COMPANY	549	445	-	-	176	66	211	(144)	387	(78)	936	367

(1) Income from continuing operations at current cost of supply (CCS).
(2) The inventory effect represents an adjustment to *"Supplies*" and *"Changes in inventory of finished goods and work in progress"* on the income statement under IFRS-EU.
(4) The figures for the first half of 2017 have been restated owing to the sale of the stake in Naturgy Energy Group, S.A. (see Note 2 of the consolidated interim financial statements of the first half of 2018).

	First quarter [3] [4]											
			ADJUSTMENTS									
	Adjusted income		Joint ventures reclassification		Special items		Inventory effect[2]		Total Adjustments		EU-IFRS profit/loss	
Million euros	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Operating income	1,057[1]	942[1]	(180)	(125)	(69)	(86)	(12)	113	(261)	(98)	796	844
Financial result	(114)	(155)	40	31	(7)	4	-	-	33	35	(81)	(120)
Net income from equity affiliates using the equity method	11	13	127	67	-	-	-	-	127	67	138	80
Earnings before tax	**954**	**800**	**(13)**	**(27)**	**(76)**	**(82)**	**(12)**	**113**	**(101)**	**4**	**853**	**804**
Income tax	(333)	(222)	13	27	11	57	3	(28)	27	56	(306)	(166)
Net income from continuing operations	**621**	**578**	**-**	**-**	**(65)**	**(25)**	**(9)**	**85**	**(74)**	**60**	**547**	**638**
Income attributed to minority interests	(5)	(8)	-	-	-	-	-	(1)	-	(1)	(5)	(9)
Net income from continuing activities attributable to the parent	**616**	**570**	**-**	**-**	**(65)**	**(25)**	**(9)**	**84**	**(74)**	**59**	**542**	**629**
Profit from discontinued operations	-	-	-	-	68	60	-	-	68	60	68	60
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT. COMPANY	**616**	**570**	**-**	**-**	**3**	**35**	**(9)**	**84**	**(6)**	**119**	**610**	**689**

(1) Income from continuing operations at current cost of supply (CCS).
(2) The inventory effect represents an adjustment to "*Consumption of raw materials and other consumables*" and "*Changes in inventory of finished goods and work in progress" on the statement of profit or loss under IFRS-EU.*
(3) The figures for the first quarter of 2018 have been restated owing to the change in the presentation of the changes in the exchange rate on tax positions indicated in Special Items heading in this section.
(4) The figures for the first quarter of 2017 have been restated owing to the sale of the stake in Naturgy Energy Group, S.A. (see Note 2 of the consolidated interim financial statements of the first half of 2018)

EBITDA:

EBITDA is defined as "*Earnings Before Interest, Taxes, Depreciation, and Amortization*," and is a financial indicator which determines the operating margin of a company prior to deducting interest, taxes, impairments, restructuring costs, 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, thereby making comparisons with other *Oil & Gas* sector companies a mare straightforward exercise.

EBITDA is calculated as Operating Income + Amortization + Impairments + Restructuring costs as well as other items which do not represent cash entry or outflows from transactions (capital gains/losses from divestitures, provisions, etc.). Operating income corresponds to the result from continuing operations at average weighted average costs (AWC). In cases in which the ***Income from continuing operations*** **at Current Cost of Supply** (CCS) is used, it is called *EBITDA at CCS.*

	First half							
	Group Reporting Model		Joint ventures reclassification and others		Inventory effect		IFRS-EU [1]	
	2018	2017	2018	2017	2018	2017	2018	2017
Upstream	2,289	1,666	(858)	(642)	-	-	1,431	1,024
Downstream	1,649	1,518	(4)	(5)	-	-	1,645	1,513
Corporate and other	(127)	(76)	54	-	-	-	(73)	(76)
EBITDA	3,811	3,108	(808)	(647)	-	-	3,003	2,461
EBITDA CCS	3,529	3,194	(808)	(647)	282	(86)	3,003	2,461

(1) Corresponds to "*Profit before tax*" and "*Result adjustments*" on the consolidated Statement of Cash Flows prepared under IFRS-EU.

	Second quarter							
	Group Reporting Model		Joint ventures reclassification and others		Inventory effect		IFRS-EU (1)	
	2018	2017	2018	2017	2018	2017	2018	2017
Upstream	1,188	745	(424)	(251)	-	-	764	494
Downstream	916	557	(3)	(3)	-	-	913	554
Corporate and other	(97)	(38)	41	(8)	-	-	(56)	(46)
EBITDA	2,007	1,264	(386)	(262)	-	-	1,621	1,002
EBITDA CCS	1,713	1,463	(386)	(262)	294	(199)	1,621	1,002

(1) Corresponds to "*Profit before tax*" and "*Result adjustments*" on the consolidated Statement of Cash Flows prepared under IFRS-EU.

	First quarter (2)							
	Group Reporting Model		Joint ventures reclassification and others		Inventory effect		Statement of Cash Flows under IFRS-EU(1)	
Million euros	2018	2017	2018	2017	2018	2017	2018	2017
Upstream	1,101	921	(434)	(391)	-	-	667	530
Downstream	733	961	(1)	(2)	-	-	732	959
Corporate and other	(30)	(38)	13	8	-	-	(17)	(30)
EBITDA	1,804	1,844	(422)	(385)	-	-	1,382	1,459
EBITDA CCS	1,816	1,731	(422)	(385)	(12)	113	1,382	1,459

(1) Corresponds to "*Profit before tax*" and "*Result adjustments*" on the consolidated Statement of Cash Flows prepared under IFRS-EU.
(2) The information of the first quarter of 2018 has been restated as the result of the change in the presentation of the changes in the exchange rate on tax positions indicated in Special Items heading in this section

ROACE:

This APM is 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 Income, excluding Finance Income + Equity Effect + Special items[1]) / (Average Capital employed of the period from continuing operations). **Capital employed** measures own and external capital invested in the company, and corresponds to Total Equity + ***Net debt***. It includes that which corresponds to joint ventures or other companies whose operations are generated as such.

NUMERATOR	1H 2018		1H 2017	
Operating profit EU-IFRS	**1,797**		**1,257**	
Joint Arrangements reclassification	286		221	
Income tax (1)	(852)		(386)	
Share of profit (loss) of entities accounted for using the equity method - net of dividends	21		24	
I. ROACE result at average weighted cost	**1,252**	**2,752 (2)**	**1,116**	**2,249 (2)**

DENOMINATOR (*€ Million*)		
Total equity	31,158	30,183
Net financial debt	2,706	7,477
Capital employed at year end	**33,864**	**37,660**
II. Average capital employed (3)	**33,485**	**35,170**
CCS ROACE (I/II)	**8.2%**	**6.4%**

(1) Does not include income tax corresponding to financial results.
(2) This figure has been annualized by extrapolating data for the period (except for the Special Items).
(3) Corresponds to the average balance of capital employed at the beginning and end of the period from continuing operations.

[1] Repsol changed in 2018 the calculation of ROACE for it to encompass *"Special items"*, thus improving comparability with other sector companies. The corresponding information of the comparative period has been adapted.

NUMERATOR (*Million euros*)	Q1 18 [4]		Q1 17	
Operating profit EU-IFRS	796		844	
Reclassification of joint arrangements	180		125	
Income tax [1]	(345)		(235)	
Net income from companies accounted for using the equity method, net of taxes	11		13	
I. ROACE result at average weighted cost	642	2,644 [2]	747	3,078[2]

DENOMINATOR (*Million euros*)		
Total equity	29,284	31,425
Net financial debt	6,836	8,345
Total capital employed at year end	36,120	39,770
II. Average capital employed [3]	32,968	36,134
CCS ROACE (I/II)	8.0%	8.5%

[1] Does not include income tax corresponding to financial results.
[2] Figure annualized by extrapolating data for the year (except for the Special Items).
[3] Corresponds to the average balance of capital employed at the beginning and end of the period from continuing operations.
[4] The information of the first quarter of 2018 has been restated as the result of the change in the presentation of the changes in the exchange rate on tax positions indicated in Special Items heading in this section

2. Cash flow measures

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

The three main measures used by Group management to evaluate cash flow in the period are ***cash flow from operations***, ***free cash flow*** and ***cash flow generated***.

Cash flow from operations measures the generation of cash flow corresponding to operations and is calculated as: EBITDA +/- Changes in working capital + Receipt of dividends + Receipt/-payment of income tax + Other receipts/-payments relating to operating activities.

Free cash flow 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.

The *Cash generated* corresponds to the *Free cash flow* once both the payments for dividends and remunerations from other equity instruments as well as the net interest and payments for leasing and treasury stock have been deducted. 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 flow prepared under IFRS-EU:

	First half					
	Adjusted cash flow		Joint ventures reclassification and others		IFRS-EU cash flow statement	
	2018	2017	2018	2017	2018	2017
I. Cash flows from / (used in) operating activities	1,726	2,175	(357)	(93)	1,369	2,082
II. Cash flows from / (used in) investing activities	2,580	(1,232)	(1,185)	114	1,395	(1,118)
Free cash flow (I+II)	**4,306**	**943**	**(1,542)**	**21**	**2,764**	**964**
Cash flow generated	**3,373**	**272**	**(1,435)**	**447**	**1,938**	**719**
III. Cash flows from / (used in) financing activities and others (1)	(3,215)	(919)	1,572	(15)	(1,643)	(934)
Net increase / (decrease) in cash and cash equivalents (I+II+III)	**1,091**	**24**	**30**	**6**	**1,121**	**30**
Cash and cash equivalents at the beginning of the period	4,820	4,918	(219)	(231)	4,601	4,687
Cash and cash equivalents at the end of the period	5,911	4,942	(189)	(225)	5,722	4,717

	Second quarter					
	Adjusted cash flow		Joint ventures reclassification and others		IFRS-EU cash flow statement	
	2018	2017	2018	2017	2018	2017
I. Cash flows from / (used in) operating activities	807	1,458	(325)	(55)	482	1,403
II. Cash flows from / (used in) investing activities	3,180	(635)	(1,227)	57	1,953	(578)
Free cash flow (I+II)	**3,987**	**823**	**(1,552)**	**2**	**2,435**	**825**
Cash flow generated	**3,839**	**688**	**(1,404)**	**254**	**2,435**	**942**
III. Cash flows from / (used in) financing activities and others (1)	(2,122)	154	1,585	16	(537)	170
Net increase / (decrease) in cash and cash equivalents (I+II+III)	**1,865**	**977**	**33**	**18**	**1,898**	**995**
Cash and cash equivalents at the beginning of the period	4,046	3,965	(222)	(243)	3,824	3,722
Cash and cash equivalents at the end of the period	5,911	4,942	(189)	(225)	5,722	4,717

(1) Includes payments for dividends and payments on other equity instruments, interest payments, other proceeds from/ (payments for) financing activities, proceeds from / (payments for) 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 year end 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 half					
	Group Reporting Model		Joint ventures reclassification and others		IFRS-EU	
	Jun - 2018	Dec - 2017	Jun - 2018	Dec - 2017	Jun - 2018	Dec – 2017
Cash and cash equivalents	5,911	4,820	(189)	(219)	5,722	4,601
Undrawn credit lines	2,393	2,503	-	-	2,393	2,503
Cash deposits of immediate availability (1)	1,528	231	-	-	1,528	231
Liquidity	**9,832**	**7,554**	**(189)**	**(219)**	**9,643**	**7,335**

(1) Repsol contracts time deposits but with immediate availability, which are recorded in "Other current financial assets" (see section 4.2 of the interim financial statements of 2018) and that do not meet the criteria to be classified as cash and cash equivalents.

Operating investments[1]*:*

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 exploitation of resources made by different Group businesses. It includes that which corresponds to joint ventures or other companies whose operations are generated as such.

	First half					
	Operating investments		Joint ventures reclassification and others		IFRS-EU (1)	
	2018	2017	2018	2017	2018	2017
Upstream	900	906	(130)	(189)	770	717
Downstream	325	279	1	0	326	279
Corporate and other	20	16	0	6	20	22
TOTAL	1,245	1,201	(129)	(183)	1,116	1,018

	Second quarter					
	Operating investments		Joint ventures reclassification and others		IFRS-EU (1)	
	2018	2017	2018	2017	2018	2017
Upstream	448	468	(67)	(87)	381	381
Downstream	187	165	0	0	187	165
Corporate and other	12	11	0	6	12	17
TOTAL	647	644	(67)	(81)	580	563

(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 is the main APM used by management to measure the Company's level of debt. It is comprised of financial liabilities less financial assets, cash and cash equivalents, and the effect arising from net market valuation of financial derivative (ex - exchange rates). It also includes the net debt corresponding to joint ventures and other companies operationally managed as such.

[1] Repsol has modified its measure of investment, which was previously net investment (operating investment net of divestment) in accordance with usual practice in the industry and to enhance comparability with sector companies, and the information of the comparative period has been adapted.

	Net Debt			Joint ventures reclassification (1)			Figures according to IFRS-EU balance sheet		
	Jun-18	Dec-17	Jun-17	Jun-18	Dec-17	Jun-17	Jun-18	Dec-17	Jun-17
Non-current assets									
Non-current financial instruments(2)	10	360	379	1,493	1,560	692	1,503	1,920	1,071
Current assets									
Other current financial assets	1,702	254	44	(48)	3	1,187	1,654	257	1,231
Cash and cash equivalents	5,911	4,820	4,942	(189)	(219)	(225)	5,722	4,601	4,717
Non-current liabilities(3)									
Non-current financial debt	(6,468)	(7,611)	(8,831)	(2,712)	(2,469)	192	(9,180)	(10,080)	(8,639)
Current liabilities(3)									
Current financial liabilities	(4,148)	(4,160)	(4,090)	(148)	(46)	(2,719)	(4,296)	(4,206)	(6,809)
Items not included on the balance sheet									
Net mark to market valuation of financial derivatives (ex: exchange rate)(4)	287	70	79	(240)	-	-	47	70	79
NET DEBT	**(2,706)**	**(6,267)**	**(7,477)**				**(4,550)**	**(7,438)**	**(8,350)**

(1) Mainly includes the net financing of the Repsol Sinopec Brazil Group, broken down in the following sections:
<u>June 2018</u>: (Cash and cash equivalents of €23 million and current financial liabilities as a result of an intra-group loan of €2,733 million, less a €179 million third-party loan).
<u>December 2017</u>: (Cash and cash equivalents of €28 million and current financial liabilities as a result of an intra-group loan of €2,624 million, less €275 million in third-party loans)
<u>June 2017</u>: (Cash and cash equivalents of €17 million and current financial liabilities as a result of an intra-group loan of €2,724 million, less €365 million in third-party loans)

(2) Corresponds to the consolidated balance sheet heading, "*Non-current financial assets*" (but does not include available-for-sale financial assets).

(3) Does not include finance lease obligations.

(4) The net mark to market value of financial derivatives different from exchange rate derivatives has been eliminated from this section.

Gross Debt is a measure used to analyze the Group's solvency; it includes its financial liabilities and the net fair value of its exchange rate derivatives.

	Net Debt			Joint ventures reclassification and others			Figures according to IFRS-EU balance sheet		
	Jun-18	Dec-17	Jun-17	Jun-18	Dec-17	Jun-17	Jun-18	Dec-17	Jun-17
Current financial liabilities	(4,109)	(4,133)	(4,059)	(146)	(2,670)	(2,719)	(4,255)	(4,178)	(6,778)
Net valuation at the market rates of financial derivative, such as current exchange rate	53	(9)	1	-	-	-	53	(9)	1
Current gross debt	**(4,056)**	**(4,142)**	**(4,058)**	**(146)**	**(2,670)**	**(2,719)**	**(4,202)**	**(4,187)**	**(6,777)**
Non-current financial liabilities	(6,415)	(7,542)	(8,752)	(2,421)	155	192	(9,127)	(10,012)	(8,560)
Non-current gross debt	**(6,415)**	**(7,542)**	**(8,752)**	**(2,421)**	**155**	**192**	**(9,127)**	**(10,012)**	**(8,560)**
TOTAL GROSS DEBT	**(10,472)**	**(11,684)**	**(12,810)**	**(2,567)**	**(2,515)**	**(2,527)**	**(13,329)**	**(14,199)**	**(15,337)**

The following ratios are based on **Debt** and are used by Group management to evaluate leverage ratios as well as Group solvency.

The ***Leverage ratio*** corresponds to ***Net Debt*** divided by ***Capital employed*** at year 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 chief measure used to evaluate and compare the Company's financial position with others in the Oil & Gas sector.

Hedging instruments 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 cover is calculated in the same way as debt interest (which comprises finance income and expense, see Note 22 "*Finance income and expense*" of 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.

	First half					
	Group Reporting Model		Joint ventures reclassification		Figures according to IFRS - EU balance sheet	
Million euros	2018	2017	2018	2017	2018	2017
Interest	144	183	(30)	(34)	114	149
EBITDA	3,811	3,108	(808)	(647)	3,003	2,461
Interest cover	3.8%	5.9%			3.8%	6.1%

	Second quarter					
	Group Reporting Model		Joint ventures reclassification		Figures according to IFRS - EU balance sheet	
Million euros	2018	2017	2018	2017	2018	2017
Interest	72	89	(15)	(16)	58	73
EBITDA	2,007	1,264	(386)	(262)	1,621	1,002
Interest cover	3.6%	7.0%			3.6%	7.2%

APPENDIX III: TABLE OF CONVERSIONS AND ABBREVIATIONS

			OIL				GAS		ELECTRICITY
			Liters	Barrels	Cubic meters	toe	Cubic meters	Cubic feet	kWh
OIL	1 barrel [1]	bbl	158.99	1	0.16	0.14	162.60	5,615	1.7x10⁶
	1 cubic meter [1]	m³	1,000	6.29	1	0.86	1,033	36,481	10,691.5
	1 ton of oil equivalent [1]	toe	1,160.49	7.30	1.16	1	1,187	41,911	12,407.4
GAS	1 cubic meter	m³	0.98	0.01	0,001	0,001	1	35.32	10.35
	1,000 cubic feet=1.04x10⁶ Btu	ft³	27.64	0.18	0.03	0.02	28.3	1,000	293.1
ELECTRICITY	1 megawatt hour	MWh	93.53	0.59	0.10	0.08	96.62	3,412.14	1,000

[1] Reference measurement: 32.35° API and relative density of 0,8636.

			Meter	Inch	Foot	Yard
LENGTH	Meter	m	1	39.37	3,281	1,093
	Inch	in	0.025	1	0,083	0,028
	Foot	ft	0.305	12	1	0,333
	Yard	yd	0.914	36	3	1

			Kilogram	Pound	Ton
MASS	Kilogram	kg	1	2,2046	0.001
	Pound	lb	0.45	1	0.00045
	Ton	t	1,000	22.046	1

			Cubic feet	Barrel	Liter	Cubic meter
VOLUME	cubic foot	ft³	1	0.1781	28.32	0.0283
	Barrel	bbl	5,615	1	158.984	0.1590
	Liter	l	0.0353	0.0063	1	0.001
	cubic meter	m³	35.3147	6.2898	1,000	1

Term	Description	Term	Description	Term	Description
bbl / bbl/d	Barrel/ Barrel per day	Mb	Thousand barrels of oil	Mm³/d	Million cubic meters per day
bcf	Bcf Billion cubic feet	kbbl/d	Thousand barrels per day	Mscf/d	Million standard cubic feet per day
Bm3	Billion cubic meters	Mboe	Thousand barrels of oil equivalent	kscf/d	Thousand standard cubic feet per day
Boe	Barrel of oil equivalent	Mboe/d	Thousand barrels of oil equivalent per day	MMW	Million watts
Btu/MBtu	*British thermal unit/* Btu/millions of Btu	km²	Square kilometer	MWh	Megawatt hour
LPG	Liquefied petroleum gas	Kt/Mt	Thousand tons/Million tons	Tcf	Trillion cubic feet
LNG	Liquefied natural gas	MMb	Million barrels	toe	Tons of oil equivalent
GWh	Gigawatts per hour	MMboe	Million barrels of oil equivalent	USD / Dollar / $	US dollar

Q2 2018 RESULTS

26 July, 2018

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BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

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

The Group's operating segments 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 petrochemistry, (ii) trading and transportation of crude oil and oil products, (iii) commercialization of oil products, petrochemical and LPG, (iv) commercialization, transportation and regasification of natural gas and liquefied natural gas (LNG).

Finally, **Corporate and others** includes activities not attributable to the aforementioned businesses, and specifically, corporate expenses, net finance costs and inter-segment consolidation adjustments.

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

Repsol presents its operating segments' results by including the ones corresponding to its joint ventures[1] and other managed companies operated as such[2], in accordance with the percentage interest held by the Group, considering their business and financial metrics in the same manner and with the same level of detail as for fully-consolidated companies. The Group considers that so doing adequately reflects the nature of its businesses and the way in which their performance is analyzed for decision-making purposes.

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

Although this measure of profit (CCS), widely used in the industry to report the earnings generated in Downstream businesses which necessarily work with significant volumes of inventories that are subject to constant price fluctuations, is not accepted in *European accounting standards* it does facilitate comparison with the earnings of sector peers and enables analysis of the underlying business performance by stripping out the impact of price fluctuations on reported inventory levels. Using the CCS method, the cost of volumes sold during the reporting period is calculated using the costs of procurement and production incurred during that same period. As a result, Adjusted Net Income does not include the so-called *Inventory Effect*. This *Inventory Effect* is presented separately, net of tax and minority interests, and corresponds to the difference between income at *CCS* and that arrived at using the Average Weighted

[1] In Repsol Group´s operating segments model, joint ventures are consolidated proportionally in accordance with the Group's percent holding. See Note 12 and the Appendix III of the consolidated financial statements for 2017, where the Group's main joint ventures are identified.
[2] It corresponds to Petrocarabobo, S.A., (Venezuela), an associated entity of the Group.

Cost accounting method (*AWC*, which is an inventory valuation method used by the Company to determine its results in accordance with *European accounting regulations*).

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

Following the agreement reached on February 22, 2018 for the sale of the 20.072% stake in Naturgy Energy Group, S.A. —Naturgy— (formerly known as Gas Natural SDG, S.A.), its income prior to this date has been recognized as discontinued operations under "*Special items*", previously recognized under *Corporate and others*, restating the comparative figures in terms of those published in the interim financial statements for the first half of 2017.

The way in which the results of exchange rate fluctuations on tax positions in currencies other than the functional currency are presented has changed during the period, and these changes are reflected in the *Special items* to facilitate the monitoring of business results and align us with best practices in the industry. The comparative figures for the first half of 2017 have not been restated, given their immateriality (see Appendix II of the Interim Management Report for the first half of 2018).

All of the information presented in this Q2 2018 *Results Earnings Release* has been prepared in accordance with the abovementioned criteria, with the exception of the information provided in Appendix II "Consolidated Financial Statements" which has been prepared according to the *International Financial Reporting Standards adopted by the European Union (IFRS-EU)*.

Appendix III provides a reconciliation of the segment reported metrics and those presented in the Consolidated Financial Statements (IFRS-EU).

Information and disclosures related to APM[3] used on the present Q2 2018 Results Earnings Release are included in Appendix II "*Alternative Performance Measures*" of the *Interim consolidated Management Report* 1H 2018 and Repsol's website.

Repsol will publish today the Interim consolidated Management Report 1H 2018 and the Interim consolidated financial statements 1H 2018 available on Repsol´s and the Spanish regulator CNMV's (*Comisión Nacional del Mercado de Valores*) websites.

[3] In October 2015, the European Securities Markets Authority (ESMA) published the Guidelines on Alternative Performance Measures (APM), of mandatory application for the regulated information to be published from 3 July 2016.

KEY METRICS FOR THE PERIOD

(Unaudited figures)

Results (€ Million)	Q2 2017	Q1 2018	Q2 2018	% Change Q2 18/Q2 17	Jan - June 2017	Jan - June 2018	% Change 2018/2017
Upstream	115	287	360	213.0	339	647	90.9
Downstream	429	425	337	(21.4)	929	762	(18.0)
Corporate and others	(99)	(129)	(148)	(49.5)	(253)	(277)	(9.5)
ADJUSTED NET INCOME	**445**	**583**	**549**	**23.4**	**1,015**	**1,132**	**11.5**
Inventory effect	(144)	(9)	211	-	(60)	202	-
Special items	66	36	176	166.7	101	212	109.9
NET INCOME	**367**	**610**	**936**	**155.0**	**1,056**	**1,546**	**46.4**

Economic data (€ Million)	Q2 2017	Q1 2018	Q2 2018	% Change Q2 18/Q2 17	Jan - June 2017	Jan - June 2018	% Change 2018/2017
EBITDA	1,264	1,804	2,007	58.8	3,108	3,811	22.6
EBITDA CCS	1,463	1,816	1,713	17.1	3,194	3,529	10.5
INVESTMENTS	644	598	647	0.5	1,201	1,245	3.7
NET DEBT	7,477	6,836	2,706	(63.8)	7,477	2,706	(63.8)
NET DEBT / EBITDA CCS (x)	1.28	0.94	0.39	(69.1)	1.17	0.38	(67.2)

Operational data	Q2 2017	Q1 2018	Q2 2018	% Change Q2 18/Q2 17	Jan - June 2017	Jan - June 2018	% Change 2018/2017
LIQUIDS PRODUCTION (Thousand bbl/d)	253	269	263	4.1	256	266	4.0
GAS PRODUCTION (*) (Million scf/d)	2,381	2,571	2,577	8.3	2,411	2,574	6.7
TOTAL PRODUCTION (Thousand boe/d)	**677**	**727**	**722**	**6.7**	**685**	**724**	**5.7**
CRUDE OIL REALIZATION PRICE ($/Bbl)	44.1	60.9	67.5	53.2	46.7	64.2	37.4
GAS REALIZATION PRICE ($/Thousand scf)	2.8	3.5	3.1	11.1	2.9	3.3	12.0
DISTILLATION UTILIZATION Spanish Refining (%)	91.6	92.5	88.4	(3.2)	89.3	90.4	1.2
CONVERSION UTILIZATION Spanish Refining (%)	102.9	104.4	103.5	0.6	100.0	103.9	3.9
REFINING MARGIN INDICATOR IN SPAIN ($/Bbl)	6.2	6.6	7.2	16.1	6.6	6.9	4.5

(*) 1,000 Mcf/d = 28.32 Mm^3/d = 0.178 Mboe/d.

KEY MILESTONES FOR THE SECOND QUARTER OF 2018

- **Adjusted net income** in the second quarter was €549 million, 23% higher than in the second quarter of 2017. **Net income** amounted to €936 million, €569 million higher year-on-year.

- Quarterly results for the business segments are summarized as follows:

  - In **Upstream,** adjusted net income was €360 million; €245 million higher than in the same period of 2017, mainly due to higher realized oil and gas prices, higher volumes and lower amortization rates. These effects were partially compensated by the impact of the depreciation of the US dollar against the euro, higher royalties and higher taxes as a result of higher operating income.

  - In **Downstream**, adjusted net income was €337 million, €92 million lower year-on-year mainly as a result of lower margins and sales in Chemicals, as well as the maintenance program at the Sines cracker, lower refining margins in Peru and the depreciation of the US dollar against the euro.

These effects were partially compensated by better results in Refining in Spain, Marketing and Trading.

  - In **Corporate and others**, adjusted net income was €-148 million, €49 million higher loss year-on-year mainly due to the negative impact of the intra-group crude oil sales, between the Upstream and Downstream segments, without realization to third parties and a lower effective tax rate. These effects were partially compensated by higher results from management of positions and lower net interest expense.

- Upstream **production** reached an average of 722 kboe/d in the second quarter of 2018, 45 kboe/d higher year-on-year, mainly as a result of the startup of production in new projects throughout 2017: Reggane (Algeria), Monarb (UK), Kinabalu (Malaysia), Sagari (Peru) and Juniper and TROC (Trinidad and Tobago); as well as the ramp up of production in Libya and the acquisition of Visund (Norway). This was partially compensated by the sale of the SK field (Russia) and natural decline.

- **EBITDA CCS** in the second quarter of 2018 was €1,713 million, 17% higher compared to that of the second quarter of 2017. **EBITDA CCS** in the first half of 2018 was €3,529 million, 10% higher than the same period in 2017.

- The **Group's net debt** at the end of the quarter stood at €2,706 million, €4,130 million lower than at the end of the first quarter of 2018 mainly due to the proceeds from the sale of the 20% stake of Naturgy. The **net debt to capital employed ratio** at the end of the quarter was 8.0%.

NET INCOME PERFORMANCE BY BUSINESS SEGMENT

UPSTREAM

(Unaudited figures)

Results (€ Million)	Q2 2017	Q1 2018	Q2 2018	% Change Q2 18/Q2 17	Jan - June 2017	Jan - June 2018	% Change 2018/2017
ADJUSTED NET INCOME	**115**	**287**	**360**	**213.0**	**339**	**647**	90.9
Operating income	168	555	681	-	503	1,236	145.7
Income tax	(61)	(271)	(323)	-	(176)	(594)	(237.5)
Income from equity affiliates and non-controlling interests	8	3	2	(75.0)	12	5	(54.5)
EBITDA	745	1,101	1,188	59.5	1,666	2,289	37.4
INVESTMENTS	468	452	448	(4.3)	906	900	(0.7)
EFFECTIVE TAX RATE (%)	36	49	48	12.0	35	48	13.0

International prices	Q2 2017	Q1 2018	Q2 2018	% Change Q2 18/Q2 17	Jan - June 2017	Jan - June 2018	% Change 2018/2017
Brent ($/Bbl)	49.6	66.8	74.4	50.0	51.7	70.6	36.5
WTI ($/Bbl)	48.1	62.9	67.9	41.2	50.0	65.5	31.0
Henry Hub ($/MBtu)	3.2	3.0	2.8	(12.2)	3.3	2.9	(10.8)
Average exchange rate ($/€)	1.10	1.23	1.19	8.2	1.08	1.21	12.0

Realization prices	Q2 2017	Q1 2018	Q2 2018	% Change Q2 18/Q2 17	Jan - June 2017	Jan - June 2018	% Change 2018/2017
CRUDE OIL ($/Bbl)	44.1	60.9	67.5	53.2	46.7	64.2	37.4
GAS ($/Thousand scf)	2.8	3.5	3.1	11.1	2.9	3.3	12.0

Exploration (*)	Q2 2017	Q1 2018	Q2 2018	% Change Q2 18/Q2 17	Jan - June 2017	Jan - June 2018	% Change 2018/2017
G&A and Amortization of Bonus and Dry Wells	85	143	79	(7.1)	141	223	58.2

Production	Q2 2017	Q1 2018	Q2 2018	% Change Q2 18/Q2 17	Jan - June 2017	Jan - June 2018	% Change 2018/2017
LIQUIDS (Thousand bbl/d)	253	269	263	4.1	256	266	4.0
GAS (**) (Million scf/d)	2,381	2,571	2,577	8.3	2,411	2,574	6.7
TOTAL (Thousand boe/d)	**677**	**727**	**722**	**6.7**	**685**	**724**	5.7

(*) Only direct costs attributable to exploration projects. (**) 1,000 Mcf/d = 28.32 Mm^3/d = 0.178 Mboe/d

Adjusted net income in the second quarter of 2018 was €360 million; €245 million higher than in the same period of 2017, mainly due to higher realized oil and gas prices, higher volumes and lower amortization rates. These effects were partially compensated by the impact of the depreciation of the US dollar against the euro, higher royalties and higher taxes as a result of higher operating income.

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

- Higher crude **oil and gas realization prices** had a positive impact on the operating income of €531 million.
- **Higher volumes** contributed positively to the operating income by €81 million.

- **Higher royalties** contributed negatively to the operating income by €61 million.

- The **depreciation of the US dollar against the euro** had a negative impact on the operating income of €56 million.

- **Exploration expenses** were in line year-on-year.

- **Depreciation and amortization** charges were €57 million lower mainly due to the application of the new formula for the depreciation of productive assets.

- **Income tax** expense impacted the adjusted net income negatively by €262 million, as a result of higher operating income.

- **Income from equity affiliates and non-controlling interests and others** explains the remaining differences.

Upstream production reached an average of 722 kboe/d in the second quarter of 2018, 45 kboe/d higher year-on-year, mainly as a result of the startup of production in new projects throughout 2017: Reggane (Algeria), Monarb (UK), Kinabalu (Malaysia), Sagari (Peru) and Juniper and TROC (Trinidad and Tobago); as well as the ramp up of production in Libya and the acquisition of Visund (Norway). This was partially compensated by the sale of the SK field (Russia) and natural decline.

During the second quarter of 2018, one appraisal and four exploratory wells were concluded. The appraisal well, as well as two exploratory wells, were declared positive while the remaining two exploratory wells were deemed unsuccessful.

January – June 2018 results

The **adjusted net income** for the first half of 2018 amounted to €647 million, €308 million higher than in the same period of 2017, mainly due higher realized oil and gas prices, higher volumes and lower amortization rates, partially offset by higher exploration expenses, the depreciation of the US dollar against the euro, higher royalties and higher taxes as a result of higher operating income.

Average production in the first half of 2018 reached 724 Kboe/d, 39 Kboe/d higher year-on-year, mainly as a result of the startup of production in new projects throughout 2017: Reggane (Algeria), Monarb (UK), Kinabalu (Malaysia) and Juniper and TROC (Trinidad and Tobago); as well as the ramp up of production in Libya, the startup of production at new wells in Marcellus and the acquisition of Visund (Norway). These effects were partially compensated by the sale of the SK field (Russia) and natural decline.

Investments

Investments in Upstream in the second quarter of 2018 amounted to €448 million; €20 million lower than in the second quarter of 2017.

Development investment accounted for 62% of the total investment and was concentrated mainly in the U.S. (36%), Norway (15%), Trinidad and Tobago (10%), Vietnam (8%), Canada (7%), UK (5%) and Indonesia (5%); and **Exploration investment** represented 34% of the total and was allocated primarily to Mexico (45%), Romania (7%), Indonesia (5%), Gabon (5%), Russia (4%), Malaysia (4%), Norway (4%), Bolivia (4%) and Aruba (4%).

Investment in Upstream in the first half of 2018 amounted to €900 million, in line with the first half of 2017.

Development investment accounted for 64% of the total investment and was concentrated mainly in the U.S. (29%), Canada (15%), Norway (12%), Trinidad and Tobago (10%), Vietnam (9%), Indonesia (5%), Malaysia (4%) and UK (4%); and **Exploration investment** represented 22% of the total and was allocated primarily to Mexico (35%), Romania (9%), Gabon (8%), Bolivia (7%), Indonesia (7%) and Russia (6%).

Additionally, the remaining investment (14%) corresponds mainly to the acquisition of new assets in Norway (Visund).

DOWNSTREAM

(Unaudited figures)

Results (€ Million)	Q2 2017	Q1 2018	Q2 2018	% Change Q2 18/Q2 17	Jan - June 2017	Jan - June 2018	% Change 2018/2017
ADJUSTED NET INCOME	**429**	**425**	**337**	**(21.4)**	**929**	**762**	**(18.0)**
Operating income	571	558	427	(25.2)	1,234	985	(20.2)
Income tax	(137)	(136)	(93)	32.1	(301)	(229)	23.9
Income from equity affiliates and non-controlling interests	(5)	3	3	-	(4)	6	-
AVERAGE WEIGHTED COST ADJUSTED NET INCOME	**285**	**416**	**548**	**92.3**	**869**	**964**	**10.9**
Inventory effect	(144)	(9)	211	-	(60)	202	-
EBITDA	557	733	916	64.5	1,518	1,649	8.6
EBITDA CCS	756	745	622	(17.7)	1,604	1,367	(14.8)
INVESTMENTS	165	138	187	13.3	279	325	16.5
EFFECTIVE TAX RATE (%)	24	24	21	(3.0)	24	23	(1.0)

Operational data	Q2 2017	Q1 2018	Q2 2018	% Change Q2 18/Q2 17	Jan - June 2017	Jan - June 2018	% Change 2018/2017
REFINING MARGIN INDICATOR IN SPAIN ($/Bbl)	6.2	6.6	7.2	16.1	6.6	6.9	4.5
DISTILLATION UTILIZATION Spanish Refining (%)	91.6	92.5	88.4	(3.2)	89.3	90.4	1.2
CONVERSION UTILIZATION Spanish Refining (%)	102.9	104.4	103.5	0.6	100.0	103.9	3.9
OIL PRODUCT SALES (Thousand tons)	13,007	12,096	13,121	0.9	25,071	25,217	0.6
PETROCHEMICAL PRODUCT SALES (Thousand tons)	695	688	625	(10.1)	1,407	1,313	(6.7)
LPG SALES (Thousand tons)	315	437	303	(3.8)	750	739	(1.5)
NORTH AMERICA NATURAL GAS SALES (TBtu)	110.3	142.8	115.0	4.2	265.7	257.8	(3.0)

International prices ($/Mbtu)	Q2 2017	Q1 2018	Q2 2018	% Change Q2 18/Q2 17	Jan - June 2017	Jan - June 2018	% Change 2018/2017
Henry Hub	3.2	3.0	2.8	(12.2)	3.3	2.9	(10.8)
Algonquin	2.9	8.0	3.3	15.3	3.7	5.7	54.9

Adjusted net income in the second quarter of 2018 amounted to €337 million, €92 million lower compared to the second quarter of 2017.

The principal variances year-on-year in the Downstream business are:

- In **Refining**, operating income was €65 million higher, largely due to higher margins in Spain. Stronger middle distillates and light to heavy crude oil spreads more than compensated for higher energy costs and narrower gasoline spreads.

- In **Chemicals**, a challenging environment as a result of higher naphtha prices along with ongoing maintenance activities at the Sines cracker had a negative impact on the operating income of €127 million.

- In the commercial businesses, **Marketing, Lubricants and LPG**, operating income was €18 million higher than in the second quarter of 2017 primarily thanks to better results in the Marketing business, partially compensated by lower contribution from the regulated LPG segment.

- In **Trading and Gas & Power**, operating income was €17 million higher than in the second quarter of 2017, mainly thanks to higher contribution to results from trading activities.

- The **depreciation of the dollar against the euro** had a negative impact on the operating income of €41 million.

- **Results in other activities, equity affiliates and non-controlling interests and taxes** cover the remaining difference.

January – June 2018 results

Adjusted net income for the first half of 2018 was €762 million, 18% lower year-on-year. Higher results in Gas & Power, Marketing and LPG could not compensate lower contribution from Refining, Chemicals and Trading.

Investments

Investments in Downstream in the second quarter and the first half of 2018 amounted to €187 and €325 million respectively.

CORPORATE AND OTHERS

(Unaudited figures)

Results (€ Million)	Q2 2017	Q1 2018	Q2 2018	% Change Q2 18/Q2 17	Jan - June 2017	Jan - June 2018	% Change 2018/2017
ADJUSTED NET INCOME	**(99)**	**(129)**	**(148)**	**(49.5)**	**(253)**	**(277)**	**(9.5)**
Corporate and adjustments	(68)	(56)	(122)	(79.4)	(124)	(178)	(43.5)
Financial result	(74)	(114)	(61)	17.6	(229)	(175)	23.6
Income tax	44	41	36	(18.2)	101	77	(23.8)
Income from equity affiliates and non-controlling interests	(1)	0	(1)	0.0	(1)	(1)	0.0
EBITDA	(38)	(30)	(97)	(155.3)	(76)	(127)	(67.1)
NET INTERESTS	(89)	(72)	(72)	19.1	(183)	(144)	21.3
INVESTMENTS	11	8	12	9.1	16	20	25.0
EFFECTIVE TAX RATE (%)	(30)	(24)	(20)	10.0	(29)	(22)	7.0

Corporate and adjustments

Corporate and adjustments accounted for an expense of €122 million in the second quarter of 2018, €54 million higher year-on-year, mainly due to negative impact of intragroup crude oil sales, between the Upstream and Downstream segments, without realization to third parties.

In the first half of 2018, **Corporate and adjustments** accounted for a net expense of €178 million which compares to a net expense of €124 million in the same period of last year, mainly due to negative impact of intragroup crude oil sales, between the Upstream and Downstream segments, without realization to third parties, partially compensated by lower corporate expenses.

Financial results

The **financial result** in the second quarter of 2018 amounted to €-61 million compared to €-74 million in the second quarter of 2017 mainly due to higher results from management of positions (treasury stock, partially compensated by exchange rate positions) and lower net interest expense, despite lower capitalized interests.

The financial result in the first half of 2018 was €-175 million, €54 million better than in the same period of last year thanks to higher results from management of positions (currency and treasury stock) and lower net interest expense partially compensated by lower capitalized interests.

NET INCOME ANALYSIS: SPECIAL ITEMS

SPECIAL ITEMS

(Unaudited figures)

Results (€ Million)	Q2 2017	Q1 2018	Q2 2018	% Change Q2 18/Q2 17	Jan - June 2017	Jan - June 2018	% Change 2018/2017
Divestments	5	2	5	0.0	23	7	(69.6)
Indemnities and workforce restructuring	(34)	(2)	(15)	55.9	(38)	(17)	55.3
Impairment of assets	2	(2)	(121)	-	(26)	(123)	-
Provisions and others	42	(30)	(37)	-	31	(67)	-
Discontinued operations	51	68	344	-	111	412	271.2
SPECIAL ITEMS	**66**	**36**	**176**	**166.7**	**101**	**212**	**109.9**

Special items in the second quarter of 2018 amounted to €176 million compared to €66 million in the second quarter of 2017 and correspond mainly to the sale of Naturgy (€344 million of capital gain), extraordinary results from exchange rate positions and the write-down of assets related to Venezuela.

Special items in the first half of 2018 resulted in a net gain of €212 million and correspond mainly to the sale of Naturgy, extraordinary results from exchange rate positions and the write-down of assets related to Venezuela.

CASH FLOW ANALYSIS: ADJUSTED CASH FLOW STATEMENT

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

(Unaudited figures)

	JANUARY - JUNE	
	2017	2018
I. CASH FLOWS FROM OPERATING ACTIVITIES		
EBITDA CCS	**3,194**	**3,529**
Changes in working capital [1]	(473)	(1,132)
Dividends received	140	4
Income taxes received/ (paid)	(380)	(490)
Other proceeds from/ (payments for) operating activities	(306)	(185)
	2,175	**1,726**
II. CASH FLOWS USED IN INVESTMENT ACTIVITIES		
Payments for investment activities	(1,264)	(1,258)
Proceeds from divestments	32	3,838
	(1,232)	**2,580**
FREE CASH FLOW (I. + II.)	**943**	**4,306**
Payments for dividends and payments on other equity instruments	(143)	(196)
Net interest payments and leases	(345)	(280)
Treasury shares	(183)	(457)
CASH GENERATED IN THE PERIOD	**272**	**3,373**
Financing activities and others	(248)	(2,282)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**24**	**1,091**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4,918**	**4,820**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**4,942**	**5,911**

(1) It includes an inventory effect pretax of €282 million and €-86 million for 2018 and 2017 respectively.

NET DEBT ANALYSIS: NET DEBT EVOLUTION

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

(Unaudited figures)

NET DEBT EVOLUTION (€ Million)	Q2 2018	Jan - June 2018
NET DEBT AT THE START OF THE PERIOD	**6,836**	**6,267**
EBITDA CCS	(1,713)	(3,529)
CHANGE IN WORKING CAPITAL (1)	564	1,132
INCOME TAX RECEIVED /PAID	288	490
NET INVESTMENT	(3,180)	(2,580)
DIVIDENDS PAID AND OTHER EQUITY INSTRUMENTS PAYOUTS	0	196
FOREIGN EXCHANGE RATE EFFECT	35	11
INTEREST AND OTHER MOVEMENTS (2)	(124)	719
NET DEBT AT THE END OF THE PERIOD	**2,706**	**2,706**

	2018
CAPITAL EMPLOYED CONTINUED OPERATIONS (€ Million)	33,864
NET DEBT / CAPITAL EMPLOYED (%)	8.0
ROACE (%) (3)	8.2
NET DEBT / EBITDA CCS (x)	0.38

(1) It includes an inventory effect pretax of €294 million and € 282 million in the second quarter and first half of 2018 respectively.
(2) Principally includes the market operations relating to own shares, interest expense on borrowings, dividends received, provisions used and companies' acquisition/sale effect.
(3) Does not include "discontinued operations"; including "discontinued operations" ROACE would reach 9%.

The Group's **net debt** at the end of the quarter stood at €2,706 million, €4,130 million lower than at the end of the first quarter of 2018 mainly due to the proceeds from the sale of the 20% stake of Naturgy. The **net debt to capital employed ratio** at the end of the quarter was 8.0%.

The Group's **liquidity** at the end of the second quarter of 2018 was approximately €9.8 billion (including undrawn committed credit lines); representing 2.42 times gross debt maturities in the short term.

RELEVANT EVENTS

The main company-related events since the first quarter 2018 results release were as follows:

In **Upstream**, on 12 May 2018, production started at gas field Bunga Pakma (block PM3-CAA) in Malaysia.

In June, Repsol reached an agreement for the sale of its assets in Papua New Guinea (9 blocks: 4 exploratory with a net extension of 7,418 km2 and 5 in the preliminary development phase with a net area of 1,303 km2). The completion of the deal is subject to date to the customary conditions precedent.

Also in June, Repsol and Total reached an agreement with the Algerian state company, Sonatrach, to extend the license of the Tin Fouye Tabankort (TFT) gas and condensate field in the Illizi basin in Algeria for 25 years.

In **Downstream**, on 4 June 2018, Repsol announced that it was working with Google Cloud to launch a project that will use big data and artificial intelligence to optimize management of the Tarragona refinery. This initiative puts the latest cloud technology from Google at the service of the refinery's operators. Repsol's objectives are to maximize efficiency, both in energy consumption as well as consumption of other resources, and to improve performance of the refinery's overall operations.

On 23 July 2018, Repsol announced that it has reached an agreement with Mexican lubricants company Bardahl to acquire 40% of its share capital. This is Repsol's biggest purchase in this business and will bolster the internationalization strategy of the company's Downstream unit.

The company will manufacture and sell its lubricants in Mexico through Bardahl, a brand with widespread recognition and extensive experience. Bardahl operates one of Latin America's most modern production plants and has an extensive distribution network throughout the country.

This agreement is part of the growth plan of Repsol's Lubricants unit, which aims to double its sales volume to reach 300,000 metric tons in 2021, 70% of them from international business.

In **Corporation**, on 11 May 2018, The Ordinary General Shareholders' Meeting of Repsol, S.A, approved all of the proposals submitted by the Board of Directors, including the ratification and re-election of Mr. Jordi Gual Solé as Director and the appointment of Ms. Maria del Carmen Ganyet i Cirera and Mr. Ignacio Martín San Vicente as Directors to cover the vacancies generated by the termination of the mandate of D. Artur Carulla Font and the departure of Mr. Mario Fernández Pelaz. All of them for a statutory term of 4 years.

Additionally, on 11 May 2018, Repsol announced the expected timetable for the completion of its paid-up capital increase, approved in the framework of the "Repsol Flexible Dividend" program by the 2018 Shareholders´ Meeting, with respect to point four on the Agenda, to be implemented in June and July 2018.

On 18 May 2018, Repsol notified the transfer to Rioja Bidco Shareholdings, S.L. Unipersonal 200,858,658 shares of Gas Natural SDG S.A. (currently known as "Naturgy Energy Group, S.A.") representing, approximately, 20.072% of Gas Natural SGD, S.A. share capital, for a total price of EUR 3,816,314,502, which is equivalent to EUR 19 per share, all in accordance with what was established in the share purchase agreement signed on 22 February 2018.

The aforementioned transfer has taken place following the verification of the fulfilment or waiver of the conditions precedent upon which the share purchase agreement was conditional. These conditions were communicated in the aforementioned press release of 22 February 2018.

Due to this transfer, Repsol is no longer a shareholder of Gas Natural and, consequently, has ceased to be a party to the shareholders agreement signed on 12 September 2016 with Criteria Caixa, S.A.U. and GIP III Canary 1, S.À R.L.,that was communicated by official notice on that same date.

On 1 June 2018, in accordance with the resolutions passed by the General Shareholders' Meeting held on May 20th, 2016 under point 7th of the Agenda, Repsol S.A. launched the Eighth Cycle of the Share Acquisition Plan by the Beneficiaries of the Long Term Incentive Programs (the "Plan").

This Plan allows the beneficiaries of those programs (among which are included the Executive Directors and the members of the Corporate Executive Committee) to invest in Repsol, S.A. shares up to 50% of the gross amount of the long-term incentive received. In case the beneficiary maintains the shares during a three-year period since the initial investment ("Consolidation Period") and fulfil the other the conditions of the Plan, the Company will deliver he or she one additional share ("Additional Shares") for every three shares initially acquired.

On 6 June 2018, Repsol updated its 2016-2020 Strategic Plan after achieving all the goals set out in the plan two years ahead of schedule. The renewed strategy, geared toward growth and value creation in any scenario, is based on three pillars: increasing shareholder distribution; profitable business growth (Upstream and Downstream); and the development of new businesses linked to the energy transition.

The company will continue to increase shareholder distribution to reach 1 euro per share in 2020, with scrip dividend accompanied by the reduction of share capital through the amortization of Company's own shares that will prevent the dilution of those who choose cash payment. The strategic goals are based on a benchmark Brent price of 50 dollars per barrel throughout the period.

On 20 June 2018, Repsol and BBVA completed the first transaction involving a revolving credit facility using distributed ledger technology as part of a pioneering pilot project in corporate finance for the industrial sector.

The negotiation of the agreement, for a long-term credit of 325 million euros, was carried out entirely on BBVA's blockchain network, reducing processing time from days to hours and allowing for total transparency in the monitoring and approval of the documentation.

This agreement with BBVA takes Repsol one step further in its commitment to digitalization and innovation. The energy company has identified blockchain as a technology with great potential and a competitive advantage for new businesses.

On 27 June 2018, Repsol announced that it had agreed to buy from Macquarie and Wren House, for 750 million euros, the unregulated low-emissions electricity generation businesses of Viesgo as well as its gas and electricity retail business. The agreement includes the purchase of low-emissions electricity generation – hydroelectric plants with installed capacity of 700 MW, and two combined-cycle gas turbines (CCGT) with installed capacity of 1,650 MW – and almost 750,000 retail customers, strengthening Repsol's position as a multi-energy supplier.

On 10 July 2018, announced the end, on July 6, 2018, of the trading period of the free-of-charge allocation rights corresponding to the paid up capital increase implementing the "Repsol Flexible Dividend" shareholders' remuneration program.

Holders of 86.74% of free-of-charge allocation rights (a total of 1,350,098,214 rights) opted to receive new shares of Repsol. Therefore, the final number of shares of one (1) euro par value issued in the capital increase is 39,708,771, where the nominal amount of the increase is 39,708,771 euros; representing an increase of approximately 2.55% of Repsol's share capital before the capital increase. Moreover, during the period established for that purpose, holders of 13.26% of free-of-charge allocation rights accepted the irrevocable commitment to purchase rights taken by Repsol.

On 11 July 2018, Repsol's "Trading Statement" was published; it provided provisional information for the second quarter of 2018, including data on the economic environment as well as company performance during the period.

On 25 July 2018, the Board of Directors of the Company resolved to approve to restructure its management team that culminates the adaptation of the organization to update its Strategic Plan. In this regard, the former Corporate Director of Strategy, Control and Resources, Mr. Antonio Lorenzo Sierra, will replace Chief Financial Officer (CFO) Mr. Miguel Martínez San Martin, who leaves the company after a long career professional.

Additionally, another series of changes took place in the management team at the highest level, so that the Corporate Executive Committee, is constituted by:

- Luis Cabra Dueñas (Executive Managing Director of Technology Development, Resources and Sustainability)

- Begoña Elices García (Executive Managing Director of Communication and Chairman's Office)

- Tomás García Blanco (Executive Managing Director of Exploration and Production)

- Arturo Gonzalo Aizpiri (Executive Managing Director of People and Organization)

- Miguel Klingenberg Calvo (Executive Managing Director of Legal Affairs)

- Antonio Lorenzo Sierra (CFO)

- Mª Victoria Zingoni Domínguez (Executive Managing Director of Downstream)

The General Counsel and Secretary of the Board of Directors will continue under the responsibility of the Executive Managing Director Luis Suárez de Lezo Mantilla.

Madrid, 26 July, 2018

A conference call has been scheduled for research analysts and institutional investors for today, 26 July 2018 at 13.00 (CEST) to report on the Repsol Group's second quarter 2018 results. Shareholders and other interested parties can follow the call live through Repsol's corporate website (www.repsol.com). A full recording of the event will also be available to shareholders and investors and any other interested party at www.repsol.com for a period of no less than one month from the date of the live broadcast.

APPENDIX I – FINANCIAL METRICS AND OPERATING INDICATORS BY SEGMENT

Q2 2018

ADJUSTED NET INCOME BY BUSINESS SEGMENTS

(Unaudited figures)

€ Million	Q2 2017							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Special Items	Net Income
Upstream	168	-	(61)	8	115	-	53	168
Downstream	571	-	(137)	(5)	429	(144)	3	288
Corporate & Others	(68)	(74)	44	(1)	(99)	-	10	(89)
TOTAL	**671**	**(74)**	**(154)**	**2**	**445**	**(144)**	**66**	**367**
NET INCOME							**66**	**367**

€ Million	Q1 2018							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Special Items	Net Income
Upstream	555	-	(271)	3	287	-	(24)	263
Downstream	558	-	(136)	3	425	(9)	(3)	413
Corporate & Others	(56)	(114)	41	-	(129)	-	63	(66)
TOTAL	**1,057**	**(114)**	**(366)**	**6**	**583**	**(9)**	**36**	**610**
NET INCOME							**36**	**610**

€ Million	Q2 2018							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Special Items	Net Income
Upstream	681	-	(323)	2	360	-	(108)	252
Downstream	427	-	(93)	3	337	211	(15)	533
Corporate & Others	(122)	(61)	36	(1)	(148)	-	299	151
TOTAL	**986**	**(61)**	**(380)**	**4**	**549**	**211**	**176**	**936**
NET INCOME							**176**	**936**

€ Million	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Special Items	Net Income
	January - June 2017							
Upstream	503	-	(176)	12	339	-	11	350
Downstream	1,234	-	(301)	(4)	929	(60)	22	891
Corporate & Others	(124)	(229)	101	(1)	(253)	-	68	(185)
TOTAL	**1,613**	**(229)**	**(376)**	**7**	**1,015**	**(60)**	**101**	**1,056**
NET INCOME							**101**	**1,056**

€ Million	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Special Items	Net Income
	January - June 2018							
Upstream	1,236	-	(594)	5	647	-	(132)	515
Downstream	985	-	(229)	6	762	202	(18)	946
Corporate & Others	(178)	(175)	77	(1)	(277)	-	362	85
TOTAL	**2,043**	**(175)**	**(746)**	**10**	**1,132**	**202**	**212**	**1,546**
NET INCOME							**212**	**1,546**

OPERATING RESULT BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS

(Unaudited figures)

	QUARTERLY DATA			JANUARY - JUNE	
€ Million	**Q2 17**	**Q1 18**	**Q2 18**	**2017**	**2018**
UPSTREAM	**168**	**555**	**681**	**503**	**1,236**
Europe, Africa & Brazil	141	372	431	311	803
Latin America & Caribbean	105	197	144	283	341
North America	(23)	77	70	(34)	147
Asia & Russia	46	94	138	132	232
Exploration & Others	(101)	(185)	(102)	(189)	(287)
DOWNSTREAM	**571**	**558**	**427**	**1,234**	**985**
Europe	581	475	467	1,159	942
Rest of the World	(10)	83	(40)	75	43
CORPORATE AND OTHERS	**(68)**	**(56)**	**(122)**	**(124)**	**(178)**
TOTAL	**671**	**1,057**	**986**	**1,613**	**2,043**

ADJUSTED NET INCOME BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS

(Unaudited figures)

	QUARTERLY DATA			JANUARY - JUNE	
€ Million	Q2 17	Q1 18	Q2 18	2017	2018
UPSTREAM	**115**	**287**	**360**	**339**	**647**
Europe, Africa & Brazil	59	156	202	141	358
Latin America & Caribbean	53	159	101	159	260
North America	(15)	60	55	(25)	115
Asia & Russia	21	53	79	74	132
Exploration & Others	(3)	(141)	(77)	(10)	(218)
DOWNSTREAM	**429**	**425**	**337**	**929**	**762**
Europe	437	361	362	883	723
Rest of the World	(8)	64	(25)	46	39
CORPORATE AND OTHERS	**(99)**	**(129)**	**(148)**	**(253)**	**(277)**
TOTAL	**445**	**583**	**549**	**1,015**	**1,132**

EBITDA BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS

(Unaudited figures)

	QUARTERLY DATA			JANUARY - JUNE	
€ Million	Q2 17	Q1 18	Q2 18	2017	2018
UPSTREAM	**745**	**1,101**	**1,188**	**1,666**	**2,289**
Europe, Africa & Brazil	238	484	544	537	1,028
Latin America & Caribbean	224	323	297	535	620
North America	164	165	162	346	327
Asia & Russia	135	183	219	330	402
Exploration & Others	(16)	(54)	(34)	(82)	(88)
DOWNSTREAM (1)	**557**	**733**	**916**	**1,518**	**1,649**
Europe	546	626	918	1,403	1,544
Rest of the World	11	107	(2)	115	105
CORPORATE AND OTHERS	**(38)**	**(30)**	**(97)**	**(76)**	**(127)**
TOTAL (1)	**1,264**	**1,804**	**2,007**	**3,108**	**3,811**

(1) EBITDA CCS M€					
DOWNSTREAM	**756**	**745**	**622**	**1,604**	**1,367**
TOTAL	**1,463**	**1,816**	**1,713**	**3,194**	**3,529**

INVESTMENTS BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS

(Unaudited figures)

	QUARTERLY DATA			JANUARY - JUNE	
€ Million	Q2 17	Q1 18	Q2 18	2017	2018
UPSTREAM	**468**	**452**	**448**	**906**	**900**
Europe, Africa & Brazil	91	153	78	182	231
Latin America & Caribbean	129	44	54	291	98
North America	99	141	126	214	267
Asia & Russia	62	66	44	91	110
Exploration and Others	87	48	146	128	194
DOWNSTREAM	**165**	**138**	**187**	**279**	**325**
Europe	119	101	171	219	272
Rest of the World	46	37	16	60	53
CORPORATE AND OTHERS	**11**	**8**	**12**	**16**	**20**
TOTAL	**644**	**598**	**647**	**1,201**	**1,245**

CAPITAL EMPLOYED BY BUSINESS SEGMENTS

(Unaudited figures)

€ Million	CUMULATIVE DATA Q4 17	Q2 18
Upstream	21,612	21,693
Downstream	9,749	10,668
Corporate and others	1,745	1,503
TOTAL Capital employed in continued operations	**33,106**	**33,864**
Capital employed in discontinued operations	3,224	
TOTAL	**36,330**	**33,864**

	2018
ROACE (%)	**8.2**
ROACE at CCS (%)	**6.9**

OPERATING INDICATORS

Q2 2018

UPSTREAM OPERATING INDICATORS

	Unit	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Jan - Dec 2017	Q1 2018	Q2 2018	Jan - June 2018	% Variation YTD2018/ YTD2017
HYDROCARBON PRODUCTION	**kboe/d**	**693**	**677**	**693**	**715**	**695**	**727**	**722**	**724**	**5.7**
Liquids production	**kboe/d**	**258**	**253**	**252**	**257**	**255**	**269**	**263**	**266**	**4.0**
Europe, Africa & Brazil	kboe/d	121	120	123	127	123	139	134	137	13.6
Latin America & Caribbean	kboe/d	60	59	58	56	58	52	53	52	(11.9)
North America	kboe/d	51	49	48	49	49	50	47	49	(2.1)
Asia & Russia	kboe/d	27	25	24	26	25	28	28	28	7.6
Natural gas production	**kboe/d**	**435**	**424**	**441**	**458**	**440**	**458**	**459**	**458**	**6.7**
Europe, Africa & Brazil	kboe/d	15	15	16	18	16	28	28	28	84.1
Latin America & Caribbean	kboe/d	229	229	243	254	239	249	252	251	9.5
North America	kboe/d	125	123	123	129	125	128	127	128	2.7
Asia & Russia	kboe/d	65	57	59	57	60	53	51	52	(14.5)
Natural gas production	**(Million scf/d)**	**2,442**	**2,381**	**2,477**	**2,572**	**2,468**	**2,571**	**2,577**	**2,574**	**6.7**

DOWNSTREAM OPERATING INDICATORS

	Unit	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Jan - Dec 2017	Q1 2018	Q2 2018	Jan - June 2018	% Variation YTD 2018/ YTD 2017
PROCESSED CRUDE OIL	**Mtoe**	**10.9**	**11.6**	**12.4**	**12.3**	**47.4**	**11.6**	**10.9**	**22.4**	**(0.7)**
Europe	Mtoe	9.6	10.2	11.1	11.0	41.9	10.2	9.9	20.1	1.3
Rest of the world	Mtoe	1.3	1.4	1.3	1.4	5.4	1.3	1.0	2.3	(15.0)
SALES OF OIL PRODUCTS	**kt**	**12,064**	**13,007**	**13,442**	**13,323**	**51,836**	**12,096**	**13,121**	**25,217**	**0.6**
Europe Sales	kt	**10,473**	**11,321**	**11,711**	**11,576**	**45,081**	**10,434**	**11,602**	**22,036**	**1.1**
Own network	kt	**5,042**	**5,287**	**5,543**	**5,314**	**21,186**	**5,250**	**5,596**	**10,846**	**5.0**
Light products	kt	4,280	4,478	4,632	4,478	17,868	4,397	4,591	8,988	2.6
Other Products	kt	762	809	911	836	3,318	853	1,005	1,858	18.3
Other Sales to Domestic Market	kt	**2,081**	**2,044**	**2,227**	**2,119**	**8,471**	**2,259**	**2,364**	**4,623**	**12.1**
Light products	kt	2,035	1,996	2,162	2,064	8,257	2,216	2,325	4,541	12.7
Other Products	kt	46	48	65	55	214	43	39	82	(12.8)
Exports	kt	**3,350**	**3,990**	**3,941**	**4,143**	**15,424**	**2,925**	**3,642**	**6,567**	**(10.5)**
Light products	kt	1,172	1,580	1,734	1,947	6,433	1,147	1,394	2,541	(7.7)
Other Products	kt	2,178	2,410	2,207	2,196	8,991	1,778	2,248	4,026	(12.2)
Rest of the world sales	kt	**1,591**	**1,686**	**1,731**	**1,747**	**6,755**	**1,662**	**1,519**	**3,181**	**(2.9)**
Own network	kt	**523**	**566**	**605**	**594**	**2,288**	**599**	**695**	**1,294**	**18.8**
Light products	kt	481	502	543	551	2,077	550	637	1,187	20.8
Other Products	kt	42	64	62	43	211	49	58	107	0.9
Other Sales to Domestic Market	kt	**353**	**327**	**356**	**357**	**1,393**	**331**	**325**	**656**	**(3.5)**
Light products	kt	288	273	291	291	1,143	256	241	497	(11.4)
Other Products	kt	65	54	65	66	250	75	84	159	33.6
Exports	kt	**715**	**793**	**770**	**796**	**3,074**	**732**	**499**	**1,231**	**(18.4)**
Light products	kt	215	147	214	164	740	158	96	254	(29.8)
Other Products	kt	500	646	556	632	2,334	574	403	977	(14.7)
CHEMICALS										
Sales of petrochemical products	kt	**712**	**695**	**740**	**708**	**2,855**	**688**	**625**	**1,313**	**(6.7)**
Europe	kt	**609**	**581**	**640**	**583**	**2,412**	**581**	**504**	**1,085**	**(8.7)**
Base	kt	215	206	245	226	893	238	145	383	(9.1)
Derivative	kt	393	374	395	357	1,519	343	360	702	(8.5)
Rest of the world	kt	**104**	**114**	**100**	**125**	**443**	**108**	**120**	**228**	**4.5**
Base	kt	19	17	22	27	85	30	11	42	16.7
Derivative	kt	85	98	78	98	358	77	109	186	2.2
LPG										
LPG sales	kt	**436**	**315**	**247**	**378**	**1,375**	**437**	**303**	**739**	**(1.5)**
Europe	kt	430	310	242	373	1,356	431	296	727	(1.8)
Rest of the world	kt	5	5	4	4	19	6	6	12	20.9

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

Exports: expressed from the country of origin

APPENDIX II – CONSOLIDATED FINANCIAL STATEMENTS

Q2 2018

STATEMENT OF FINANCIAL POSITION

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

	DECEMBER 2017	JUNE 2018
NON-CURRENT ASSETS		
Goodwill	2,764	2,919
Other intangible assets	1,820	1,846
Property, plant and equipment	24,600	25,175
Investment property	67	67
Investments accounted for using the equity method	9,268	6,263
Non-current financial assets :		
Non-current financial instruments	1,920	1,503
Others	118	122
Deferred tax assets	4,057	3,743
Other non-current assets	472	504
CURRENT ASSETS		
Non-current assets held for sale	22	22
Inventories	3,797	4,719
Trade an other receivables	5,912	6,279
Other current assets	182	211
Other current financial assets	257	1,654
Cash and cash equivalents	4,601	5,722
TOTAL ASSETS	**59,857**	**60,749**
TOTAL EQUITY		
Attributable to equity holders of the parent company	29,793	30,868
Attributable to minority interests	270	290
NON-CURRENT LIABILITIES		
Grants	4	3
Non-current provisions	4,829	5,080
Non-current financial debt	10,080	9,180
Deferred tax liabilities	1,051	1,061
Other non-current liabilities		
Non-current debt for finance leases	1,347	1,372
Other	448	459
CURRENT LIABILITIES		
Liabilities related to non-current assets held for sale	1	1
Current provisions	518	506
Current financial liabilities	4,206	4,296
Trade payables and other payables:		
Current debt for finance leases	195	200
Other payables	7,115	7,433
TOTAL LIABILITIES	**59,857**	**60,749**

INCOME STATEMENT

(€ millions)

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

	QUARTERLY DATA			JANUARY - JUNE	
	Q2 17	Q1 18	Q2 18	2017	2018
Operating income	**413**	**796**	**1,001**	**1,257**	**1,797**
Financial result	(65)	(81)	112	(185)	31
Income from equity affiliates	32	138	55	112	193
Net income before tax	**380**	**853**	**1,168**	**1,184**	**2,021**
Income tax	(60)	(306)	(562)	(226)	(868)
Net income from continuing operations	**320**	**547**	**606**	**958**	**1,153**
Net income from non-controlling interest	(4)	(5)	(14)	(13)	(19)
NET INCOME FROM CONTINUING OPERATIONS	**316**	**542**	**592**	**945**	**1,134**
Net income for the year from discontinuing operations	51	68	344	111	412
NET INCOME	**367**	**610**	**936**	**1,056**	**1,546**
Earning per share attributible to the parent company (*)					
Euros/share (*)	0.23	0.38	0.59	0.66	0.97
USD/ADR	0.26	0.47	0.69	0.75	1.13
Average number of shares (**)	1,589,249,042	1,575,955,807	1,569,865,654	1,588,647,024	1,572,893,907
Exchange rates USD/EUR at the end of each quarter	1.14	1.23	1.17	1.14	1.17

(*) To calculate EPS the interest expense from the perpetual obligations (€7 million after taxes in Q2 17, Q1 18 and Q2 18) has been adjusted.

(**) A capital increase for the shareholder's remuneration scheme known as "Repsol dividendo flexible" was carried out in June 2017, December 2017 and June 2018 accordingly, thus share capital is currently represented by 1,596,173,736 shares. The average weighted number of outstanding shares for the presented periods was recalculated in comparison with the previous periods to include the impact of this capital increase in accordance with IAS 33 "Earnings per share". The average number of shares held by the company during each period was also taken into account.

CASH FLOW STATEMENT

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

	JANUARY - JUNE 2017	JANUARY - JUNE 2018
I. CASH FLOWS FROM OPERATING ACTIVITIES (*)		
Net income before taxes	1,184	2,021
Adjustments to net income		
Depreciation and amortisation of non current assets	1,389	1,009
Other adjustments to results (net)	(112)	(27)
EBITDA	**2,461**	**3,003**
Changes in working capital	**10**	**(1,224)**
Dividends received	215	57
Income taxes received/ (paid)	(341)	(449)
Other proceeds from/ (payments for) operating activities	(263)	(126)
OTHER CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES	**(389)**	**(518)**
	2,082	**1,261**
II. CASH FLOWS USED IN INVESTMENT ACTIVITIES (*)		
Payments for investment activities		
Companies of the Group, equity affiliates and business units	(136)	(5)
Fixed assets, intangible assets and real estate investments	(882)	(1,111)
Other financial assets	(118)	(1,339)
Payments for investment activities	**(1,136)**	**(2,455)**
Proceeds from divestments	**22**	**3,836**
Other cashflow	**(4)**	**14**
	(1,118)	**1,395**
III. CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES (*)		
Issuance of own capital instruments	0	0
Proceeds from/(payments for) equity instruments	(183)	(457)
Proceeds from issue of financial liabilities	6,155	7,995
Payments for financial liabilities	(6,445)	(8,632)
Payments for dividends and payments on other equity instruments	(143)	(196)
Interest payments	(341)	(276)
Other proceeds from/(payments for) financing activities	50	24
	(907)	**(1,542)**
Effect of changes in exchange rates from continued operations	**(27)**	**7**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUED OPERATIONS	**30**	**1,121**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4,687**	**4,601**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**4,717**	**5,722**

(*) Cash flows from continued operations

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

Q2 2018

RECONCILIATION OF ADJUSTED RESULTS AND THE CORRESPONDING CONSOLIDATED FINANCIAL STATEMENT HEADINGS

(Unaudited figures)

	Q2 2017					
		ADJUSTMENTS				
€ Million	Adjusted result	Joint arragements reclassification	Special Items	Inventory Effect	Total adjustments	Total consolidated
Operating income	671	(96)	37	(199)	(258)	413
Financial result	(74)	8	1	-	9	(65)
Income from equity affiliates	11	21	-	-	21	32
Net income before tax	**608**	**(67)**	**38**	**(199)**	**(228)**	**380**
Income tax	(154)	67	(23)	50	94	(60)
Net income from continued operations	**454**	**-**	**15**	**(149)**	**(134)**	**320**
Income attributed to minority interests	(9)	-	-	5	5	(4)
NET INCOME FROM CONTINUED OPERATIONS	**445**	**-**	**15**	**(144)**	**(129)**	**316**
Income from discontinued operations	-	-	51	-	51	51
NET INCOME	**445**	**-**	**66**	**(144)**	**(78)**	**367**

	Q1 2018					
		ADJUSTMENTS				
€ Million	Adjusted result	Joint arragements reclassification	Special Items	Inventory Effect	Total adjustments	Total consolidated
Operating income	1,057	(180)	(69)	(12)	(261)	796
Financial result	(114)	40	(7)	-	33	(81)
Income from equity affiliates	11	127	-	-	127	138
Net income before tax	**954**	**(13)**	**(76)**	**(12)**	**(101)**	**853**
Income tax	(366)	13	44	3	60	(306)
Net income from continued operations	**588**	**-**	**(32)**	**(9)**	**(41)**	**547**
Income attributed to minority interests	(5)	-	-	-	-	(5)
NET INCOME FROM CONTINUED OPERATIONS	**583**	**-**	**(32)**	**(9)**	**(41)**	**542**
Income from discontinued operations	-	-	68	-	68	68
NET INCOME	**583**	**-**	**36**	**(9)**	**27**	**610**

	Q2 2018					
		ADJUSTMENTS				
€ Million	Adjusted result	Joint arragements reclassification	Special Items	Inventory Effect	Total adjustments	Total consolidated
Operating income	986	(106)	(173)	294	15	1,001
Financial result	(61)	20	153	-	173	112
Income from equity affiliates	10	45	-	-	45	55
Net income before tax	**935**	**(41)**	**(20)**	**294**	**233**	**1,168**
Income tax	(380)	41	(148)	(75)	(182)	(562)
Net income from continued operations	**555**	**-**	**(168)**	**219**	**51**	**606**
Income attributed to minority interests	(6)	-	-	(8)	(8)	(14)
NET INCOME FROM CONTINUED OPERATIONS	**549**	**-**	**(168)**	**211**	**43**	**592**
Income from discontinued operations	-	-	344	-	344	344
NET INCOME	**549**	**-**	**176**	**211**	**387**	**936**

€ Million	January - June 2017					
		ADJUSTMENTS				
	Adjusted result	Joint arragements reclassification	Special Items	Inventory Effect	Total adjustments	Total consolidated
Operating income	1,613	(221)	(49)	(86)	(356)	1,257
Financial result	(229)	39	5	-	44	(185)
Income from equity affiliates	24	88	-	-	88	112
Net income before tax	**1,408**	**(94)**	**(44)**	**(86)**	**(224)**	**1,184**
Income tax	(376)	94	34	22	150	(226)
Net income from continued operations	**1,032**	**-**	**(10)**	**(64)**	**(74)**	**958**
Income attributed to minority interests	(17)	-	-	4	4	(13)
NET INCOME FROM CONTINUED OPERATIONS	**1,015**	**-**	**(10)**	**(60)**	**(70)**	**945**
Income from discontinued operations	-	-	111	-	111	111
ADJUSTED NET INCOME	**1,015**	**-**	**101**	**(60)**	**41**	**1,056**

€ Million	January - June 2018					
		ADJUSTMENTS				
	Adjusted result	Joint arragements reclassification	Special Items	Inventory Effect	Total adjustments	Total consolidated
Operating income	2,043	(286)	(242)	282	(246)	1,797
Financial result	(175)	60	146	-	206	31
Income from equity affiliates	21	172	-	-	172	193
Net income before tax	**1,889**	**(54)**	**(96)**	**282**	**132**	**2,021**
Income tax	(746)	54	(104)	(72)	(122)	(868)
Net income from continued operations	**1,143**	**-**	**(200)**	**210**	**10**	**1,153**
Income attributed to minority interests	(11)	-	-	(8)	(8)	(19)
NET INCOME FROM CONTINUED OPERATIONS	**1,132**	**-**	**(200)**	**202**	**2**	**1,134**
Income from discontinued operations	-	-	412	-	412	412
ADJUSTED NET INCOME	**1,132**	**-**	**212**	**202**	**414**	**1,546**

RECONCILIATION OF OTHER ECONOMIC DATA AND THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited figures)

	DECEMBER 2017			JUNE 2018		
	Adjusted Net Debt	Reclasification of JV [1]	IFRS-EU	Adjusted Net Debt	Reclasification of JV [1]	IFRS-EU
NON-CURRENT ASSETS						
Non-current financial instruments	360	1,560	1,920	10	1,493	1,503
CURRENT ASSETS						
Other current financial assets	254	3	257	1,702	(48)	1,654
Cash and cash equivalents	4,820	(219)	4,601	5,911	(189)	5,722
NON-CURRENT LIABILITIES						
Non-current financial debt	(7,611)	(2,469)	(10,080)	(6,468)	(2,712)	(9,180)
CURRENT LIABILITIES						
Current financial liabilities	(4,160)	(46)	(4,206)	(4,148)	(148)	(4,296)
CAPTIONS NOT INCLUDED IN THE BALANCE SHEET						
Net mark-to-market valuation of financial derivaties, excluding exchange rate and others [2]	70	0	70	287	(240)	47
NET DEBT	**(6,267)**		**(7,438)**	**(2,706)**		**(4,550)**

(1) Mainly corresponding to the financial contribution by Repsol Sinopec Brasil which is detailed in the following captions:
2017: "Cash and cash equivalents" amounting to €28 million; "non-current financial debt" for intragroup loans amounting to €2,624 million, reduced in €275 million in loans with third parties.
2018: "Cash and cash equivalents" amounting to €23 million and "Non-current financial debt" for intragroup loans amounting to €2,733 million, reduced in €179 million due to loans with third parties.

(2) This caption eliminates net market value of financial derivatives other than exchange rate ones.

	January - June					
	2017			2018		
	Adjusted Cash flow	Reclasification of JV & Others	IFRS-EU	Adjusted Cash flow	Reclasification of JV & Others	IFRS-EU
I. CASH FLOWS FROM OPERATING ACTIVITIES	2,175	(93)	2,082	1,726	(465)	1,261
II. CASH FLOWS USED IN INVESTMENT ACTIVITIES	(1,232)	114	(1,118)	2,580	(1,185)	1,395
FREE CASH FLOW (I. + II.)	943	21	964	4,306	(1,650)	2,656
III. CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES AND OTHERS [1]	(919)	(15)	(934)	(3,215)	1,680	(1,535)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	24	6	30	1,091	30	1,121
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4,918	(231)	4,687	4,820	(219)	4,601
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4,942	(225)	4,717	5,911	(189)	5,722

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

This document contains statements that Repsol believes constitute forward-looking statements which may include statements regarding the intent, belief, or current expectations of Repsol and its management, including statements with respect to trends affecting Repsol's financial condition, financial ratios, results of operations, business, strategy, geographic concentration, production volume and reserves, capital expenditures, costs savings, investments and dividend payout policies. These forward-looking statements may also include assumptions regarding future economic and other conditions, such as future crude oil and other prices, refining and marketing margins and exchange rates and are generally identified by the words "expects", "anticipates", "forecasts", "believes", estimates", "notices" and similar expressions. These statements are not guarantees of future performance, prices, margins, exchange rates or other events and are subject to material risks, uncertainties, changes and other factors which may be beyond Repsol's control or may be difficult to predict. Within those risks are those factors described in the filings made by Repsol and its affiliates with the Comisión Nacional del Mercado de Valores in Spain and with any other supervisory authority of those markets where the securities issued by Repsol and/or its affiliates are listed.

Repsol does not undertake to publicly update or revise these forward-looking statements even if experience or future changes make it clear that the projected performance, conditions or events expressed or implied therein will not be realized.

This document mentions resources which do not constitute proved reserves and will be recognized as such when they comply with the formal conditions required by the system "SPE/WPC/AAPG/SPEE Petroleum Resources Management System" (SPE-PRMS) (SPE – Society of Petroleum Engineers).

In October 2015, the European Securities Markets Authority (ESMA) published its Guidelines on Alternative Performance Measures (APMs). The guidelines apply to regulated information published on or after 3 July 2016. The information and breakdowns relative to the APMs used in this release are included in Annex 2 "Alternative Performance Measures" in the interim Management Report for 1H 2018 and the Repsol website.

This document does not constitute an offer or invitation to purchase or subscribe shares, pursuant to the provisions of the Royal Legislative Decree 4/2015 of the 23rd of October approving the recast text of the Spanish Securities Market Law and its implementing regulations. In addition, this document does not constitute an offer to purchase, sell, or exchange, neither a request for an offer of purchase, sale or exchange of securities in any other jurisdiction.

The information contained in the document has not been verified or revised by the External Auditors of Repsol.

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REPSOL

Official Notice

Madrid, July 25, 2018

The Board of Directors of Repsol, under the chairmanship of Antonio Brufau, has resolved today upon the proposal of the CEO, Josu Jon Imaz, to restructure the management team concluding, at the highest level, the adjustments made in the last weeks after the recent update of the Strategic Plan. This restructuring is aimed at boosting business and reinforcing the Company's technical capabilities to face the new challenges in its commitment to the energy transition.

In this sense, the area of Technology Development, Digitization, Resources and Sustainability has been reinforced and will be taken over, with the level of Executive Managing Director, by Luis Cabra Dueñas, former E&P Executive Managing Director. The E&P Executive Managing Director will be taken over by the former Executive Director of Europe, Africa and Brazil, Tomás García Blanco.

In the financial area, the former Corporate Director of Strategy, Control and Resources, Antonio Lorenzo Sierra, will replace Chief Financial Officer (CFO) Miguel Martínez San Martin, who leaves the company after an extensive professional career. The Board of Directors, through its Chairman, expressed deep thanks to Miguel Martínez San Martín for the brilliant and successful work he has carried out at Repsol.

Following the new appointments, the Corporate Executive Committee of Repsol, headed by the Chief Executive Officer, Josu Jon Imaz, will be integrated by the following Executive Managing Directors:

- Luis Cabra Dueñas (Technology Development, Resources and Sustainability)
- Begoña Elices García (Communication and Chairman's Office)
- Tomás García Blanco (Exploration and Production)
- Arturo Gonzalo Aizpiri (People and Organization)
- Miguel Klingenberg Calvo (Legal Affairs)
- Antonio Lorenzo Sierra (CFO)
- Mª Victoria Zingoni Domínguez (Downstream)

The General Counsel and Secretary of the Board of Directors will continue under the responsibility of the Executive Managing Director Luis Suárez de Lezo Mantilla.