

Official Notice

Madrid, December 2, 2019

The Board of Directors of Repsol, S.A. has analyzed the role of the Company in the fight against climate change and has made progress in its commitment to leading the energy transition in line with the objectives of the Paris Summit and the Sustainable Development Goals of the United Nations, which aim to limit planetary warming to less than 2 degrees Celsius compared with pre-industrial levels.

Repsol will direct its strategy to become a net zero emissions company by 2050, making it the first company in the sector to set this ambitious objective.

Repsol is committed to applying the best technology to achieve this outcome, including carbon capture, use and storage and, if necessary, additionally offset emissions through reforestation and other natural climate sinks. To reinforce the organization's commitment to these goals, Repsol will link at least 40% of the long-term variable pay of its managers and leaders, including that of the CEO and senior executives, to the company's gradual decarbonization.

Those objectives will form the basis for the 2021-2025 Strategic Plan, which will be presented to the market and investors during the first half of 2020.

In line with this new strategic orientation and in the context of the new oil and gas markets dynamics that have been consolidated in the last year, together with new public policies oriented to a decarbonization of the economy, Repsol has reviewed its main hypothesis for assessing future investments and existing assets. In particular, it assumes a gradual decarbonization of the economy, a reduction in the expectations of future oil and gas prices and the increase of expected costs for future CO₂ emissions, configuring a scenario compatible with climate goals of Paris Agreement and the United Nations.

The management of the different business units will be adapted to ensure, in this new scenario, their future profitability and the compliance to sustainability commitments. The exploration and production business will prioritize the generation of value and cash over a production increase; industrial businesses will maintain the current position of leadership in refining profitability together with more challenging decarbonization goals as well as an increase in the production of biofuels and chemical products with a low carbon footprint; new businesses will assume a more ambitious objective of low carbon power generation by 2025.

This new decarbonization of the economy scenario and the energy transition will have impacts on the accounting valuation of existing assets. As a result, Repsol anticipates that in its 2019 financial statements, there will be an after tax impairment charge in some assets of approximately 4.800 million euros. This valuation adjustment will mainly affect exploration

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and production assets located in the United States of America and Canada, due to the reduction in the expectations of future gas prices. The final adjustment calculation, together with details and new valuations bases, will be included in the 2019 annual financial report.

The adjustment to the fair value of assets will reduce 2019 special items, but will have no cash impact and will not affect shareholder remuneration. In particular, after such a challenging valuation scenario, the Group business units confirm their capacity to generate cash flow and future income in an energy transition scenario aligned with climate change goals, which enables Repsol to reaffirm its commitment to sustainability and maintain the profitability expectations for shareholders.

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