Q2 2018 RESULTS

26 July, 2018

TABLE OF CONTENTS

BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

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

The Group's operating segments are:

- **Upstream**, corresponding to exploration and production of crude oil and natural gas reserves and;
- **Downstream**, corresponding, mainly, to the following activities: (i) refining and petrochemistry, (ii) trading and transportation of crude oil and oil products, (iii) commercialization of oil products, petrochemical and LPG, (iv) commercialization, transportation and regasification of natural gas and liquefied natural gas (LNG).

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

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

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

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

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

[1] In Repsol Group´s operating segments model, joint ventures are consolidated proportionally in accordance with the Group's percent holding. See Note 12 and the Appendix III of the consolidated financial statements for 2017, where the Group's main joint ventures are identified.

[2] It corresponds to Petrocarabobo, S.A., (Venezuela), an associated entity of the Group.

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

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

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

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

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

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

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

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

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

KEY METRICS FOR THE PERIOD

(Unaudited figures)

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

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

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

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

KEY MILESTONES FOR THE SECOND QUARTER OF 2018

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

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

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

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

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

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

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

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

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

NET INCOME PERFORMANCE BY BUSINESS SEGMENT

UPSTREAM

(Unaudited figures)

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

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

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

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

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

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

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

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

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

- **Higher royalties** contributed negatively to the operating income by €61 million.
- The **depreciation of the US dollar against the euro** had a negative impact on the operating income of €56 million.
- **Exploration expenses** were in line year-on-year.
- **Depreciation and amortization** charges were €57 million lower mainly due to the application of the new formula for the depreciation of productive assets.
- **Income tax** expense impacted the adjusted net income negatively by €262 million, as a result of higher operating income.
- **Income from equity affiliates and non-controlling interests and others** explains the remaining differences.

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

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

January – June 2018 results

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

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

Investments

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

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

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

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

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

DOWNSTREAM

(Unaudited figures)

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

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

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

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

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

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

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

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

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

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

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

January – June 2018 results

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

Investments

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

CORPORATE AND OTHERS

(Unaudited figures)

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

Corporate and adjustments

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

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

Financial results

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

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

NET INCOME ANALYSIS: SPECIAL ITEMS

SPECIAL ITEMS

(Unaudited figures)

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

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

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

CASH FLOW ANALYSIS: ADJUSTED CASH FLOW STATEMENT

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

(Unaudited figures)

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

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

NET DEBT ANALYSIS: NET DEBT EVOLUTION

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

(Unaudited figures)

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

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

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

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

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

RELEVANT EVENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Antonio Lorenzo Sierra (CFO)

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

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

Madrid, 26 July, 2018

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

APPENDIX I – FINANCIAL METRICS AND OPERATING INDICATORS BY SEGMENT

Q2 2018

ADJUSTED NET INCOME BY BUSINESS SEGMENTS

(Unaudited figures)

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

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

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

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

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

OPERATING RESULT BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS

(Unaudited figures)

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

ADJUSTED NET INCOME BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS

(Unaudited figures)

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

EBITDA BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS

(Unaudited figures)

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

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

INVESTMENTS BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS

(Unaudited figures)

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

CAPITAL EMPLOYED BY BUSINESS SEGMENTS

(Unaudited figures)

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

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

OPERATING INDICATORS

Q2 2018

UPSTREAM OPERATING INDICATORS

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

DOWNSTREAM OPERATING INDICATORS

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

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

Exports: expressed from the country of origin

APPENDIX II – CONSOLIDATED FINANCIAL STATEMENTS

Q2 2018

STATEMENT OF FINANCIAL POSITION

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

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

INCOME STATEMENT

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

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

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

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

CASH FLOW STATEMENT

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

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

(*) Cash flows from continued operations

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

Q2 2018

RECONCILIATION OF ADJUSTED RESULTS AND THE CORRESPONDING CONSOLIDATED FINANCIAL STATEMENT HEADINGS

(Unaudited figures)

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

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

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

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

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

RECONCILIATION OF OTHER ECONOMIC DATA AND THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited figures)

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

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

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

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

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

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