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

Report on limited review of condensed interim consolidated financial statements and interim consolidated directors' Report at June 30, 2020

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

Report on limited review of condensed interim consolidated financial statements

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

Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (hereinafter, the interim financial statements) of Repsol, S.A. (hereinafter, “the parent company”) and investees comprising the Repsol Group (hereinafter, “the group”), which comprise the balance sheet as at June 30, 2020, the income statement, the statement of recognized income and expense, the statement of changes in equity, the statement of cash flows and related notes, all condensed and consolidated, for the six-month period then ended. 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, 2020 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.

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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, 2019. Our conclusion is not modified in respect of this matter.

Other matters

Interim consolidated directors' Report

The accompanying interim consolidated directors' Report for the six months period ended June 30, 2020 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, 2020. 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 investees comprising the Repsol Group's 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 23, 2020

REPSOL Group

2020 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

Repsol, S.A. and Investees comprising the Repsol Group
Balance sheet at June 30, 2020 and December 31, 2019

		€ Million	
ASSETS	Note	**06/30/2020**	**12/31/2019**
Intangible assets	4.1.1	3,951	4,470
Property, plant and equipment	4.1.2	22,971	23,145
Investment property		65	66
Investments accounted for using the equity method	4.1.3	6,345	7,237
Non-current financial assets	4.1.6	922	1,125
Deferred tax assets		4,083	4,050
Other non-current assets		738	1,315
NON-CURRENT ASSETS		**39,075**	**41,408**
Non-current assets held for sale		4	5
Inventories	4.1.8	3,246	4,597
Trade and other receivables	4.1.8	4,022	5,911
Other current assets	4.1.8	734	195
Other current financial assets	4.1.6	1,227	2,800
Cash and cash equivalents	4.1.6	5,285	2,979
CURRENT ASSETS		**14,518**	**16,487**
TOTAL ASSETS		**53,593**	**57,895**

		€ Million	
EQUITY AND LIABILITIES	Note	**06/30/2020**	**12/31/2019**
Share capital		1,626	1,566
Share premium and reserves		22,564	26,731
Treasury shares and own equity investments		(1,326)	(1,170)
Profit for the period attributable to the parent		(2,484)	(3,816)
Other equity instruments		1,912	1,024
SHAREHOLDERS' EQUITY	4.1.4	22,292	24,335
Equity instruments with changes through other comprehensive income		24	24
Hedging transactions		(145)	(109)
Translation differences		521	678
OTHER CUMULATIVE COMPREHENSIVE INCOME		400	593
NON-CONTROLLING INTERESTS		248	281
EQUITY		**22,940**	**25,209**
Non-current provisions		3,876	3,912
Non-current financial liabilities	4.1.5	12,734	10,929
Deferred tax liabilities and other tax items		2,121	2,375
Other non-current liabilities		452	385
NON-CURRENT LIABILITIES		**19,183**	**17,601**
Current provisions		674	865
Current financial liabilities	4.1.5	5,418	6,538
Trade and other payables	4.1.8	5,378	7,682
CURRENT LIABILITIES		**11,470**	**15,085**
TOTAL EQUITY AND LIABILITIES		**53,593**	**57,895**

Notes 1 to 8 are an integral part of the balance sheet.

Repsol, S.A. and Investees comprising the Repsol Group
Income statement corresponding to the interim periods ending June 30, 2020 and 2019

	Note	€ Million 06/30/2020	06/30/2019
Sales		16,488	24,783
Income from services rendered and other income		175	150
Changes in inventories of finished goods and work in progress		(500)	335
Other operating income		279	404
Procurements		(12,863)	(19,178)
Amortization of non-current assets		(1,146)	(1,146)
(Provision for)/Reversal of impairment provisions	4.2.2	(577)	13
Personnel expenses		(935)	(969)
Transport and freights		(757)	(613)
Supplies		(203)	(231)
Gains/(Losses) on disposal of assets		69	81
Other operating expenses		(1,700)	(1,997)
OPERATING INCOME	4.2.1	**(1,670)**	**1,632**
Net interest		(127)	(124)
Change in fair value of financial instruments		128	80
Exchange gains (losses)		(24)	(21)
Impairment of financial instruments		(25)	14
Other financial income and expenses		(117)	(118)
FINANCIAL RESULT	4.2.3	**(165)**	**(169)**
NET INCOME FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (1)	4.1.3	(978)	237
NET INCOME BEFORE TAX		**(2,813)**	**1,700**
Income tax	4.2.4	296	(555)
NET INCOME		**(2,517)**	**1,145**
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		33	(12)
NET INCOME ATTRIBUTABLE TO THE PARENT	3	**(2,484)**	**1,133**
EARNINGS PER SHARE ATTRIBUTABLE TO THE PARENT	4.2.5	**Euros / share**	
Basic		(1.63)	0,68
Diluted		(1.63)	0,68

(1) Net of taxes.

Notes 1 to 8 are an integral part of the consolidated income statement.

Repsol S.A. and Investees comprising the Repsol Group
Statement of recognized income and expense corresponding to the interim periods ending June 30, 2020 and 2019

	€ Million	
	30/06/2020	**30/06/2019**
CONSOLIDATED NET INCOME FOR THE PERIOD	**(2,517)**	**1,145**
Due to actuarial gains and losses	(6)	(7)
Investments in joint ventures and associates	(14)	(6)
Equity instruments with changes through other comprehensive income	—	(3)
Tax effect	—	2
OTHER COMPREHENSIVE INCOME. ITEMS NOT RECLASSIFIABLE TO INCOME	(20)	(14)
Cash flow hedging:	**(38)**	**(27)**
Valuation gains / (losses)	3	(36)
Amounts transferred to the income statement	(41)	9
Translation differences:	**(191)**	**108**
Valuation gains / (losses)	(154)	128
Amounts transferred to the income statement	(37)	(20)
Tax effect	**36**	**9**
OTHER COMPREHENSIVE INCOME. ITEMS RECLASSIFIABLE TO INCOME	(193)	90
TOTAL OTHER COMPREHENSIVE INCOME	**(213)**	**76**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(2,730)**	**1,221**
a) Attributable to the parent	(2,697)	1,208
b) Attributable to non-controlling interests	(33)	13

Notes 1 to 8 are an integral part of the consolidated statement of recognized income and expense.

Repsol S.A. and Investees comprising the Repsol Group
Statement of changes in equity for the interim periods ending June 30, 2020 and 2019

	Equity attributable to the parent and other equity instrument holders							
	Shareholders' equity							
€ Million	Share capital	Share premium and reserves	Treasury shares and own equity investments	Profit for the year attributable to the parent	Other equity instruments	Other cumulative comprehensive income	Non-controlling interests	Equity
Closing balance at 12/31/2018	**1,559**	**25,894**	**(350)**	**2,341**	**1,024**	**160**	**286**	**30,914**
Impact of new standards	—	(162)	—	—	—	—	—	(162)
Adjusted opening balance	**1,559**	**25,732**	**(350)**	**2,341**	**1,024**	**160**	**286**	**30,752**
Total recognized income/(expenses)	**—**	**(11)**	**—**	**1,133**	**—**	**86**	**13**	**1,221**
Transactions with partners or owners								
Share capital increase/(reduction)	40	(40)	—	—	—	—	—	—
Dividends and shareholder remuneration	—	(223)	—	—	—	—	(1)	(224)
Transactions with treasury shares and own equity investments (net)	—	20	(811)	—	—	—	—	(791)
Increases/(reductions) due to changes in scope	—	21	—	—	—	4	(25)	—
Other equity variations								
Transfers between equity-line items	—	2,341	—	(2,341)	—	—	—	—
Subordinated perpetual obligations	—	(15)	—	—	(19)	—	—	(34)
Other variations	—	7	—	—	—	(3)	(1)	3
Closing balance at 06/30/2019	**1,599**	**27,832**	**(1,161)**	**1,133**	**1,005**	**247**	**272**	**30,927**
Total recognized income/(expenses)	**—**	**4**	**—**	**(4,949)**	**—**	**346**	**15**	**(4,584)**
Transactions with partners or owners								
Share capital increase/(reduction)	38	(38)	—	—	—	—	—	—
Dividends and shareholder remuneration	—	(107)	—	—	—	—	(6)	(113)
Transactions with treasury shares and own equity investments (net)	(71)	(952)	(9)	—	—	—	—	(1,032)
Increases/(reductions) due to changes in scope	—	—	—	—	—	—	—	—
Other transactions with partners and owners	—	—	—	—	—	—	—	—
Other equity variations								
Transfers between equity-line items	—	—	—	—	—	—	—	—
Subordinated perpetual obligations	—	(14)	—	—	19	—	—	5
Other variations	—	6	—	—	—	—	—	6
Closing balance at 12/31/2019	**1,566**	**26,731**	**(1,170)**	**(3,816)**	**1,024**	**593**	**281**	**25,209**
Total recognized income/(expenses)	**—**	**(20)**	**—**	**(2,484)**	**—**	**(193)**	**(33)**	**(2,730)**
Transactions with partners or owners								—
Share capital increase/(reduction)	60	(60)	—	—	—	—	—	—
Dividends and shareholder remuneration	—	(236)	—	—	—	—	—	(236)
Transactions with treasury shares and own equity investments (net)	—	(5)	(156)	—	—	—	—	(161)
Other equity variations								
Transfers between equity-line items	—	(3,816)	—	3,816	—	—	—	—
Subordinated perpetual obligations	—	(25)	—	—	884	—	—	859
Other variations	—	(5)	—	—	4	—	—	(1)
Closing balance at 06/30/2020	**1,626**	**22,564**	**(1,326)**	**(2,484)**	**1,912**	**400**	**248**	**22,940**

Notes 1 to 8 are an integral part of the consolidated statement of changes in equity.

Repsol S.A. and Investees comprising the Repsol Group
Statement of cash flows for the interim periods ending June 30, 2020 and 2019

	€ Million	
	06/30/2020	**06/30/2019**
Income before tax	**(2,813)**	**1,700**
Adjustments to income:	**2,904**	**1,067**
Amortization of non-current assets	1,146	1,146
Other (net)	1,758	(79)
Changes in working capital	**665**	**(580)**
Other cash flows from operating activities:	**(139)**	**(315)**
Dividends received	56	164
Income tax refunded/(paid)	(9)	(416)
Other proceeds from/(payments for) operating activities	(186)	(63)
CASH FLOWS FROM OPERATING ACTIVITIES	**617**	**1,872**
Payments for investments:	**(2,073)**	**(2,172)**
Group companies and associates	(56)	(71)
Property, plant and equipment, intangible assets and investment property	(944)	(1,133)
Other financial assets	(1,073)	(968)
Proceeds from divestments:	**3,149**	**1,060**
Group companies and associates	469	2
Property, plant and equipment, intangible assets and investment property	17	51
Other financial assets	2,663	1,007
Other cash flows	**40**	**47**
CASH FLOWS FROM INVESTMENT ACTIVITIES	**1,116**	**(1,065)**
Proceeds from and (payments for) equity instruments:	**736**	**(729)**
Issuance	1,491	—
Repayment and redemption	(605)	—
Acquisition	(156)	(791)
Disposal	6	62
Proceeds from and (payments for) financial liability instruments:	**243**	**(206)**
Issuance	6,000	7,842
Return and amortization	(5,757)	(8,048)
Payments on shareholder remuneration and other equity instruments	**(128)**	**(201)**
Other cash flows from financing activities:	**(264)**	**(177)**
Interest payments	(230)	(267)
Other proceeds from/(payments for) financing activities	(34)	90
CASH FLOWS FROM FINANCING ACTIVITIES	**587**	**(1,313)**
EXCHANGE RATE FLUCTUATIONS EFFECT	**(14)**	**22**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**2,306**	**(484)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**2,979**	**4,786**
CASH AND CASH EQUIVALENTS AT END OF PERIOD:	**5,285**	**4,302**
Cash and banks	2,411	3,006
Other financial assets	2,874	1,296

Notes 1 to 8 are an integral part of the consolidated statement of cash flows.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

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(1) GENERAL INFORMATION

1.1 About this report

The accompanying interim consolidated financial statements of Repsol, S.A. and its investees, comprising the Repsol Group (hereinafter, "*Repsol," "Repsol Group"* or *"Group*"), present fairly the Group's equity and financial position at June 30, 2020, as well as the Group's 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 were approved by the Board of Directors of Repsol, S.A. at its meeting of July 22, 2020 and are available at www.repsol.com.

1.2 About the Repsol Group

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

The activities of Repsol, S.A. and its subsidiaries are subject to extensive regulation, as described in Appendix III to the consolidated financial statements for 2019.

The Group operates in several business segments. The definition of the business segments was revised in the period: *Upstream*, *Industrial* and *Commercial* and Renewables (see Note 2.4), the main metrics of which are summarized below.

	Revenue(1)		Operating income		Adjusted net income		Capital employed	
€ Million	**30/6/2020**	**30/6/2019**	**30/6/2020**	**30/6/2019**	**30/6/2020**	**30/6/2019**	**30/6/2020**	**30/6/2019**
Upstream	1,520	2,527	(4)	1,174	(51)	646	15,844	22,531
Industrial	8,164	12,169	409	59	296	448	10,037	11,115
Commercial and Renewables	7,828	11,605	218	362	163	265	3,746	3,464
Corporate and other	1	—	(129)	(124)	(219)	(244)	1,336	1,281
TOTAL	**17,513**	**26,301**	**494**	**1,471**	**189**	**1,115**	**30,963**	**38,391**

NOTE: Figures calculated in accordance with the Group's reporting model, as described in Note 4 to the 2019 consolidated financial statements.
(1) Corresponds to the sum of the "Sales" and "Services rendered and other income."

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

Appendix IA of the consolidated financial statements for 2019 details the main companies that form part of the Repsol Group and that formed part of its scope of consolidation at that date. Appendix I of these interim financial statements contains the changes in the composition of the Group that have taken place during the first six months of 2020.

1.3 Main new developments in the period

COVID-19 and 2020 Resilience Plan

On March 11, 2020, the World Health Organization raised to the status of global pandemic the public health emergency caused by SARSCoV-2 virus (commonly known as coronavirus, while COVID-19 denotes the disease caused by the virus). The rapid spread of COVID-19, on an international scale, has triggered into an unprecedented healthcare, social and economic crisis that continues to evolve.

[1] For further information, see section 2.1 Value chain and business segments of the 2019 Management Report, available at www.repsol.com.

The economic impact of the pandemic, combined with pre-existing complications on the supply and demand side, has resulted in an exceptionally challenging pricing environment for oil and gas. At the beginning of the year, most analysts expected to see an oil market with a tighter balance between supply and demand than in 2019. However, the pandemic has triggered an abrupt drop in the global consumption of oil, gas and other energy products following the mobility restrictions deployed around the world to contain the spread of the disease and its impact on the economy. In early March 2020, OPEC+ members failed to reach an agreement to make further cuts in oil production to counteract the decline in demand. In these circumstances, there came about the largest collapse in decades in crude oil and gas prices, which fell as low as USD 20/bbl Brent and USD 1.7/MBtu Henry Hub. However, throughout the second quarter the health crisis was slowly surmounted and economic activity gradually recovered - in different countries and to different degrees. Coupled with the agreements finally reached by producing countries to limit oil output, this rebalanced supply and demand in the market and aided a recovery of oil prices. For further information on the performance of oil and gas prices and their expected future development, see sections 3 and 7, Management Report for the first half of 2020.

Even amid these difficult circumstances, Repsol has sustained the safe operation of its businesses, most of which are officially considered essential or strategic activities in the countries where we are present.

The overall decline in business volume and the deterioration of economic conditions as a result of the pandemic have affected the activities and results of the Company's businesses, as explained in detail in sections 2.1. "*Impact of the COVID-19 crisis*" and 4.1. "*Results*" of the Management Report for the first half of 2020.

The Board of Directors of Repsol has assessed the context and the foreseeable evolution of the economic situation, particularly the global impact of COVID-19, the downturn in oil and gas market prices and their impact on the Company's business and activities. The Board adopted the "2020 Resilience Plan", taking into account a very demanding macroeconomic environment for the rest of the year and planning the following initiatives:

- Reductions of more than €350 million in Opex (4% of the initial budget) and more than €1 billion in Capex (26%), along with optimizations of around €800 million in working capital, compared with the metrics in our initial budget.

- The Company's financial goal is to preserve a robust balance sheet and investment grade credit rating and not increase net debt in 2020 compared to year-end 2019.

- The shareholder remuneration commitment for the fiscal year 2020 under the current Strategic Plan will be maintained. Also, as planned, the Company will reduce the total number of issued shares to avoid share dilution as a result of the scrip dividend formula. However, no proposed resolution will be laid before the shareholders at a General Meeting to reduce share capital by 5%.

For further information on the 2020 Resilience Plan see section 2.2 of the Management Report for the first half of 2020.

Against this background, the oil and gas price expectations used to calculate the recoverable amount of assets were revised downward. This impacted their carrying amount of €-1,289 million after tax in the Upstream segment (see Note 4.2.2), with no impact on the Industrial or the Commercial and Renewables segments.

It is difficult to predict to what extent and for how long the impact of the pandemic will affect Repsol's businesses in the future. The lower global demand for crude oil, gas and oil products as a consequence of the reduction in economic activity and, in particular, restrictions to mobility, may have a negative impact on prices and production and sales volumes; the deterioration of global financial conditions may affect the cost of capital, liquidity or solvency of our clients and partners in joint operations, and so on. The pandemic's evolution as well as the control measures that health authorities may take and the policies to mitigate economic and social impact might influence both the scope and the length of both the crisis and its subsequent recovery.

Other events in the period

- In June, Repsol signed an **agreement with PetroVietnam** to transfer its 51,75% stake in Block 07/03 PSC and 40% in Blocks 135-136/03 PSC in Vietnam (see Note 5.3). The transaction, which is subject to government authorizations, is expected to close over the course of this year with no material impact on Repsol's financial statements.

- In February, we acquired a **seventh renewable project** (Delta 2), to develop wind farms in Aragon, in the provinces of Huesca, Zaragoza and Teruel, where Repsol is also developing the Delta 1 wind project. The wind farm, to be developed over the next three years, will be built and operated by Repsol. For further information see Note 4.3.

– During the first half of the year, the Group strengthened its **financial and liquidity position** by issuing two senior bonds for a total amount of €1,500 million in April (see Note 4.1.5), perpetual subordinated bonds for an amount of €1,500 million in June (see Note 4.1.4) and a further increase of €1,605 million in unused committed structural credit lines (see Note 4.1.7). In addition, a bond issued in 2013 for a nominal amount of €1,200 million was redeemed at maturity and €594 million of the perpetual subordinated bond issued in 2015 was repurchased at a price of 101,2% (see Note 4.1.4).

– In line with the commitment made under the Resilience Plan on **shareholder remuneration**, in the first half of 2020 the Company paid remuneration equivalent to 0.424 euros per share. In July, it paid additional remuneration equivalent to 0.492 euros per share. Both payouts were made through the "scrip dividend" scheme. To offset the dilutive effect, at a general meeting the shareholders approved a capital reduction through redemption of treasury shares as needed. For further information, see Note 4.1.4.

– In the first half, *Standard & Poor's, Moody's* and *Fitch* confirmed Repsol's **investment grade rating**. For further information, see section 4.3. "*Financial position*" of the Interim Management Report.

(2) BASIS OF PRESENTATION

2.1 General principles

These interim financial statements have been prepared using the accounting records of the investee companies within the Group under the International Financial Reporting Standards adopted by the European Union (IFRS-EU) as of June 30, 2020, and, specifically, pursuant to the requirements set out in International Accounting Standard (IAS) 34 "*Interim Financial Reporting*," in addition to the other provisions of the applicable regulatory framework.

In accordance with the provisions of IAS 34, these interim financial statements are prepared exclusively to update the content of the most recent annual consolidated financial statements published, placing an emphasis on new activities, events and circumstances that have taken place during the first six months of the year, without duplicating the information published in the annual consolidated financial statements for the preceding year. To facilitate the correct understanding of information contained in these interim financial statements and given that they do not contain information required by comprehensive financial statements prepared pursuant to IFRS-EU, they must be read in conjunction with the Repsol Group's 2019 consolidated financial statements, which were approved at the Annual General Meeting of Repsol, S.A. on May 8, 2020 and are available at www.repsol.com.

These interim financial statements are presented in millions of euros (unless otherwise indicated) and the exchange rate against the euro of the main currency used by the Group companies at June 30, 2020 and December 31, 2019 was:

	June 30, 2020		December 31, 2019	
	Closing rate	Accumulated average	Closing rate	Accumulated average
Dollar	1.12	1.10	1.12	1.12

2.2 Accounting estimates and judgments

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

These estimates are made on the basis of the best information available, as described in Note 3.5 "*Accounting estimates and judgments*" to the consolidated financial statements for 2019. During the first half of 2020, in the context of the COVID-19 crisis and the market situation for hydrocarbon prices, significant estimates and judgments were revised, as described in annual reporting, with the following key updates: (i) revision of the background assumptions, and, especially, price paths used to calculate the recoverable amount of assets in the Upstream segment (see Note 4.2.2) and (ii) review of the expected loss model to measure financial instruments (see Note 4.1.7).

2.3 Comparative information[2]

2.3.1 Application of new accounting standards

During the first half of 2020, accounting standards applicable as of January 1, 2020[3] were adopted by the European Union and other previously adopted accounting standards[4] began to apply. Given that the application of the new standards is prospective in nature and scope, there was no material impact on the financial statements for the period.

In addition, during the period the IASB issued the following amendments to standards, which are pending adoption by the European Union:

Standards and amendments to standards	Date of first application
Amendments to IFRS 16 - "Covid-19-Related Rent Concessions"*(1)*	June 1, 2020
Amendments to IFRS 4 - *Deferral of Effective Date of IFRS 9*	January 1, 2021
Amendments to IFRS 3 - *Amendments to the Conceptual Framework for Financial Reporting*	January 1, 2022
Amendments to IAS 16 - *"Proceeds before intended use"*	January 1, 2022
Amendments to IAS 37 - "*Onerous contracts: Cost of Fulfilling a Contract"*	January 1, 2022
Annual improvements to IFRS: 2018-2020	January 1, 2022
Amendments to IFRS 17 Insurance contracts	January 1, 2023

NOTE: On July 15, 2020, the date of first application of the Amendments to IAS 1 "Classification of liabilities as current or non-current" was changed to January 1, 2023.
(1) To date, no transactions have been identified that fall within the scope of these Amendments to IFRS 16.

The Group is currently assessing the impact the application of these standards may have on the consolidated financial statements, without any material impacts having been identified to date.

2.3.2 Restatement of earnings per share

In accordance with accounting standards, earnings per share for the second quarter of 2019 and for the half year ending June 30, 2019 have been restated, as the average number of outstanding shares considered in the calculation should take account of the new number of shares issued after the capital increase carried out as part of the compensation scheme to shareholders known as the "*Repsol Flexible Dividend*" program, described in Note 4.1.4 "*Equity*".

2.4 Information by business segments

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

Definition of segments

Repsol has revised the definitions of its operating and reporting segments to align them with its renewed strategic vision of business evolution and with the commitment to be CO2-neutral by 2050. Specifically, the Company will boost its commercial businesses with a new multi-energy offering, a customer-focused strategy and the development of new low-emission electricity generation businesses. Hence a new business segment has been defined under the name "Commercial and Renewables" As a result, Repsol's reporting segments are now defined as follows:

- Upstream: corresponding to exploration and production of crude oil and natural gas reserves.
- Industrial: corresponding to (i) refining activities, (ii) petrochemicals, (iii) trading and transportation of crude oil and oil products and (iv) commercialization, transportation and regasification of natural gas and liquefied natural gas (LNG).

[2] The Group's activities comprise a range of different businesses and are carried on in an international environment and, therefore, the effect of the seasonality of some of its businesses (the most significant being effects related to liquefied petroleum gas (LPG), residential natural gas and electricity in Spain) is not material.

[3] With respect to the information provided in Note 3.3 to the consolidated financial statements for 2019 on newly issued standards that will be mandatory in future, the European Union has adopted Amendments to IFRS 3: New definition of a business.

[4] Other standards applied from January 1, 2020 are: i) Amendments to IAS 1 and IAS 8: Definition of materiality; and ii) Amendments to References to the Conceptual Framework in IFRS Standards.

- Commercial and Renewables: corresponding to (i) low carbon power generation and renewable sources, (ii) gas and power commercialization, (iii) mobility and commercialization of oil products and (iv) LPG.

On the other hand, "Corporate and other" includes (i) Corporation running expenses and, specifically, those expenses related to managing the Group that have not been invoiced to the business divisions as a service, (ii) the financial result and (iii) intersegment consolidation adjustments.

Financial reporting for the first half of 2020 is presented under this new scheme, and financial reporting for the same period in 2019 has been restated to enable comparative analysis.

Group reporting model

With regard to the Repsol Group's reporting model, see About this report and Appendix II of the Management Report for the first half of 2020 (www.repsol.com).

(3) INCOME AND OTHER FIGURES BY SEGMENT[5]

Adjusted net profit and net profit

	€ Million	
Income/(loss) for the period	**30/06/2020**	**30/06/2019**
Upstream	(51)	646
Industrial	296	448
Commercial and Renewables	163	265
Corporate and other	(219)	(244)
ADJUSTED NET INCOME	**189**	**1,115**
Inventory effect	(1,088)	63
Special items	(1,585)	(45)
NET INCOME	**(2,484)**	**1,133**

The Group's interim Management Report for the first half of 2020, available at www.repsol.com, contains information by segment on results, cash flow and financial position.

Other figures

	Operating income		Operating cash flow		Free cash flow		Operating investments		Capital employed	
€ Million	30/06/2020	30/06/2019	30/06/2020	30/06/2019	30/06/2020	30/06/2019	30/06/2020	30/06/2019	30/06/2020	30/06/2019
Upstream	(4)	1,174	684	1,605	(2)	649	603	961	15,843	22,531
Industrial	409	590	90	723	(141)	418	227	306	10,038	11,115
Commercial and Renewables	218	362	125	370	(124)	202	259	176	3,742	3,464
Corporate and other	(129)	(124)	(35)	(168)	439	(176)	24	25	1,343	1,281
TOTAL	**494**	**2,002**	**864**	**2,530**	**172**	**1,093**	**1,113**	**1,468**	**30,966**	**38,391**

NOTE: To reconcile these figures to IFRS-EU figures, see Appendix III of these interim financial statements and Appendix II of the Interim Management Report corresponding to the first half of 2020.

[5] All information provided in this Note, unless stated otherwise, has been prepared pursuant to the Group's reporting model (see Note 2.4) and has been reconciled with the IFRS-EU Financial Statements in Appendix III. Some of the figures are classified as Alternative Performance Measures (APMs) in accordance with European Securities and Markets Authority (ESMA) guidelines (for further information, see Appendix II of the Interim Management Report corresponding to the first half of 2020 and go to www.repsol.com).

(4) MAIN CHANGES IN THE FINANCIAL STATEMENTS

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

4.1 Balance Sheet

4.1.1 Intangible assets

The decrease in the recoverable amount of the assets in the Upstream segment (see Note 4.2.2) gave rise to an impairment of goodwill arising from the acquisition of Repsol Oil & Gas Canada, Inc. (ROGCI) for €-362 million. Unfavorable changes in the key assumptions that determine the recoverable amount of Upstream assets, mainly the decline in oil and gas prices, sales volume (production) and increases in the discount rate, would result in additional impairment of the goodwill at ROGCI at year-end (the balance at June 30, 2020 was €1,289 million).

4.1.2 Property, plant and equipment

The decrease in the balance of property, plant and equipment is due to the impairment losses recognized on hydrocarbon exploration and production assets (see Note 2.2), which were partly offset by expenditure in the first half, especially in the North American and Norwegian areas in Upstream, and expenditure to maintain and optimize the industrial complexes in the Industrial segment. Expenditure was less than in the first half of 2019 due to implementation of the Resilience Plan (see Note 1.3).

4.1.3 Investments accounted for using the equity method

Repsol accounts for investments in joint ventures and associates in which it has a stake using the equity method. Note 14 to the consolidated financial statements for 2019 describes the Group's most significant investments. The breakdown of the balance at June 30 is as follows:

	€ Million	
	Carrying amount of investment	
	06/30/2020	**12/31/2019**
Joint ventures	6,236	7,126
Associates [(1)]	109	111
TOTAL	**6,345**	**7,237**

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

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

	€ Million	
	06/30/2020	**06/30/2019**
Balance at December 31	**7,237**	**7,144**
Net investments	9	1
Changes in scope of consolidation [(1)]	—	25
Net income from investments accounted for using the equity method [(2)]	(978)	237
Dividends paid out	(56)	(157)
Translation differences	(1)	60
Reclassifications and other movements [(3)]	134	45
Balance at June 30	**6,345**	**7,355**

(1) Does not include Other comprehensive income amounting to €-17 million at June 30, 2020 (€-18 million for joint ventures and €1 millionfor associates) and €54 million at June 30, 2019 for joint ventures.
(2) In 2020 mainly Repsol Sinopec Brasil (RSB) and Dynasol and in 2019 mainly RSB.
(3) Mainly reflects reclassification to provisions of negative equity at Petroquiriquire and Cardón IV.

The decrease in "Net income from investments accounted for using the equity method" is due mainly to lower profit from investments in joint ventures whose business was affected by the price environment resulting from the international crisis (see Note 1.3) and impairments recognized in the recoverable amount of these investments, mainly in Trinidad and Tobago and United Kingdom (see Note 2.2).

4.1.4 Equity

	€ Million	
	06/30/2020	12/31/2019
Shareholders' equity	**22,292**	**24,335**
Share capital	1,626	1,566
Share premium and reserves:	22,564	26,731
Share premium	4,218	6,278
Legal reserve	312	312
Retained earnings and other reserves (1)	18,034	20,248
Dividends and remuneration on account	—	(107)
Treasury shares and own equity investments	(1,326)	(1,170)
Profit for the year attributable to the parent	(2,484)	(3,816)
Other equity instruments	1,912	1,024
Other cumulative comprehensive income	**400**	**593**
Non-controlling interests	**248**	**281**
TOTAL EQUITY	**22,940**	**25,209**

(1) This heading includes the transfer from income for the year attributable to the Parent for 2019 and "*Other reserves*" includes the impact of the first-time application of IFRS 16 and IFRIC 23 in 2019 (see Note 3.2.1 to the consolidated financial statements for 2019).

Capital

On May 8, 2020, at the Annual General Meeting, shareholders approved two paid-up capital increases for the purpose of implementing the "*Repsol Flexible Dividend*" shareholder remuneration program, which replaces the final dividend for 2019 and the interim dividend for 2020. This allows shareholders to choose between taking the dividend in cash (by selling their free allocation rights to the Company or in the market) or in Company shares. The first of these paid-up capital increases took place in June and July, when 30.65% of the free allocation rights holders accepted Repsol's irrevocable commitment to purchase such rights[6].

After the capital increase, the share capital of Repsol, S.A. registered at June 30 stood at €1,626,379,018, fully subscribed for and paid up, comprising 1,626,379,018 shares, each of a par value of €1.

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

Significant shareholders	% of voting rights attributed to shares		% of voting rights through financial instruments	% of total voting rights
	Direct	Indirect		
Sacyr, S.A. (1)	—	7.545	—	7.545
BlackRock, Inc. (2)	—	4.762	0.236	4.998
JP Morgan Chase & Co (3)	—	0.585	6.270	6.855

(1) Sacyr, S.A. holds its interest through Sacyr Securities, S.A.U., Sacyr Investments S.A.U. and Sacyr Investments II, S.A.U.
(2) BlackRock, Inc. holds its interest through several controlled entities. The information relating to BlackRock, Inc. is based on the statement submitted by this company to the CNMV on December 10, 2019, on the share capital amount of 1,527,396,053 shares.
(3) JP Morgan Chase & Co holds its stake through a number of controlled entities. The information relating to JP Morgan Chase & Co. is based on the statement submitted by that entity to the CNMV on March 19, 2020 on the share capital amount of 1,566,043,878 shares.

6 Repsol has waived its free allocation rights acquired under the purchase commitment and hence its rights to the corresponding new shares. The balance sheet at June 30, 2020 includes a reduction under the heading of "Share premium" and a payment obligation to those shareholders who accepted Repsol's binding purchase commitment.

Shareholder remuneration

The following table breaks down the remuneration received by Repsol, S.A.'s shareholders during the six-month period ending on June 30, 2020, carried out under the "*Repsol Flexible Dividend*" program:

	No. free allocation rights sold to Repsol	Price of purchase commitment (€/ right)	Cash payout (millions of euros)	New shares issued	Remuneration in shares (millions of euros)
December 2019/January 2020	252,017,771	0.424	107	38,647,825	541
June/July 2020	480,011,345	0.492	236	60,335,140	534

At the Annual General Meeting, held on May 8, the shareholders approved a capital reduction[7] through the cancellation of treasury shares up to a maximum amount equal to the number of shares issued in the paid-up capital increases carried out in 2020 shown in the table above, so as to offset the dilutive effect. The Board of Directors decided not to list on the agenda of the Annual General Meeting of shareholders the proposed 5% reduction of the share capital figure resolved upon in July 2019 due to the state of the markets and supervening circumstances arising from COVID-19.

Treasury shares and own equity investments

The main transactions undertaken by the Repsol Group involving treasury shares[8] were as follows:

	No. of shares	Amount (€M)	% capital
Balance at 12/31/2019	**80,768,905**	**1,170**	**5.16%**
Market purchases (1)	24,831,072	329	1,53%
Market sales (1)	(12,196,174)	(173)	0,76%
Repsol Flexible Dividend (2)	79,906	—	—%
Balance at 06/30/2020	**93,483,709**	**1,326**	**5,75%**

(1) Includes any shares purchased and delivered under the Share Purchase Plan and the Plans for share purchases by the beneficiaries of the multiyear variable remuneration programs (in 2020, 711,530 shares have been delivered in accordance with the provisions of each of the plans (see Note 29.4 of the consolidated financial statements for 2019), and other transactions within the framework of discretionary treasury share trading as described in the Repsol Group's Internal Code of Conduct in the area of the securities market. Also includes book entries to recognize/de-recognize treasury shares resulting from derivatives transactions.

(2) New shares received in the bonus share capital increases under the "Repsol Flexible Dividend" program, corresponding to treasury shares.

As of June 30, 2020, the balance of treasury shares included a position of 92 million shares in the form of equity swaps. Through these derivatives, Repsol finances most of its treasury share position. Specifically, Repsol sells a certain volume of treasury shares and simultaneously enters into equity swaps with the same counterparties for an equivalent notional amount. Derivatives provide for physical settlement in a number of cases and transfer the economic rights in and over the shares to Repsol. As a result, Repsol continues to be substantially exposed to the risks and rewards of ownership of the shares and, therefore, the funds received are recorded as a financing transaction under "Current financial liabilities". As of June 30 the amount recognized as a liability was €821 million.

[7] This capital reduction has been carried out through the retirement of 1,400,000 treasury shares and the shares acquired through a share buy-back programme and, where applicable, through the settlement of derivatives arranged prior to March 25, 2020. (The maximum number of shares that may be acquired through the settlement of derivatives shall not exceed 96,950,000).

[8] The shareholders, at their annual meetings of March 28, 2014 and May 11, 2018, authorized the Board of Directors to carry out the derivative acquisition of Repsol shares, directly or through subsidiaries, up to a maximum number of shares such that the sum of those acquired plus treasury shares already held by Repsol and any of its subsidiaries does not exceed 10% of the Company's capital, insofar as the price or value of the consideration delivered is not less than the par value of the shares or more than their quoted price on the stock exchange. The current authorization (conferred at the shareholder annual meeting of May 11, 2018) was granted for five years running from the date of the meeting, and nullified the equivalent resolution ratified at the shareholder annual meeting of March 28, 2014, in relation to any unused portion.

Other equity instruments

On June 2, 2020, Repsol International Finance, B.V. ("RIF"), a wholly owned subsidiary of the Repsol Group, finalized the terms of RIF's issuance of two series of perpetual subordinated bonds guaranteed by Repsol, S.A. for a total amount of €1.500 million. The bonds were placed with accredited investors and are listed on the Luxembourg Stock Exchange. Their main characteristics are as follows:

	Series 1	Series 2
ISIN	XS2185997884	XS2186001314
Amount	€750 million	€750 million
First option to redeem[(1)]	11/03/2026	11/09/2028
Interest (payable annually)	3.750% until June 11, 2026. Thereafter a 5-year swap rate applies plus an additional spread according to the terms and conditions of the bonds.	4.247% until December 11, 2028. Thereafter a 5-year swap rate applies plus an additional spread according to the terms and conditions of the bonds.

(1) There are also options to redeem at the request of the issuer in certain cases specified in the terms and conditions.

The bonds bear no maturity date and the issuer can defer the coupon payments without triggering an event of default. The coupons thus deferred will be cumulative and must be paid in certain cases specified in the terms and conditions of the issue (for further information, see the issue prospectus, available at www.repsol.com).

The bonds were recognized in *"Other equity instruments"* on the view that they do not satisfy the conditions to be treated for accounting purposes as a financial liability, since redemption and coupon payments are within the discretion of Repsol.

On that same day (June 2), Repsol, S.A. and RIF launched a cash repurchase offer for the perpetual subordinated bond *€1,000,000,000 6 Year Non-Call Perpetual Securities* (ISIN: XS1207054666) issued by RIF in March 2015. The price of the repurchase offer was 101.2% of the nominal amount, plus the accrued coupon. Holders of bonds of a total nominal amount of €594 million subscribed for the offer, which resulted in RIF acquiring and subsequently redeeming 59.37% of the issue. In total, RIF paid acceptors of the repurchase offer a total of €606 million in cash. The repurchased and canceled bonds were removed from the balance sheet.

4.1.5 Financial resources

	€ Million	
	06/30/2020	**12/31/2019**
Non-current financial liabilities:		
Non-current financial liabilities (1)	12,734	10,929
Non-current trade operation derivatives (2)	9	11
Current financial liabilities:		
Current financial liabilities (1)	5,418	6,538
Current trade operation derivatives (3)	388	350
Total financial liabilities	**18,549**	**17,828**

(1) This change is due mainly to the bond issues described in this section, which were partially offset by the cancellation of a bond upon maturity.
(2) Recognized under "Other non-current liabilities" on the balance sheet.
(3) Recognized under "Trade and other payables" on the balance sheet.

Key issues, repurchases and redemptions in the first half of 2020

- In April 2020, RIF completed two bond issues under the EMTN Program for a total amount of €1,500 million: i) €750 million at a price of 99.967% and a fixed annual coupon of 2%, maturing in December 2025; and ii) €750 million at a price of 99.896% and a fixed annual coupon of 2.625%, maturing in April 2030.

- In May 2020, a bond issued by RIF in May 2013 under the EMTN Program, which had been paying a fixed annual coupon of 2.625%, was redeemed at maturity for the nominal amount of €1,200 million.

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

ISIN	Issuer	Date of issue	Currency	Nominal amount (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	-
US87425EAN31 [3]	Repsol Oil & Gas Canada Inc.	May-12	Dollar	57	5.500%	May-42	-
XS0975256685 [1]	Repsol International Finance, B.V.	Oct-13	Euro	1,000	3.625%	Oct-21	LuxSE
XS1148073205 [1]	Repsol International Finance, B.V.	Dec-14	Euro	500	2.250%	Dec-26	LuxSE
XS1207058733 [2]	Repsol International Finance, B.V.	Mar-15	Euro	1,000	4,500% (4)	Mar-75	LuxSE
XS1334225361 [1]	Repsol International Finance, B.V.	Dec-15	Euro	600	2.125%	Dec-20	LuxSE
XS1352121724 [1]	Repsol International Finance, B.V.	Jan-16	Euro	100	5.375%	Jan-31	LuxSE
XS1613140489 [1]	Repsol International Finance, B.V.	May-17	Euro	500	0.500%	May-22	LuxSE
XS2035620710 [1]	Repsol International Finance, B.V.	Aug-19	Euro	750	0.250%	Aug-27	LuxSE
XS2156581394 [1]	Repsol International Finance, B.V.	Apr-20	Euro	750	2.000%	Dec-25	LuxSE
XS2156583259 [1]	Repsol International Finance, B.V.	Apr-20	Euro	750	2.625%	Apr-30	LuxSE

NOTE: Excludes perpetual subordinated bonds, which qualify as equity instruments (see Note 4.1.3), issued by RIF on March 25, 2015 and June 11, 2020 for an outstanding nominal amount of €406 million and €1,500 million, respectively.

(1) Issues made under the EMTN Program, which is guaranteed by Repsol, S.A.

(2) Subordinated bond issued by RIF and guaranteed by Repsol, S.A. This issue does not correspond to any open-ended or shelf program.

(3) Repsol Oil & Gas Canada, Inc. issues guaranteed by Repsol, S.A.

(4) Coupon scheduled for reset on March 25, 2025 and March 25, 2045.

(5) LuxSE (Luxembourg Stock Exchange). Multilateral trading facilities or other trading centers or non-official over-the-counter markets are not considered.

Furthermore, RIF runs a Euro Commercial Paper (ECP) Program, guaranteed by Repsol, S.A., with a limit of €2,000 million. Under this program, issues and redemptions were carried out over the course of the period, with an outstanding balance at June 30, 2020 of €1,989 million (€1,845 million at December 31, 2019).

For further details on financial liabilities, see Appendix II.

4.1.6 Financial assets

	€ Million	
	06/30/2020	**12/31/2019**
Non-current assets		
Non-current financial assets	922	1,125
Non-current trade operation derivatives [1]	28	9
Current assets		
Other current financial assets [2]	1,227	2,800
Current trade operation derivatives [3]	131	168
Cash and cash equivalents [4]	5,285	2,979
Total financial assets	**7,593**	**7,081**

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

(2) The variation is due mainly to the cancellation of deposits during the period.

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

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

For further details on financial assets, see Appendix II.

4.1.7 Financial risks

As described in Note 11 to the 2019 consolidated financial statements, the Group's own activities are exposed to several types of financial risk: market risk, liquidity risk and credit risk. The main updates are highlighted below:

Market risk

Interest rate risk

In connection with the process of transition to new benchmark interest rates currently under way in several jurisdictions worldwide, the Group is continuing a review of its inventory of contracts in accordance with the reform timetable. The main contracts identified to date, under which interbank interest rates are a key benchmark, are of a financial nature: mainly loans and credit facilities.

As to the hedging relations pegged to LIBOR/EURIBOR according to the "Interest Rate Benchmark Reform - Amendments to IFRS 9 and IAS 39", which we applied early in 2019, we believe that the cash flows of the hedging instrument and the hedged item will not be altered as a result of the reform. The notional amount of the dollar cash flow hedge related to the financing of the investment in the Canaport (Canada) LNG project, in the form of interest rate swaps, was increased to €393 million (€289 million at December 31, 2019). For further information, see Note 10.1 to the 2019 consolidated financial statements, available at www.repsol.com.

In addition, the Group is monitoring regulatory and market developments for an orderly transition. Whenever feasible, new contracts are pegged to risk-free rates, and specific clauses are included to govern permanent cessation events. In relation to existing contracts that will continue to be in force after the reform, the mechanisms for determining substitute benchmarks and market alternatives (i.e. ISDA 2020 IBOR, Fallbacks Protocol) are being reviewed to resolve permanent cessation events.

Liquidity risk

In the present international context, severely impacted by COVID-19, and within the framework of the Group's financial policy, Repsol has ensured the availability of funds to meet its obligations and implement its business plans, while maintaining at all times an optimal level of liquidity and seeking greater efficiency in the management of financial resources.

At June 30, 2020, cash and other liquid financial instruments[9] and credit lines were sufficient to cover short-term debt maturities 2.0 times (1.2 times at December 31, 2019). There were also undrawn credit lines for an amount of €3,411 million (€1,808 million at December 31, 2019). At the end of the period, liquidity stood at €9,521 million (including undrawn committed credit facilities).

Credit risk

The Company updated its customer management model using economic forecasts for the main countries where it operates. No material impact on the Group's financial statements will arise from a change in the payment behavior of debtors.

For credit risk arising from financial instruments relating to operations in Venezuela, see Note 5.3.

4.1.8 Current assets and liabilities

"Other current assets" includes assets within the scope of the agreement with PetroVietnam described in Note 5.3.

The lower balances under "Inventories" are explained by lower crude oil prices. "Trade and other receivables" declined due to lessened activity in all businesses (lower sales).

"Trade and other payables" decreased due to lessened activity (lower purchases).

[9] Includes immediately available time deposits recorded under "Other current financial assets" amounting to €825 million.

4.2 Income Statement

On the same date as these interim financial statements, Repsol published its interim Management Report for the first half of 2020, which contains a detailed explanation of these results and other performance figures, available at www.repsol.com.

4.2.1 Operating net income

Revenue from ordinary activities

The distribution, by country, of revenue from ordinary activities ("*Sales*" and "*Income from services rendered*" headings) by country in the first six months of 2020 is as follows:

€ Million	06/30/2020	06/30/2019
Spain	8,194	13,333
United States	981	1,321
Portugal	945	1,304
Peru	800	1,407
Other	5,743	7,568
Total [(1)]	**16,663**	**24,933**

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

In 2020, revenue from *Upstream* activities amounted to €1,510 million (€2,402 million in the same period of 2019), while that of the *Industrial* segment amounted to €12,674 million (€19,610 million in the same period of 2019) and *Commercial and Renewables* segment amounted to €7,784 (€11,586 million in the same period of 2019).

The reduction in revenue in the first half is explained by the economic impacts of the COVID-19 pandemic and, in particular, (i) a decline in realization prices and production volumes in Upstream assets, (ii) lower activity in industrial complexes due to slack demand for oil products and (iii) a drop in sales in the commercial businesses as a result of the decline in demand due to mobility restrictions

Changes in inventories of finished goods and work in progress

The expense recognized under this heading is explained by the drop in prices in the period for finished goods and work in progress at the industrial complexes, and for unsold inventories in the hydrocarbon exploration and production activities.

Procurement

In the first half of 2020, the lower costs of "Procurement" were mainly due to lower prices of raw materials and the fall in volumes due to the lessened activity of industrial complexes.

Transport and freight and Supplies

The increase in "Transport and freight" reflects higher prices in the freight market.

Other operating expenses

The decrease in expenses is mainly explained by the higher measured value of derivatives and commitments over commodities and lower taxes reflecting lessened activity and lower prices.

4.2.2 Asset impairment

In light of the social and economic consequences of the COVID-19 pandemic (see Note 1.3), the Group has reviewed the recoverable amount of its cash-generating units that are likely to be most affected by changes in the scenario and where indications of impairment were identified.

a) Revised assumptions

At the end of the first half, the Company reviewed its expectations of future oil and gas prices, modifying the price paths set down at year-end 2019 and reflected in the consolidated financial statements for 2019 to adapt them to the new economic scenario.

In addition to the medium- and long-term market dynamics, the new strategic orientation and published commitments to achieve zero net emissions in 2050, which led to a review of oil price expectations, particularly for gas, and therefore a reduction in the recoverable value of the assets in 2019 (see Note 21 to the 2019 consolidated financial statements), in 2020 the impact of COVID-19 and the oversupply of crude oil on the market was also significant. The COVID-19 crisis has triggered an unprecedented contraction in oil demand and the supply response was not enough to satisfy the weak demand, despite the fact that OPEC+ made the biggest production cut in its history and other producers also sharply curtailed their output.

The new assumptions for the main price references are:

(Real terms 2020)	**2020-2050 (1)**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026-2050 (2)**
Brent ($/ barrel)	**60**	43	49	67	67	67	67	**60**
WTI ($/ barrel)	**57**	40	46	64	64	64	64	**57**
HH ($/ Mbtu)	**3**	2	3	3	3	3	3	**3**

(1) Average prices for the period 2020-2050.
(2) Average prices for the period 2026-2050.

The discount rates (Weighted Average Cost of Capital, WACC) used for the 2019 impairment test, published in the consolidated financial statements for the year, were kept in place, as they were not significantly different.

b) Recognized impairments

€ Million	**Notes**	**Total**
Goodwill	4.1.1	368
Property, plant and equipment	4.1.2	133
Investments accounted for using the equity method (1)	4.1.3	887

(1) Before taxes.

Impairments, net of reversals, amounted to €1,388 million before tax (€1,289 million after tax) and reflect write-downs of assets in the Upstream segment. Main items:

- America (€-297 million), mainly in Trinidad and Tobago due to lower gas prices.
- Europe and North Africa (€-419 million), mainly in the United Kingdom and Algeria, due to lower gas prices and changes to asset development plans.
- South East Asia (€-234 million), mainly in Indonesia, due to new expectations regarding gas demand and prices.
- Exploration and development assets (€-70 million) in Russia and Bolivia, due to the new price scenarios.
- Goodwill (€-368 million) due to a decrease in the recoverable amount of segment assets (see Note 4.1.1).

The recoverable amount of assets impaired in the period stood at €9,529 million. The carrying amount of the Cash-Generating Units (CGUs) of the Upstream segment[10] after recognition of the impairment stood at €15,252 million.

[10] Includes investments accounted for using the equity method. Does not include goodwill or the carrying amount of exploratory assets.

c) Sensitivities

Changes in the estimated future price curves or in the discount rates used would affect the value of the Group's assets and could lead to the reversal, in whole or in part, of existing impairment losses or to the recognition of additional provisions. The key sensitivities to these variations in the Cash-Generating Units in the Upstream segment, disregarding any rebalancing of related variables or any adaptations of operating plans that might mitigate the adverse impact of these variations, are indicated below:

		€ Million (1)	
	Increase (+) / decrease (-)	Operating net income (1)	Net income
Variation in hydrocarbon prices	+10%	1,728	1,538
	-10%	(2,163)	(1,853)
Variation in hydrocarbon output	+5%	912	807
	-5%	(1,121)	(963)
Variation in hydrocarbon output and prices	+10% (prices) / +5% (output)	2,716	2,416
	-10% (prices) / -5% (output)	(3,266)	(2,785)
Variation in discount rate	+100 p.b.	(745)	(627)
	-100 p.b.	745	639

(1) Includes impact on investments accounted for using the equity method.

4.2.3 Financial results

The financial result improved compared to the first half of 2019 due to better results from specific exchange rate positions and lower interest on debt.

4.2.4 Income tax

The effective tax rate[11] applicable to the loss before taxes and before the results of entities accounted for using the equity method was 16% (income tax refund of €297 million). In 2019, the effective tax rate on the result - which was a profit - was -38% (income tax expense of €554 million). The change in tax rates is mainly due to the mix of results at different nominal rates and the absence of tax effects on some of the assets impaired in 2020 (see Note 4.2.2).

4.2.5 Earnings per share

Earnings per share in the first six months of 2020 and 2019 are detailed below:

EARNINGS PER SHARE	06/30/2020	06/30/2019
Profit attributable to the parent (€ million)	(2,484)	1,133
Adjustment for perpetual subordinated bond (€ million) (1)	(25)	(15)
Weighted average number of shares outstanding on June 30 (millions of shares) (2)	1,540	1,644
Basic and diluted earnings per share (euros/share)	**(1.63)**	**0.68**

(1) At June 30, 2020, this item reflects the costs of partial repurchase of the perpetual bond issued in March 2015 (see section in Note 4.1.4).
(2) The share capital recognized at June 30, 2019 comprised 1.598.791.040 shares, although the weighted average number of outstanding shares for the purposes of calculating earnings per share includes the effect of the capital increases undertaken as part of the "Repsol Flexible Dividend" shareholder payment system, as per the applicable accounting regulations (see Note 2.3 "*Comparative information*").

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

4.3 Cash Flows

In the first half of 2020, **cash flow from operating activities** amounted €617 million, compared to €1,872 million in the first half of 2019. The decrease was due mainly to lower crude oil prices and lower demand for products, and therefore to lower volume in many of the Group's businesses as a result of the international crisis triggered by COVID-19 (see Note 1.3). This was partly offset by the effect on working capital of the lower cost of inventories (price of inventories in the industrial businesses) and by lower tax payments.

In the first half of 2020, **net cash flow from investing activities** resulted in a net receipt of €1,116 million. "Payments for/receipts from investments in property, plant and equipment, intangible assets *and investment property*" (€-922 million) decreased with respect to the comparative period in line with reduction targets under the Resilience Plan, due to lower expenditure on assets in the Upstream segment and the Industrial segment; capital expenditure increased, however, in the new electricity businesses and renewable projects in the Commercial and Renewables segment. "*Payments for/receipts from investments in other financial instruments*" reflected net disposals of €+1,591 million through termination of time deposits in the period. "*Proceeds of disposals*" includes the refund of the tax (corporate income tax prepayment) attributed to the disposal of an interest in Naturgy in May 2018. For further information, see sections 4.1, 5.1 and 5.2 of the consolidated Management Report.

During the first half of 2020, **net cash flow from financing activities** resulted in a net receipt of €587 million compared to a net payment of €-1,313 million in 2019, due to the net issuance of equity (see Note 4.1.4) and debt (see Note 4.1.5) instruments in 2020, lower purchases of own shares, lower cash payments to shareholders (who mostly chose to receive shares), and lower interest payments (lower borrowing costs) than in the first half of 2019.

In short, *Cash and cash equivalents* increased by €2,305 million compared to December 31, 2019 to reach €5,285 million. The strong cash position, a part of the Group's liquidity (see Note 4.1.7), enables us to cope with an adverse international environment affected by COVID-19 in the second half of the year.

(5) RISKS

5.1 Disputes

The information provided in this section updates the following disputes set out in Note 14.2 to the consolidated financial statements for 2019:

United Kingdom

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

On January 29, 2020, the Arbitral Tribunal issued a Partial Award on one aspect of the five matters to be determined in the liability phase and, although Repsol had considered the claims to be without merit -supported by external advice-, and still does, the Tribunal has decided that ROGCI and TCHL are liable to Sinopec and Addax in respect of that aspect of the claim.

As indicated, the partial Award issued addresses one of the five claims regarding liability. The Court has indicated that it will decide the result of the remaining ones in due time, through subsequent awards, although the time at which they will be issued is currently unknown. In principle, once all of them have been decided, a new procedural phase will be necessary to determine the amounts, whose schedule has not yet been established. It is likely that this calendar should include deadlines for new allegation briefs, evidence, additional expert statements and a new oral hearing. It is estimated that the phase related to the determination of the amount, without taking into account any challenges to the awards, will not be resolved before the first quarter of 2022.

On April 28, 2020, as already reported, Repsol challenged the partial arbitral award of January 29, 2020 in the Singapore courts.

Although the amount of compensation (if any) is not known with certainty, given that the dispute still has a long way to go and numerous decisions are pending, in light of the partial award Repsol prudently estimated the economic impacts of the dispute as a whole, and accordingly recognized a provision of $940 million in its financial statements of December 31, 2019 (no changes in the first half).

Additionally, on November 30, 2017 Repsol, S.A. commenced an arbitration against China Petroleum Corporation and TipTop Luxembourg S.A.R.L seeking relief from any adverse ruling on the arbitration mentioned above together with other damages yet unquantified. This procedure is based on their conduct towards Repsol during the months leading up to its acquisition of the Talisman Group.

5.2 Government and legal proceedings with tax implications

No material events have occurred that should be reported in addition to the information provided in Note 23.4 to the consolidated financial statements for 2019.

5.3 Geopolitical risks

The information in this section updates the content of Note 21.3 to the consolidated financial statements for 2019.

Venezuela

In 2020, the political instability, economic recession and inflation remain. There was a significant devaluation of the Venezuelan currency against the euro (€229,622/BsS compared to €52,231/BsS at December 31, 2019)], with no significant impact on the Group's financial statements, since the functional currency of its subsidiaries in the country is mainly the US dollar.

With regard to international sanctions affecting the Venezuelan government, PDVSA and its affiliates, on April 22, 2020 the US Government announced, through the Office of Foreign Assets Control (OFAC), that it extends until December 1, the General License (GL 8F) to the oil company Chevron and four other US companies in the hydrocarbon sector so that they can continue to operate in Venezuela, despite the sanctions imposed more than a year ago to the state-owned oil company (PDVSA) and its affiliates, even though it has further limited their activity. These companies may continue to have a relationship with PDVSA or its affiliates, but they may not extract, sell or transport Venezuelan-origin petroleum, contract for additional personnel or pay any dividends to PDVSA or its affiliates. This authorization from OFAC will allow these companies to carry out "essential maintenance of operations."

In June 2020, the US Department of the Treasury sanctioned several shipping companies for transporting Venezuelan crude oil in February and April 2020 in violation of OFAC restrictions on doing business with the Venezuelan government, PDVSA or its affiliates. In addition, there were several designations of entities, individuals and vessels on OFAC's "Specially Designated Nationals And Blocked Persons List" (SDN List) in connection with activities intended to evade US sanctions against Venezuela. However, also in June, the OFAC removed some of these shipowners and vessels from the SDN List since, after their initial designation, these companies undertook to improve their sanctions compliance programs.

Repsol continues to take the necessary measures to maintain its activity in Venezuela in full compliance with international sanctions laws, and is constantly monitoring the state of affairs, and, therefore, the possible effects on its activities. This monitoring discloses no significant impact for the Group, although changes in US policies could affect future crude oil lifting.

Repsol's total equity exposure to Venezuela at June 30, 2020 amounted to €224 million (€239 million at December 31, 2019), mainly comprising the financing extended to the Venezuelan affiliates.

Libya

Uncertainty over Libya's political future continues following the withdrawal of Marshal Haftar's Libyan National Army from the Tripoli center of operations and the advance of troops loyal to the Government officially established in Tripoli and supported by the United Nations and Turkey (GNA) toward Sirte and Al Jufrah. Although diplomatic efforts are ongoing on several fronts, fighting continues. Despite the progress made by the GNA, Marshal Haftar's forces retain formal control of the production fields, which remain closed down (the *El Sharara* field reopened for a few hours in early June). The deterioration in the security situation continues to affect the prospects of Libya's oil industry.

As a consequence of the security situation brought about by the war, production was halted from January 19 until the end of the first half.

Repsol's equity exposure in Libya at June 30, 2020 totaled around €344 million (mainly property, plant and equipment at that date).

Algeria

Following the electoral victory of Tebboune in December 2019, Algeria has started a process of political and economic reform against a background of mass protests and economic crisis resulting from low commodity prices. Hence the rules are constantly evolving and changing."

The Group's equity exposure in the country at June 30, 2020 totaled around €520 million (mainly property, plant and equipment at that date).

Vietnam

In June 2020, Repsol signed an agreement with PetroVietnam whereby it will transfer its 51.75% stake in Block 07/03 and 40% stake in Blocks 135 and 136/03. The corresponding assets are on the Group's balance sheet, classified to "Other current assets". The transaction, which is aligned to Repsol's Strategic Plan objectives and subject to government authorizations, is expected to close over the course of this year with no material impact on Repsol's financial statements.

(6) OTHER INFORMATION

New industrial projects

In June, two cutting-edge industrial decarbonization projects were presented, which the Company will implement alongside major Spanish and international partners. The facilities, which as a first option will be located in the port of Bilbao and its environs, will involve an initial outlay of approximately €80 million.

The first project, in which €60 million will be invested initially, consists of the construction of a plant to produce synthetic fuels with zero net emissions using green hydrogen generated with renewable energy. The main characteristic of these innovative fuels is that they are produced with water -for the production of green hydrogen- and CO2 as the only raw materials. They can be used in combustion engines such as those currently installed in cars, in aircraft and trucks, and in other applications. The facility will be fully operational within four years.

The second project, to be located next to the first, will involve an initial investment of €20 million, led by Petronor. It will consist of an urban waste-fueled gas generation plant. The gas will replace some of the conventional fuel consumed by the Petronor refinery in Bilbao, one of the largest in Spain. This second initiative is in line with Repsol's strategy of promoting the circular economy, which we apply in many phases of the Company's production cycle through technology and innovation.

New international renewable projects

The Board of Directors of Repsol, S.A. approved in July the creation of a joint venture with the Ibereólica Group, which has extensive experience in the renewable energy sector in Chile, to develop a portfolio of projects in that country, both wind and solar, at various stages of progress, totaling 2.6 GW. The investment initially planned by Repsol comes to around $192 million. This transaction helps implement Repsol's objectives in low-carbon generation.

New Strategic Plan

The Company plans to update the scenarios for the development of its activities and develop a new Strategic Plan for the period 2021-2025, which will be published in November 2020.

(7) SUBSEQUENT EVENTS

There have been no material events after the interim reporting date.

(8) EXPLANATION ADDED FOR THE TRANSLATION INTO ENGLISH

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

APPENDIX I. CHANGES IN THE COMPOSITION OF THE GROUP

The companies that comprise the Repsol Group are set out in Appendix I of the 2019 consolidated financial statements. The main changes in the composition of the Group during the first six months of 2020 are as follows:

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

					06/30/2020		
Registered name	Country	Parent	Item	Date	Method of consolidation (1)	% voting rights acquired	% total voting rights in entity following acquisition(2)
LGA – Logística Global de Aviação, LDA.	Portugal	Repsol Portuguesa, S.A	Acquisition	January 2020	E.M.	20,00%	20,00%
Aragonesa de Infraestructuras Energéticas Renovables, S.L.U	Spain	Repsol Renovables, S.L.U	Acquisition	February 2020	F.C.	100,00%	100,00%
Boalar Energías, S.L.U	Spain	Repsol Renovables, S.L.U	Acquisition	February 2020	F.C.	100,00%	100,00%
Desarrollos Eólicos El Saladar, S.L.U	Spain	Repsol Renovables, S.L.U	Acquisition	February 2020	F.C.	100,00%	100,00%
Desarrollo Eólico Las Majas VIII, S.L.	Spain	Repsol Renovables, S.L.U	Acquisition	February 2020	F.C.	100,00%	100,00%
Desarrollo Eólico Las Majas XIV, S.L.	Spain	Repsol Renovables, S.L.U	Acquisition	February 2020	F.C.	100,00%	100,00%
Desarrollo Eólico Las Majas XV, S.L.	Spain	Repsol Renovables, S.L.U	Acquisition	February 2020	F.C.	100,00%	100,00%
Desarrollo Eólico Las Majas XXVII, S.L.U	Spain	Repsol Renovables, S.L.U	Acquisition	February 2020	F.C.	100,00%	100,00%
Desarrollo Eólico Las Majas XXXI, S.L.U	Spain	Repsol Renovables, S.L.U	Acquisition	February 2020	F.C.	100,00%	100,00%
Energías Renovables de Cilene, S.L.U	Spain	Repsol Renovables, S.L.U	Acquisition	February 2020	F.C.	100,00%	100,00%
Energías Renovables de Gladiateur 18, S.L.U	Spain	Repsol Renovables, S.L.U	Acquisition	February 2020	F.C.	100,00%	100,00%
Energías Renovables de Hidra, S.L.U	Spain	Repsol Renovables, S.L.U	Acquisition	February 2020	F.C.	100,00%	100,00%
Energías Renovables de Kore, S.L.U	Spain	Repsol Renovables, S.L.U	Acquisition	February 2020	F.C.	100,00%	100,00%
Fuerzas Energéticas del Sur de Europa XIII, S.L.U	Spain	Repsol Renovables, S.L.U	Acquisition	February 2020	F.C.	100,00%	100,00%
Fuerzas Energéticas del Sur de Europa XIV, S.L.U	Spain	Repsol Renovables, S.L.U	Acquisition	February 2020	F.C.	100,00%	100,00%
Fuerzas Energéticas del Sur de Europa XVIII, S.L.U	Spain	Repsol Renovables, S.L.U	Acquisition	February 2020	F.C.	100,00%	100,00%
Fuerzas Energéticas del Sur de Europa XX, S.L.U	Spain	Repsol Renovables, S.L.U	Acquisition	February 2020	F.C.	100,00%	100,00%
Generación y Suministro de Energía, S.L.U	Spain	Repsol Renovables, S.L.U	Acquisition	February 2020	F.C.	100,00%	100,00%
Hispánica de Desarrollos Energéticos Sostenibles, S.L.U	Spain	Repsol Renovables, S.L.U	Acquisition	February 2020	F.C.	100,00%	100,00%
Natural Power Development, S.L.U	Spain	Repsol Renovables, S.L.U	Acquisition	February 2020	F.C.	100,00%	100,00%
Soluciones Tecnológicas de Energías Verdes, S.L.U	Spain	Repsol Renovables, S.L.U	Acquisition	February 2020	F.C.	100,00%	100,00%
Finboot Ltd.	United Kingdom	Repsol Energy Ventures, S.A.	Share increase	March 2020	E.M.	0,07%	8,41%
Klikin Deals Spain, S.L.	Spain	Repsol Comercial de Productos	Share increase	April 2020	E.M.	0,73%	70,73%
Energia Distribuida del Norte, S.A.	Spain	Petróleos del Norte, S.A.	Incorporation	April 2020	F.C.	100,00%	100,00%
Rocsole OY	Finland	Repsol Energy Ventures S.A.	Share increase	May 2020	E.M.	1,43%	13,93%
Energías Renovables de Dione, S.L.U	Spain	Repsol Renovables, S.L.U	Acquisition	June 2020	F.C.	100,00%	100,00%
Energías Renovables de Lisitea, S.L.U	Spain	Repsol Renovables, S.L.U	Acquisition	June 2020	F.C.	100,00%	100,00%
Energías Renovables de Polux, S.L.U,	Spain	Repsol Renovables, S.L.U	Acquisition	June 2020	F.C.	100,00%	100,00%

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

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

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

					06/30/2020			
Registered name	**Country**	**Parent**	**Item**	**Date**	**Method of consolidation (1)**	**% voting rights disposed or derecognized**	**% voting rights in entity following disposal**	**Profit / (Loss) generated (Millions of euros)**
Repsol Exploración East Bula, B.V.	The Netherlands	Repsol Exploración S.A.	Liquidation	January 2020	F.C.	100.00%	0,00%	—
Repsol Exploración Seram, B.V.	The Netherlands	Repsol Exploración, S.A.	Liquidation	January 2020	F.C.	100.00%	0,00%	—
Foreland Oil, Ltd.	British Virgin Islands	Rift Oil, Ltd.	Sale	January 2020	F.C.	100.00%	0,00%	Note (2)
Repsol Oil & Gas Papua Pty, Ltd.	Australia	Repsol Oil & Gas Niugini Pty Ltd.	Sale	January 2020	F.C.	100.00%	0,00%	Note (2)
Repsol Oil & Gas Niugini Pty, Ltd.	Australia	Talisman International Holdings, B.V.	Sale	January 2020	F.C.	100.00%	0,00%	Note (2)
Repsol Oil & Gas Niugini Kimu Alpha Pty, Ltd.	Australia	Repsol Oil & Gas Niugini Ltd.	Sale	January 2020	F.C.	100.00%	0,00%	Note (2)
Repsol Oil & Gas Niugini Kimu Beta, Ltd.	Papua New Guinea	Repsol Oil & Gas Niugini Ltd.	Sale	January 2020	F.C.	100.00%	0,00%	Note (2)
Repsol Oil & Gas Niugini, Ltd.	Papua New Guinea	Repsol Oil & Gas Papua Pty, Ltd.	Sale	January 2020	F.C.	100.00%	0,00%	Note (2)
Rift Oil, Ltd.	United Kingdom	Talisman International Holdings, B.V.	Sale	January 2020	F.C.	100.00%	0,00%	Note (2)
CSJC Eurotek - Yugra	Russia	Repsol Exploración Karabashsky, B.V.	Partial reduction	February 2020	E.M.	0,58%	70,20%	1
CSJC Eurotek - Yugra	Russia	Repsol Exploración Karabashsky, B.V.	Partial reduction	April 2020	E.M.	1.00%	69,20%	3
Repsol Louisiana Corporation	USA	Repsol USA Holdings Corporation	Liquidation	April 2020	F.C.	100.00%	0,00%	—
Repsol Exploration Australia Pty, Ltd.	Australia	Repsol Exploración S.A.	Liquidation	April 2020	F.C.	100.00%	0,00%	—
Nanogap Sub n-m Powder S.A.	Spain	Repsol Energy Ventures S.A.	Partial reduction	May 2020	E.M.	0,10%	12,52%	—
Principle Power, Inc.	USA	Repsol Energy Ventures S.A.	Partial reduction	May 2020	E.M.	4,49%	16,08%	—
Repsol Exploración Cendrawasih III, B.V.	The Netherlands	Repsol Exploración S.A.	Liquidation	May 2020	F.C.	100.00%	0,00%	—
Talisman (Block K 9) B.V.	The Netherlands	Talisman Global Holdings, B.V.	Liquidation	June 2020	F.C.	100.00%	0,00%	—
Begas Motor, S.L.	Spain	Repsol Energy Ventures, S.A.	Partial reduction	June 2020	E.M.	4,23%	23,70%	—

(1) Method of consolidation:
F.C.: Full consolidation.
E.M.: Equity method. Joint ventures are identified as "JV".
(2) Reflects the scope of the sale of the Group's interest in seven onshore blocks in Papua New Guinea, at a profit after tax of €63 million.

APPENDIX II. OTHER DETAILED INFORMATION

Financial instruments

Financial assets

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

	June 30, 2020 and December 31, 2019							
	At fair value through income statement		At fair value through other comprehensive income		At amortized cost [4]		Total	
€ Million	2020	2019	2020	2019	2020	2019	2020	2019
Equity instruments [1]	36	29	117	122	—	—	153	151
Derivatives [2]	28	9	—	—	—	—	28	9
Loans	—	—	—	—	718	759	718	759
Time deposits	—	—	—	—	—	150	—	150
Other financial assets	31	43	—	—	20	22	51	65
Non-current	**95**	**81**	**117**	**122**	**738**	**931**	**950**	**1,134**
Derivatives [2]	202	238	19	40	—	—	221	278
Loans	—	—	—	—	215	203	215	203
Time deposits	—	—	—	—	914	2,481	914	2,481
Cash and cash equivalents	8	8	—	—	5,277	2,971	5,285	2,979
Other financial assets		—	—	—	8	6	8	6
Current	**210**	**246**	**19**	**40**	**6,414**	**5,661**	**6,643**	**5,947**
TOTAL [3]	**305**	**327**	**136**	**162**	**7,152**	**6,592**	**7,593**	**7,081**

[1] Includes non-controlling financial investments in certain companies over which it does not have management influence.
[2] Includes non-current hedging derivatives amounting to €28 million (€40 million in 2019).
[3] Does not include "Other non-current assets" and "Trade and other receivables" in the consolidated balance sheet, which at June 30, 2020 and December 31, 2019 amounted to € 710 million and €1,306 million classified as non-current and €3,892 million and €5,743 million classified as current, respectively, corresponding to trade receivables not included in the previous table net of the corresponding provisions for impairment.
[4] Items that do not bear explicit interest are recognized at their nominal value whenever the effect of not discounting the related cash flows is not significant.

Financial liabilities

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

	June 30, 2020 and December 31, 2019							
	At fair value [2]		At amortized cost		Total		Fair value	
€ Million	2020	2019	2020	2019	2020	2019	2020	2019
Bonds and obligations	—	—	5,696	4,199	5,696	4,199	—	4,551
Loans	—	—	3,042	2,946	3,042	2,946	—	2,946
Lease liabilities	—	—	2,861	2,709	2,861	2,709	n/a	n/a
Bank borrowings	—	—	958	917	958	917	—	934
Derivatives [1]	104	82	—	—	104	82	—	82
Other financial liabilities		—	82	88	82	88	—	88
Non-current	**104**	**82**	**12,639**	**10,859**	**12,743**	**10,941**	**—**	**8,601**
Bonds and obligations	—	—	2,655	3,721	2,655	3,721	—	3,748
Loans	—	—	934	970	934	970	—	970
Lease liabilities	—	—	504	424	504	424	n/a	n/a
Bank borrowings	—	—	1,166	1,328	1,166	1,328	—	1,328
Derivatives [1]	501	397	—	—	501	397	—	397
Other financial liabilities	—	—	46	48	46	48	—	48
Current	**501**	**397**	**5,305**	**6,491**	**5,806**	**6,888**	**—**	**6,491**
TOTAL	**605**	**479**	**17,944**	**17,350**	**18,549**	**17,829**	**—**	**15,092**

[1] In 2020, includes non-current and current hedging derivatives amounting to €95 million and €9 million, respectively (€72 million and €7 million in 2019).
[2] "*Fair value of financial instruments*" in this appendix sets out the classification of financial instruments according to their level in the fair value hierarchy.

Fair value of financial instruments

The classification of the financial instruments recognized in the interim financial statements at their fair value at June 30, 2020 and December 31, 2019, is as follows:

€ Million	June 30, 2020 and December 31, 2019							
	Level 1		Level 2		Level 3		Total	
Financial assets	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
At fair value through profit or loss	130	121	158	175	28	29	316	325
At fair value through other comprehensive income	—	2	—	40	125	122	125	164
Total	**130**	**123**	**158**	**215**	**153**	**151**	**441**	**489**

	Level 1		Level 2		Level 3		Total	
Financial liabilities	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
At fair value	336	319	269	160	—	—	605	479
Total	**336**	**319**	**269**	**160**	**—**	**—**	**605**	**479**

For further details of the calculation methodology and the fair value hierarchy, see Notes 3 and 8 of the 2019 consolidated financial statements.

Related party transactions

Repsol carries out transactions with related parties on an arm's length basis. The transactions between Repsol, S.A. and the companies of its Group, and between these, form part of the company's usual business as regards purpose and conditions.

At June 30, 2020, for the purposes of presenting this information, the following are considered to be related parties:

a. Significant shareholders: Sacyr, S.A. (see Note 4.1.4).

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

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 (see Note 14 to the Consolidated Financial Statements for 2019).

Income, expenses and other transactions and balances recorded at June 30 with related parties are as follows:

Expenses and revenues

€ Million	06/30/2020				06/30/2019			
EXPENSES AND REVENUE	**Significant shareholders**	**Directors and executives [1]**	**People, companies or entities within the Group**	**Total**	**Significant shareholders**	**Directors and executives [1]**	**People, companies or entities within the Group**	**Total**
Finance costs	—	—	53	53	—	—	59	59
Leases	1	—	—	1	—	—	—	—
Service receptions	12	—	24	36	13	—	33	46
Purchase of goods [2]	—	—	484	484	—	—	803	803
Other expenses [3]	—	—	83	83	—	—	14	14
TOTAL EXPENSES	**13**	**—**	**644**	**657**	**13**	**—**	**909**	**922**
Finance income	—	—	45	45	—	—	62	62
Service provisions	2	—	2	4	2	—	3	5
Sale of assets [4]	38	—	117	155	94	—	195	289
Other revenue	1	—	36	37	—	—	56	56
TOTAL REVENUE	**41**	**—**	**200**	**241**	**96**	**—**	**316**	**412**

Other transactions

€ Million	06/30/2020				06/30/2019			
OTHER TRANSACTIONS	**Significant shareholders**	**Directors and executives [1]**	**People, companies or entities within the Group**	**Total**	**Significant shareholders**	**Directors and executives [1]**	**People, companies or entities within the Group**	**Total**
Funding agreements: credit and capital contributions (creditor)[4]	—	—	211	211	—	—	120	120
Funding agreements: loans and capital contributions (borrower)[5]	—	—	775	775	—	—	506	506
Guarantees and sureties given[6]	—	—	566	566	—	—	613	613
Guarantees and sureties received	8	—	5	13	5	—	—	5
Commitments assumed [7]	78	—	62	140	35	—	1	36
Dividends and other profits distributed [8]	3	—	—	3	47	—	—	47
Other operations [9]	5	—	822	827	17	—	123	140

Closing balances

€ Million	06/30/2020				06/30/2019			
CLOSING BALANCES	Significant shareholders	Directors and executives (1)	People, companies or entities within the Group	Total	Significant shareholders	Directors and executives (1)	People, companies or entities within the Group	Total
Customers and trade receivables	1	—	87	88	2	—	179	181
Loans and credits granted	—	—	934	934	—	—	1,036	1,036
Other receivables	—	—	90	90	—	—	—	—
TOTAL RECEIVABLES BALANCES	**1**	**—**	**1,111**	**1,112**	**2**	**—**	**1,215**	**1,217**
Suppliers and trade payables	8	—	181	189	18	—	196	214
Loans and credits received	—	—	3,977	3,977	—	—	3,668	3,668
Other payment obligations (10)	55	—	1	56	62	—	3	65
TOTAL PAYABLE BALANCES	**63**	**—**	**4,159**	**4,222**	**80**	**—**	**3,867**	**3,947**

NOTE: In 2020 the tables for Expenses and Income and Other transactions include transactions with the Temasek group up until April 16 (date of sale of the entire interest).

(1) Includes any transactions performed with executives and directors not included in the following section "*Remuneration to members of the Board of Directors and executives*", which correspond to the outstanding balance at the reporting date of the loans granted to members of senior management and the corresponding accrued interest, as well as dividends and other remuneration received as a result of holding shares of the Company.

(2) The column headed *"People, companies or entities within the Group"* primarily includes products purchased with Repsol Sinopec Brasil (RSB) and from BPRY Caribbean Ventures LLC (BPRY).

(3) In 2020 and 2019 *"People, companies or entities within the Group"* includes mainly sales of products to Iberian Lube Base Oil, S.A. (ILBOC) and Dynasol Group for €78 million and €28 million euros in 2020 and €122 million and €44 million in 2019, respectively.

(4) Includes mainly loans and credit facilities granted to Group companies by companies accounted for using the equity method.

(5) Mainly reflects loans and drawings on credit facilities within the period and capital contributions to Group companies accounted for using the equity method.

(6) Includes primarily guarantees granted to joint ventures in the United Kingdom, issued in the ordinary course of business to cover obligations to dismantle offshore platforms in the North Sea.

(7) Corresponds to purchase, investment or expense commitments acquired in the period.

(8) The amounts shown as dividends and other benefits distributed include the corresponding amounts for the sale to Repsol, at the guaranteed fixed price, of the bonus share rights derived from the bonus share capital increase finalized in January 2020, in the framework of the "Repsol Flexible Dividend" remuneration program (see Note 4.1.4).

(9) In 2020 and 2019 *"People, companies or entities within the Group"* includes mainly the cancellations of guarantees provided to joint ventures in the UK and financing agreements. Under this heading, the amounts of any decrease in assets and liabilities are reflected as an absolute value.

(10) In 2020 and 2019 *"Significant Shareholders"* includes the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of the bonus share rights arising from bonus capital increase closed in July 2020 and 2019, respectively. The rights are recorded as accounts payable.

Remuneration of the members of the Board of Directors and executives [12]

The information in this section is provided by way of an update on the contents of Notes 29 and 30 to the consolidated financial statements for 2019.

During the first half of 2020, a total of 15 people sat on the Board of Directors and 9 people on the Executive Committee.

The table below details the remunerations accrued during the first half of 2020 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 Executive Committee.

	€ Thousand	
Directors	**1H 2020**	**1H 2019**
Remuneration for membership of the Board and/or Board committees	3,468	3,505
Wages	600	1,091
Variable remuneration in cash	891	1,719
Share-based remuneration systems	104	203
Compensation	—	—
Long-term savings systems (1)	127	225
Other items (2)	111	342
Total remunerations received by the Directors	**5,301**	**7,085**
Total remunerations received by the Executive personnel (3)(4)	**6,018**	**6,154**

(1) Corresponds to the contributions to pension plans, long-service bonuses and savings plans for executive personnel.
(2) Includes the accrued cost of the retirement, disability, and life insurance policies for Board of Directors members, including the corresponding tax payments on account in the amount of €11 thousand (€179 thousand in 2019).
(3) Includes the contributions to the pension plans, contributions to savings plans and life and accident insurance premiums (including in the latter instance the corresponding payments on account) totaled €666 thousand (€712 thousand in 2019).
(4) Excludes executives who are also directors of Repsol, S.A., who are instead included in the remuneration paid to directors.

Share Purchase Program aimed at Beneficiaries of the Long-Term Incentive Programs and Plans for Share Acquisition and Share Purchases for Employees.

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

A total of 238 employees and executive personnel have been included in the tenth cycle of the 2020-2023 Plan, acquiring a total of 325,794 shares on May 29, 2020, at an average price of €8.4935 per share. Additionally, shares delivered to the Executive Directors as a partial payment of the 2016-2019 Incentive Program, which amounted to 14,743 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 under this Plan amounted to 340,537 shares. Thus, the maximum share delivery commitment corresponding to this tenth 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 113,512 shares.

As part of the tenth cycle, the current members of the Executive Committee, have acquired a total of 135.532 shares.

In addition, the seventh cycle of the Plan vested on May 31, 2020. As a result, 133 beneficiaries of this cycle vested rights to a total of 39,780 shares (receiving a total of 30,025 shares after deducting the payment of income tax on account to be paid by the Company). The members of the Executive committee, together with the other Executive Directors, vested rights to 16,536 shares (after deducting the payment of income tax on account to be paid by the Company, they received a total of 11,464 shares).

ii.) *"Share Acquisition Plan"*

During the first half of 2020, the Group purchased 666,886 treasury shares for €6,131,553, which were delivered to employees. The members of the Executive Committee acquired a total of 5,216 shares in accordance with the plan terms and conditions during the first-half of the year.

[12] For reporting purposes in this section, Repsol considers "key management personnel" to be the members of the 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.

iii.) *"Global Share Purchase Plan to reward employees: TU REPSOL"*

In the first half of 2020, a total of 4,158 Group employees purchased 355.379 shares at an average price of 8,5806 euro per share. Thus, the maximum commitment to deliver shares to employees who, after the two years corresponding to the vesting period, have satisfied the requirements of the Plan, comes to 177.689 shares.

The current members of the Executive Committee, and the other Executive Directors, participate in the Plan with a total of 696 shares.

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

Average headcount

The average headcount at June 30, 2020 and 2019 can be seen below:

	06/30/2020	06/30/2019
Men	15,190	15,413
Women	9,077	9,171
Average headcount	**24,267**	**24,584**

APPENDIX III. RECONCILIATION OF REPSOL´S REPORTING MODEL FIGURES TO IFRS-EU

The reconciliation of adjusted net income/(loss) to IFRS-EU net income/(loss) for the first half of 2020 and 2019 is as follows:

	First half											
			ADJUSTMENTS									
	Adjusted income		Reclassification of joint ventures		Special items		Inventory effect [2]		Total adjustments		IFRS-EU income	
€ Million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Operating net income	494[1]	2,002[1]	843	(478)	(1,500)	18	(1,507)	90	(2,164)	(370)	(1,670)	1,632
Financial result	(136)	(228)	22	68	(51)	(9)	—	—	(29)	59	(165)	(169)
Net income from companies accounted for using the equity method - net of tax	7	17	(986)	220	1	—	—	—	(985)	220	(978)	237
Income before tax	**365**	**1,791**	**(121)**	**(190)**	**(1,550)**	**9**	**(1,507)**	**90**	**(3,178)**	**(91)**	**(2,813)**	**1,700**
Income tax	(172)	(668)	121	190	(36)	(54)	383	(23)	468	113	296	(555)
Net income	**193**	**1,123**	**—**	**—**	**(1,586)**	**(45)**	**(1,124)**	**67**	**(2,710)**	**22**	**(2,517)**	**1,145**
Profit attributable to non-controlling interests	(4)	(8)	—	—	1	—	36	(4)	37	(4)	33	(12)
Net income attributable to the parent	**189**	**1,115**	**—**	**—**	**(1,585)**	**(45)**	**(1,088)**	**63**	**(2,673)**	**18**	**(2,484)**	**1,133**

[1] Profit from continuing operations at current cost of supply (CCS).
[2] The inventory effect represents an adjustment to "*Procurement*" and "*Changes in inventory of finished goods*" on the IFRS-EU income statement.

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

	€ Million					
	Customers		**Inter-segment**		**Total**	
Segments	**06/30/2020**	**06/30/2019**	**06/30/2020**	**06/30/2019**	**06/30/2020**	**06/30/2019**
Upstream	1,520	2,527	630	987	2,150	3,514
Industrial	8,164	12,169	4,639	7,608	12,803	19,777
Commercial and Renewables	7,828	11,605	38	72	7,866	11,677
Corporate	1	—	—	—	1	—
(-) Adjustments and eliminations of operating income between segments	—	—	(5,307)	(8,667)	(5,307)	(8,667)
TOTAL	**17,513**	**26,301**	**—**	**—**	**17,513**	**26,301**

The reconciliation of other figures shown in Note 3 to those in IFRS-EU during the first six months of 2020 and 2019 is as follows:

	€ Million	
	06/30/2020	**06/30/2019**
Revenue from ordinary activities [(1)]	**17,513**	**26,301**
Adjustments		
Upstream	(639)	(1,112)
Industrial	(129)	(167)
Commercial and Renewables	(82)	(91)
Revenue from ordinary activities IFRS-EU (2)	**16,663**	**24,933**
Operating net income [(1)]	**494**	**2,002**
Adjustments		
Upstream	(593)	(389)
Industrial	(1,509)	75
Commercial and Renewables	(43)	(37)
Corporate	(19)	(19)
Operating net income IFRS-EU	**(1,670)**	**1,632**
Capital employed, continuing operations [(1)]	**30,966**	**38,391**
Adjustments		
Upstream	2,728	2,275
Industrial	20	48
Commercial and Renewables	14	14
Capital employed	**33,728**	**40,728**

(1) Figures drawn up according to the Group's reporting model described in Note 2.4 "*Information by business segment*".
(2) Corresponds to the sum of "*Sales*" and "*Income from services rendered and other income*" in the income statement (IFRS-EU).