

Repsol, S.A. and Subsidiaries

Report on Limited Review

Interim Condensed Consolidated
Financial Statements and
Interim Directors' Report for the
six-month period ended 30 June
2017

Translation of a report originally
issued in Spanish. In the event of a
discrepancy, the Spanish-language
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REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Repsol, S.A.,

Report on the Interim Condensed Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Repsol, S.A. and Subsidiaries ("the Group"), which comprise the condensed consolidated balance sheet as at 30 June 2017, and the condensed consolidated income statement, condensed consolidated statement of recognized income and expenses, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent'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 interim condensed financial information, in conformity with 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 the 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 the audit regulations in force in Spain and, consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

As a result of our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing came to our attention that might cause us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2017 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, pursuant to Article 12 of Royal Decree 1362/2007, for the preparation of interim condensed financial statements.

Emphasis of Matter

We draw attention to Note 2 to the accompanying interim condensed consolidated financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2016. Our conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2017 contains the explanations which the Parent's directors consider appropriate about the significant events that took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required under Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2017. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Repsol, S.A. and Subsidiaries.

Other Matters

This report was prepared at the request of the Company's directors in relation to the publication of the half-yearly financial report required by Article 119 of the Consolidated Spanish Securities Market Law, approved by Legislative Royal Decree 4/2015, of 23 October, and implemented by Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.



Javier Ares San Miguel

26 July 2017

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the first half of 2017



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

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Repsol, S.A. and investees comprising the Repsol Group
Consolidated balance sheet at June 30, 2017 and December 31, 2016

ASSETS	Note	Million euros	
		06/30/2017	12/31/2016
Intangible assets:		4,769	5,109
a) Goodwill		2,906	3,115
b) Other intangible assets		1,863	1,994
Property, plant and equipment	4.1	25,384	27,297
Investment properties		66	66
Investments accounted for using the equity method	4.2	9,553	10,176
Non-current financial assets	4.4	1,193	1,204
Deferred tax assets		4,433	4,746
Other non-current assets		247	323
NON-CURRENT ASSETS		45,645	48,921
Non-current assets held for sale	4.3	123	144
Inventories		3,219	3,605
Trade and other receivables		5,816	5,885
a) Trade receivables		2,955	3,111
b) Other receivables		1,752	1,785
c) Income tax assets		1,109	989
Other current assets		224	327
Other current financial assets	4.4	1,231	1,280
Cash and cash equivalents	4.4	4,717	4,687
CURRENT ASSETS		15,330	15,928
TOTAL ASSETS		60,975	64,849
LIABILITIES AND EQUITY	Note	Million euros	
NET EQUITY			
Capital		1,527	1,496
Share premium and reserves		25,732	24,232
Treasury shares and own equity instruments		(37)	(1)
Net income for the period attributable to equity holders of the parent		1,056	1,736
Other equity instruments		1,005	1,024
EQUITY		29,283	28,487
Items that can be reclassified to profit/(loss) for the period		649	2,380
Financial assets available for sale		8	6
Hedge transactions		(168)	(171)
Translation differences		809	2,545
OTHER ACCUMULATED COMPREHENSIVE INCOME		649	2,380
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT AND OTHER HOLDERS OF EQUITY INSTRUMENTS		29,932	30,867
MINORITY INTERESTS		251	244
TOTAL EQUITY	4.5	30,183	31,111
Grants		3	4
Non-current provisions		5,540	6,127
Non-current financial liabilities	4.4	8,639	9,482
Deferred tax liabilities		1,186	1,379
Other non-current liabilities		1,869	2,009
NON-CURRENT LIABILITIES		17,237	19,001
Liabilities linked to non-current assets held for sale		138	146
Current provisions		626	872
Current financial liabilities	4.4	6,809	6,909
Trade payables and other payables:		5,982	6,810
a) Trade payables		2,045	2,128
b) Other payables		3,640	4,365
c) Current income tax liabilities		297	317
CURRENT LIABILITIES		13,555	14,737
TOTAL EQUITY AND LIABILITIES		60,975	64,849

Notes 1 to 5 are an integral part of this consolidated balance sheet at June 30, 2017.

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

Consolidated income statement corresponding to the second quarter of 2017 (Q2 2017) and 2016 (Q2 2016) and the interim periods ending June 30, 2017 and 2016

		Million euros			
	Note	Q2 2017	Q2 2016	06/30/2017	06/30/2016
Sales		10,081	8,058	20,105	15,695
Services rendered and other income		101	34	198	64
Changes in inventories of finished goods and work in progress inventories		(112)	241	31	323
Reversal of provisions and gains on disposals of non-current assets	4.8	216	277	409	357
Other operating income		285	113	501	452
OPERATING REVENUE	4.7	10,571	8,723	21,244	16,891
Supplies		(7,560)	(5,448)	(14,794)	(10,766)
Personnel expenses		(502)	(926)	(962)	(1,468)
Other operating expenses		(1,277)	(1,396)	(2,577)	(2,768)
Depreciation and amortization of non-current assets		(790)	(583)	(1,389)	(1,158)
Impairment losses recognized and losses on disposal of non-current assets	4.8	(29)	(34)	(265)	(53)
OPERATING EXPENSES	4.7	(10,158)	(8,387)	(19,987)	(16,213)
OPERATING INCOME		413	336	1,257	678
Finance income		45	49	89	93
Finance expenses		(155)	(183)	(318)	(365)
Change in fair value of financial instruments		4	(22)	38	(35)
Exchange gains (losses)		40	19	5	62
Impairment and gains (losses) on disposal of financial instruments		1	(1)	1	49
FINANCIAL RESULT		(65)	(138)	(185)	(196)
Share of results of companies accounted for using the equity method after taxes	4.2	83	53	223	212
INCOME BEFORE TAX		431	251	1,295	694
Income tax	4.6	(60)	(32)	(226)	(34)
NET INCOME FOR THE PERIOD		371	219	1,069	660
Net income attributable to minority interests		(4)	(14)	(13)	(21)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	3.1	367	205	1,056	639
EARNINGS PER SHARE ATTRIBUTABLE TO THE PARENT	4.9	Euros	Euros	Euros	Euros
Base		0.24	0.13	0.68	0.41
Diluted		0.24	0.13	0.68	0.41

Notes 1 to 5 are an integral part of this consolidated income statement at June 30, 2017.

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Repsol, S.A. and investees comprising the Repsol Group
Consolidated statement of recognized income and expenses corresponding to the second quarter of 2017 (Q2 2017) and 2016 (Q2 2016)
and the interim period ending June 30, 2017 and 2016

	Million euros			
	Q2 2017	Q2 2016	06/30/2017	06/30/2016
CONSOLIDATED NET INCOME FOR THE PERIOD (from the consolidated income statement)	371	219	1,069	660
OTHER COMPREHENSIVE INCOME (Items that cannot be reclassified to profit/(loss) for the period)				
From actuarial gains and losses	(6)	-	(7)	-
Share of other comprehensive income recognized by investees accounted for using the equity method	4	(1)	4	(3)
Tax effect	-	-	-	(5)
TOTAL	(2)	(1)	(3)	(8)
OTHER COMPREHENSIVE INCOME (Items that can be reclassified to profit/(loss) for the period)				
Financial assets available for sale:	(1)	-	-	-
Measurement gains/(losses)	(1)	-	-	-
Amounts transferred to the income statement	-	-	-	-
Cash flow hedges:	-	-	9	(15)
Measurement gains/(losses)	(6)	(20)	(6)	(41)
Amounts transferred to the income statement	6	20	15	26
Translation differences:	(1,390)	502	(1,606)	(361)
Measurement gains/losses	(1,354)	514	(1,570)	(346)
Amounts transferred to the income statement	(36)	(12)	(36)	(15)
Share of other comprehensive income recognized by investees accounted for using the equity method:	(97)	98	(99)	57
Measurement gains/losses	(97)	94	(99)	50
Amounts transferred to the income statement	-	4	-	7
Tax effect	(29)	(25)	(41)	(28)
TOTAL	(1,517)	575	(1,737)	(347)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(1,148)	793	(671)	305
a) Attributable to the parent	(1,147)	777	(678)	285
b) Attributable to minority interests	(1)	16	7	20

Notes 1 to 5 are an integral part of this consolidated statement of recognized income and expenses at June 30, 2017.

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

Consolidated statement of changes in equity corresponding to the interim periods ending June 30, 2017 and 2016

Million euros	Equity attributable to equity holders of the parent company								
	Capital and reserves								
	Capital	Share premium and reserves	Treasury shares	Net income attributable to the parent	Other equity instruments	Other accumulated comprehensive income	Total equity attributable to the parent	Minority interests	Total equity
Adjusted opening balance	1,442	26,030	(248)	(1,398)	1,017	1,691	28,534	228	28,762
Total recognized gains/(losses)	-	(8)	-	639	-	(346)	285	20	305
Transactions with partners or owners									
Increase/(decrease) of capital	24	(24)	-	-	-	-	-	-	-
Dividend payments	-	-	-	-	-	-	-	(4)	(4)
Treasury share transactions (net)	-	-	(60)	-	-	-	(60)	-	(60)
Increases/(Reductions) due to changes in scope	-	-	-	-	-	-	-	(21)	(21)
Other transactions with partners or owners	-	(144)	-	-	-	-	(144)	-	(144)
Other changes in equity									
Transfers between equity accounts	-	(1,398)	-	1,398	-	-	-	-	-
Perpetual subordinated bond issues	-	(15)	-	-	(12)	-	(27)	-	(27)
Other changes	-	2	-	-	-	2	4	1	5
Closing balance at 06/30/2016	1,466	24,443	(308)	639	1,005	1,347	28,592	224	28,816
Total recognized gains/(losses)	-	(3)	-	1,097	-	1,034	2,128	26	2,154
Transactions with partners or owners									
Increase/(decrease) of capital	30	(30)	-	-	-	-	-	-	-
Dividend payments	-	-	-	-	-	-	-	(5)	(5)
Treasury share transactions (net)	-	(61)	307	-	-	-	246	-	246
Increases/(Reductions) due to changes in scope	-	-	-	-	-	-	-	-	-
Other transactions with partners or owners	-	(99)	-	-	-	-	(99)	-	(99)
Other changes in equity									
Transfers between equity accounts	-	-	-	-	-	-	-	-	-
Perpetual subordinated bond issues	-	(14)	-	-	19	-	5	-	5
Other changes	-	(4)	-	-	-	(1)	(5)	(1)	(6)
Closing balance at 12/31/2016	1,496	24,232	(1)	1,736	1,024	2,380	30,867	244	31,111
Total recognized gains/(losses)	-	(3)	-	1,056	-	(1,731)	(678)	7	(671)
Transactions with partners or owners									
Increase/(decrease) of capital	31	(31)	-	-	-	-	-	-	-
Dividend payments	-	-	-	-	-	-	-	-	-
Treasury share transactions (net)	-	1	(36)	-	-	-	(35)	-	(35)
Increases/(Reductions) due to changes in scope	-	-	-	-	-	-	-	-	-
Other transactions with partners or owners	-	(189)	-	-	-	-	(189)	-	(189)
Other changes in equity									
Transfers between equity accounts	-	1,736	-	(1,736)	-	-	-	-	-
Perpetual subordinated bond issues	-	(15)	-	-	(19)	-	(34)	-	(34)
Other changes	-	1	-	-	-	-	1	-	1
Closing balance at 06/30/2017	1,527	25,732	(37)	1,056	1,005	649	29,932	251	30,183

Notes 1 a 5 are an integral part of this consolidated statement of changes in equity at June 30, 2017.

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Repsol, S.A. and investees comprising the Repsol Group
Consolidated cash flow statement corresponding to the second quarter of 2017 (Q2 2017) and 2016 (Q2 2016) and the interim periods ending June 30, 2017 and 2016

	Million euros			
	Q2 2017	Q2 2016	06/30/2017	06/30/2016
Net income before tax	431	251	1,295	694
Adjustments to net income:	571	905	1,166	1,302
Depreciation and amortization of non-current assets	790	583	1,389	1,158
Other adjustments to income (net)	(219)	322	(223)	144
Changes in working capital	569	(319)	10	(520)
Other cash flow from operating activities:	(168)	(138)	(389)	125
Dividends received	207	182	215	306
Income tax received/(paid)	(226)	(115)	(341)	136
Other proceeds from/(payments for) operating activities	(149)	(205)	(263)	(317)
Cash flow from operating activities	1,403	699	2,082	1,601
Payments for investing activities:	(584)	(803)	(1,136)	(1,582)
Group companies and associates	(86)	(301)	(135)	(472)
Property, plant and equipment, intangible assets and investment property	(477)	(489)	(883)	(1,001)
Other financial assets	(21)	(13)	(118)	(109)
Proceeds from divestments	10	677	22	841
Group companies and associates	-	578	(18)	665
Property, plant and equipment, intangible assets and investment property	8	91	37	167
Other financial assets	2	8	3	9
Other cash flow	(4)	(1)	(4)	(1)
Cash flow from investing activities	(578)	(127)	(1,118)	(742)
Proceed from/(payments for) equity instruments:	(18)	(42)	(183)	(49)
Issues	-	-	-	-
Acquisition	(23)	(46)	(190)	(53)
Disposal	5	4	7	4
Proceeds from/ (payments for) financial liabilities:	301	(646)	(290)	(274)
Issues	2,981	2,661	6,155	7,120
Return and redemption	(2,680)	(3,307)	(6,445)	(7,394)
Payments for dividends and remuneration on other equity instruments:	(5)	-	(143)	(271)
Other cash flow from financing activities:	(82)	(173)	(291)	(482)
Interest payments	(109)	(109)	(341)	(396)
Other proceeds from/ (payments for) financing activities	27	(64)	50	(86)
Cash flow from financing activities	196	(861)	(907)	(1,076)
Effect of changes in exchange rates	(26)	6	(27)	(6)
Net increase/ (decrease) in cash and cash equivalents	995	(283)	30	(223)
Cash and cash equivalents at the beginning of the period	3,722	2,508	4,687	2,448
Cash and cash equivalents at the end of the period	4,717	2,225	4,717	2,225
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	Q2 2017	Q2 2016	06/30/2017	06/30/2016
Cash at bank and in hand	4,196	1,825	4,196	1,825
Other financial assets	521	400	521	400
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4,717	2,225	4,717	2,225

Notes 1 a 5 are an integral part of this consolidated cash flow statement at June 30, 2017.

NOTES TO THE FINANCIAL STATEMENTS

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(1) GENERAL INFORMATION

1.1 About the interim condensed consolidated financial statements

The accompanying interim condensed consolidated financial statements of Repsol, S.A. and its investees, comprising the Repsol Group entities, present fairly the Group's equity and financial position at June 30, 2017, as well as the Group's earnings performance, the changes in the consolidated equity and the consolidated cash flows for the six-month interim period then ended.

These interim condensed consolidated financial statements were approved by the Board of Directors of Repsol S.A. at a meeting held on July 26, 2017.

1.2 About the Repsol Group

Repsol constitutes an integrated group of oil and gas (hereinafter "Repsol", "Repsol Group" or "Group") which commenced its operations in 1987.

The Repsol Group is engaged in all the activities relating to the oil and gas industry, including exploration, development and production of crude oil and natural gas, transportation of oil products, liquefied petroleum gas (LPG) and natural gas, refining, the production of a wide range of oil products and the marketing of oil products, oil byproducts, petrochemicals products, LPG, natural gas and liquefied natural gas (LNG).

The Repsol Group prepares its consolidated financial statements including the investments in all of its subsidiaries, associates and joint arrangements. Appendix I of the consolidated financial statements for the financial year 2016 details the main companies comprising the Repsol Group, which were included in the consolidation scope at said date. Appendix I of these interim condensed consolidated financial statements details the main changes in the Group's composition that occurred during the first six months of 2017.

The activities of Repsol, S.A. and subsidiaries are subject to extensive regulation, the key aspects of which are set out in Appendix IV of the consolidated financial statements at December 31, 2016. Appendix II sets out the main changes during the first six months of 2017.

(2) BASIS OF PRESENTATION

2.1 General principles

The accompanying interim financial statements are expressed in millions of euros (except where otherwise indicated) and have been prepared based on the accounting records of the Group entities in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS-EU) at June 30, 2017, specifically in accordance with the requirements established in International Accounting Standard (IAS) 34 "*Interim Financial Reporting*", in addition to other applicable regulatory provisions.

In accordance with IAS 34, these interim condensed consolidated financial statements are only intended to provide an update on the latest approved annual financial statements, focusing on new activities, events, and circumstances occurring during the first six months of the year; they do not, accordingly, duplicate information already disclosed in the prior-year annual consolidated financial statements. For an appropriate understanding of the information provided in these interim financial statements, and given that they do not include information required for the preparation of a complete set of financial statements in accordance with IFRS-EU, they should be read in

conjunction with the Repsol Group's consolidated financial statements for the year ended December 31, 2016, which were ratified at Repsol, S.A.'s Annual General Meeting on May 19, 2017.

2.2 Comparative information

As required under prevailing accounting standards, the earnings per share figures for the second quarter and the first six months of 2016 have been restated in order to factor into the calculation the average number of shares outstanding in the wake of the capital increases carried out as part of the shareholder remuneration scheme known as the “*Repsol Flexible Dividend*” Program. This scheme is detailed in Note 4.5 “*Equity*”.

2.3 Standards applicable to financial information

The regulations applicable to the preparation of these financial statements have not undergone any changes compared to those applied to the consolidated financial statements at December 31, 2016. In this regard, the following regulatory changes are yet to be adopted by the European Union (EU), which, once adopted, shall apply from January 1, 2017:

- Amendments to IAS 12 *Recognition of deferred tax assets for unrealized losses*.
- Amendments to IAS 7 *Disclosure initiative*.
- Annual Improvements to IFRSs, *2014-2016 Cycle*¹.

The Group estimates that these accounting standard updates will not have any significant impact on the consolidated financial statements other than, as applicable, certain requirements for additional information.

With regard to the standards that have been issued by the IASB and endorsed by the European Union and which will be mandatory in 2018, the main impact of these will be as follows:

- IFRS 9 *Financial instruments*: the accounting effects identified in terms of the first application will be recognized in reserves and they will primarily consist of the effects of application of the new impairment model of financial assets based on "expected loss". Application of the expected loss model under IFRS 9 *Financial instruments*, in contrast to that prescribed by the current IAS 39, would entail the early recognition of expected credit losses from as soon as a financial instrument is recognized for the first time even in the absence of any indication of impairment. As to subsequent application, depending on the transactions concluded in the future, the main effects that might arise from application of IFRS 9 would be: i) the recognition of a provision for credit risk based on the "expected loss" model upon recognition on the balance sheet of a financial asset or a financial guarantee; ii) wider flexibility in the accounting treatment of hedges; and iii) the option to measure at fair value through profit or loss those commodity purchase and sale commitments within the Group's normal course of business which would otherwise create an accounting asymmetry with the related derivative financial instruments. In addition, the Standard includes new criteria for classification and measurement of financial assets based on the contractual characteristics of the instruments and on the entity's management model. The Group is currently assessing the date and the impacts deriving from the first application.

¹ Includes Amendments to IFRS 12 *Disclosure of interests in other entities*.

- IFRS 15 *Revenue from contracts with customers*: as of the reporting date the Group has not identified any potential material impact on its financial statements regarding: (i) changes in transactions within the scope of the new Standard with respect to the current Standard; (ii) the identification of "performance obligations" (obligations to transfer goods or services in contracts with customers) other than those already identified that might lead to their separation for the purposes of income recognition and measurement; (iii) accrual for accounting purposes or temporary attribution of income. The only significant change is that the Standard requires new disclosures.

During the first half of 2017, new regulatory standards that shall apply on a mandatory basis in the future have been issued pending adoption by the European Union.

- Interpretation of IFRIC 23 *Uncertainty over Handling Income Tax Treatments* (mandatory application in 2019).
- IFRS 17 *Insurance contracts* (mandatory application in 2021).

The Group is assessing the impact that the aforementioned regulatory developments may have on the consolidated financial statements.

2.4 Changes in estimates and accounting judgments

The preparation of these interim financial statements requires the use of judgments and estimates that affect the measurement of recognized assets and liabilities, the presentation of contingent assets and liabilities and the income and expense recognized during the period. Actual results may differ significantly from these estimates.

These estimates are made based on the best information available, as described in Note 3 "Accounting estimates and judgments" of the consolidated financial statements for the financial year 2016. The methodology used to calculate the estimates made at year-end 2016 has not changed significantly in the first six months of 2017.

2.5 Seasonality

Of Group activities, the liquefied petroleum gas (LPG) and natural gas businesses involve the highest degree of seasonality due to their dependence on climate conditions, with increased activity during winter and decreased activity during summer in the northern hemisphere.

2.6 Information by business segment

Definition of segments

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

The definition of the Repsol Group's business segments is based on the delimitation of the different activities performed and from which the Group earns revenue or incurs expenses, as well as on the organizational structure approved by the Board of Directors for business management. Using these segments as a reference point, Repsol's management team (the Corporate, E&P and Downstream Executive Committees) analyzes the main operating and financial indicators in order to make decisions about segment resource allocation and to assess how the Company is performing. In 2016, following the sale of 10% of Gas Natural SDG, S.A. and the discharge of the shareholders' agreement with La Caixa on September 21, 2016, Gas Natural Fenosa lost its status as an operating

segment. From that moment onward, the remaining shareholding in Gas Natural SDG, S.A. is included within “Corporation and other”.

The operating segments of the Group are:

- *Upstream*, relating to exploration and development of crude oil and natural gas reserves and;
- *Downstream*, relating, 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) the commercialization, transport and regasification of natural gas and liquefied natural gas (LNG).

Finally, *Corporation and others* includes activities not attributable to the aforementioned businesses, specifically: corporate expenses, net finance costs, earnings and other metrics related to the remaining interest in Gas Natural SDG,S.A.¹ and inter-segment consolidation adjustments.

The Group has not aggregated any operating segments for presentation purposes.

Presentation of segment results

In presenting the results of its operating segments Repsol includes the results of its joint ventures² and other companies managed as such³ in accordance with the Group's ownership interest, considering its operational and economic metrics in the same manner and with the same detail as for fully consolidated companies. Thus, the Group considers that the nature of its businesses and the way in which results are analyzed for decision-making purposes is adequately reflected.

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

The Current Cost of Supply (CCS) is commonly used in this industry to present the results of *Downstream* businesses which must work with huge inventories subject to continual price fluctuations. It is not a commonly-accepted European accounting regulation, yet it does enable comparability with other sector companies and the monitoring of businesses independently of the impact of price variations on their inventories. 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. Therefore, the adjusted net income does not include the Inventory effect. The inventory effect is presented separately, net of tax and minority interests, and reflects the difference between income according to the CCS method and that arrived at using the Weighted Average Cost approach, which is the method used by the Company to determine its earnings in accordance with European accounting regulations.

¹ It includes net income of the company according to the equity method. The other measures (EBITDA, free cash flow, etc.) only reflect the cash flows affecting the Group in its capacity as shareholder in Gas Natural SDG, S.A. (dividends, etc.).

² In the Group's reporting model, joint ventures are consolidated proportionally in accordance with the Group's percent holding. See Note 8 “*Investments accounted for using the equity method*” and Appendix I of the consolidated financial statements for the financial year 2016, which identifies the Group's main joint ventures.

³ It corresponds to Petrocarabobo, S.A. (Venezuela), an associated entity of the Group.

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Furthermore, adjusted net income does not include so-called Special items, i.e., certain material items whose separate presentation is considered appropriate in order to facilitate analysis of ordinary business performance. It includes gains/losses on disposals, personnel restructuring charges, asset impairment losses and provisions for contingencies and other significant charges. Special Items are presented separately, net of the tax effect and minority interests.

For each of the metrics identified by segments (adjusted net income, inventory effect, special items...), in Appendix IV the corresponding items and figures are indicated to facilitate reconciliation with the corresponding metrics prepared in accordance with EU-IFRS.

(3) SEGMENT RESULTS¹

3.1 Results

	Million euros			
	Q2 2017	Q2 2016	06/30/2017	06/30/2016
Upstream	115	46	339	63
Downstream	429	378	929	934
Corporation and others	(48)	(79)	(142)	(80)
ADJUSTED NET INCOME	496	345	1,126	917
Inventory effect	(144)	159	(60)	2
Special items	15	(299)	(10)	(280)
NET INCOME	367	205	1,056	639

Note: The explanation of the results for the six-month period ending June 30, 2017 is provided in section 4 of the 2017 Interim Management Report.

In the **second quarter of 2017**, net income for Repsol amounted to €367 million (+79% on same period of previous year), generated free cash flow of €23 million (+43% on 2Q of 2016) and reduced its net debt to €7,477 million (-36% from 2Q of 2016).

The second-quarter 2017 results, compared to the same period in 2016, occur in a more favorable **environment**, marked by higher oil and gas prices (a 9% increase in Brent prices and a 60% increase in the Henry Hub), the improved international environment in the Chemicals business and solid refining margin indicators (above \$6/bbl).

Adjusted net income in the quarter amounted to €496 million, up 44% on the second quarter of the previous year, with a notable improvement in all business segments: in *Upstream* (+150%) given the improvement in realization prices and the Libyan contribution and in the *Downstream* segment (+13%), given the better results of both industrial businesses and Marketing and of *Gas & Power* activities in North America and, finally in *Corporation and other* (+39%), due to lower corporate costs, the positive impact of exchange rate trends and lower debt costs.

Upstream

Average production in the second quarter was 677 Kboe/d, down 3% on the same period in 2016. The drop in demand for gas exports to the Brazilian market in Bolivia, the natural decline of US fields and the drop in production corresponding to the assets sold in Indonesia have been offset, in

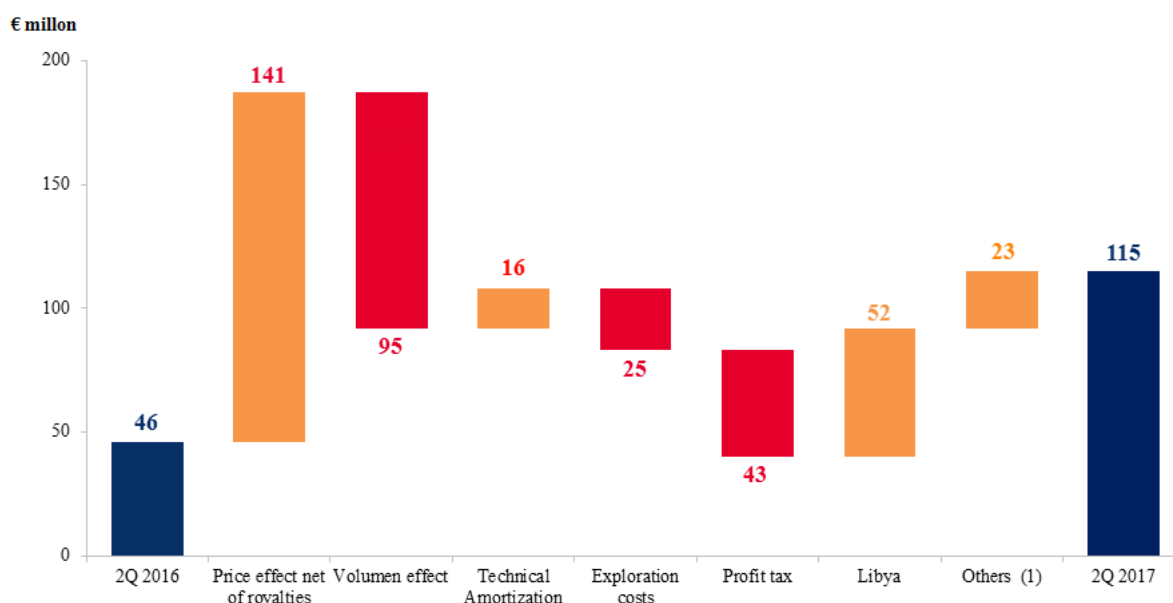
¹ All the information presented in this Note has been prepared using the Group's reporting model (see Note 2.6), unless expressly indicated otherwise, and is reconciled with IFRS-EU financial statements in Appendix IV. Some of these metrics are Alternative Performance Measures (APMs) in accordance with ESMA guidelines (for further information, see Appendix I of the Consolidated Management Report for the first half of 2017 at <https://www.repsol.es>)

the large part, with the resumed production in Libya and the increase in Brazil due to the starting of production in Lapa and the new wells in Sapinhoá.

In terms of **exploration activity**, five exploratory wells and one appraisal well were completed during the reporting period. The findings in three instances have been positive (two exploratory and one appraisal well) and in three instances, they have been negative (exploratory). The discovery important of the Savannah and Macadamia wells in Trinidad and Tobago is worth special mention (for further information, see section 5.1 *Upstream* of the interim management report for the first half of 2017).

Upstream adjusted net income amounted to €15 million, well up on the same period in the previous year (€46 million). This improvement can be attributed to the increase in crude oil realization prices and, in particular, gas prices, in addition to the reduction in recurring operating costs and lower amortization. The higher income has been offset in part by lower volumes sold – despite the contribution of Libya and Brazil - higher taxes and exploration expenses (dry well Siluro in Colombia stands out).

Upstream adjusted net income variation Q2 2017 vs Q2 2016



(1) Includes general administration costs, and the effect of the exchange rate and others.

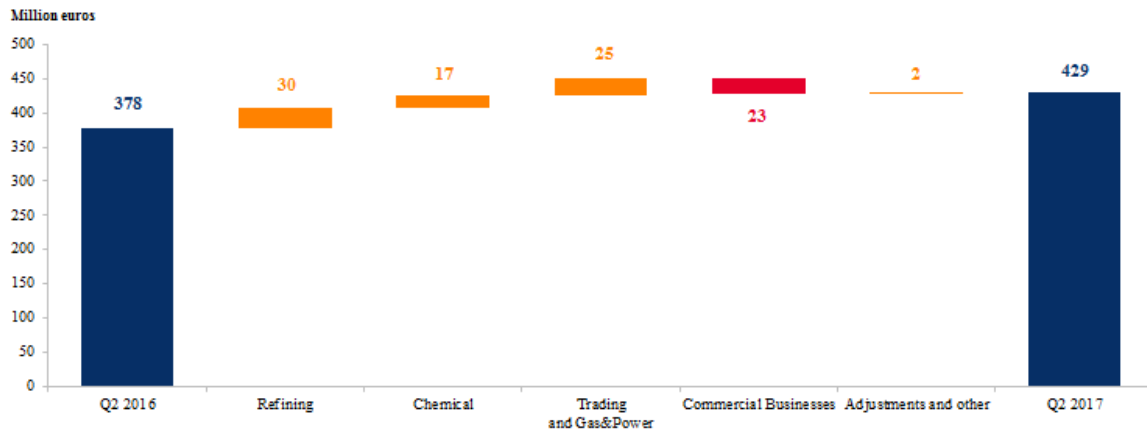
Upstream EBITDA amounted to €745 million, up 41% on the same period of the previous year, driven by the improvement in operating results.

Net investment of the period (€466 million), were 21% down year-on-year.

Downstream

Adjusted net income in the second quarter of 2017 amounted to €429 million, 13% up year-on-year.

Downstream adjusted net income variation Q2 2017 vs Q2 2016



The improved result can be explained as follows:

- Refining results have improved on account of the increase in sales, driven by the high utilization levels at plants (despite multi-annual maintenance downtime at industrial complexes) and the positive exchange rate effect as a result of the strengthening of the dollar, which has offset the slight decrease in margins.
- Better income from higher margins have been recorded in the Chemicals business, driven by the improvement in the international environment; despite the increase in naphtha prices, the prices of basic chemical and derivative products have increased as a result of an increase in demand. On the other hand, there has been a drop in sales due to plant maintenance.
- Improved results in Trading and the recovery of the *Gas & Power* business in North America, supported by the increase in volumes sold and the reduction in transport costs and amortizations.
- In Commercial businesses, the better results of Marketing in Spain and Portugal – driven by increasing sales and the lower fixed cost of service stations – has been offset by the lower income of the LPG business, which included public compensation recognized in 2016 due to the application of the formula for maximum retail prices for regulated bottled LPG in 2009 and 2010.

Downstream EBITDA totaled €557 million, compared to the €14 million recorded in the second half of 2016.

Corporation and other

Adjusted net income totaled -€48 million, (compared to the -€79 million recorded in the second quarter of 2016). The improvement can be attributed to lower corporation costs and the improvement of the financial result due to lower debt interest, and the gains from dollar positions

linked to exchange rate trends. The improvement has been partially offset by the decrease in income contributed by Gas Natural Fenosa (following the reduction of the shareholding in 2016).

The **inventory effect** amounted to -€144 million following the drop in crude prices in the second quarter.

In **special items**, amounting to €15 million, a highlight was the reversal of environmental provisions in Peru and workforce restructuring, mainly in terms of the management team cutbacks.

<i>Million euros</i>	Upstream		Downstream		Corporation		TOTAL	
	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016
Divestments	3	(10)	1	201	1	-	5	191
Workforce restructuring charges	(9)	(37)	(4)	(129)	(21)	(150)	(34)	(316)
Impairment	2	(9)	-	-	-	-	2	(9)
Provisions and other	57	(116)	6	(12)	(21)	(37)	42	(165)
TOTAL	53	(172)	3	60	(41)	(187)	15	(299)

As a result of the foregoing, **net income** for the second quarter amounted to €367 million, up 79% on the same period in 2016.

EBITDA for the period came to €1,264 million, down 9% year-on-year. The noteworthy performance of all business segments was offset by the negative inventory effect in the period.

Free cash flow in the second quarter of 2017 came to €23 million, up on the €74 million recorded in the second quarter of 2016. The decrease in investments and working capital improvement made it possible to mitigate the reduction in EBITDA, higher tax costs and the absence of divestments in the period.

	Q2 2017	Q2 2016
EBITDA	1,264	1,390
Changes in working capital	488	(374)
Dividends received	137	180
Income tax receipts/(payments)	(251)	(150)
Other receipts/(payments) of operating activities	(180)	(217)
I. CASH FLOW FROM OPERATING ACTIVITIES	1,458	829
Payments on investments	(654)	(803)
Proceeds from divestments	19	548
II. CASH FLOW FROM INVESTMENT ACTIVITIES	(635)	(255)
FREE CASH FLOW (I+II)	823	574
Dividend payments and remuneration from other equity instruments	(5)	-
Net interests	(112)	(111)
Treasury shares	(18)	(42)
CASH GENERATED DURING THE PERIOD	688	421

Net debt at June 30, 2017 amounted to €7,477 million, significantly inferior to that at the same date last year, €11,709 million, due to the improvement in the cash flow generated by the businesses over the period, discipline in investments and the lower costs of borrowing. During the quarter, net debt decreased by €68 million.

Group's **liquidity**, including committed and undrawn credit facilities, stood at €7,756 million euros at June 30, 2017, which is enough to cover its short-term debt maturities by a factor of 1.91. The Repsol Group had unused credit lines amounting to €2,814 and €4,429 million at June 30, 2017 and December 31, 2016, respectively.

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3.2 Information by geographical area

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

Million euros	Second quarter 2017 and 2016					
	Revenue ⁽¹⁾		Adjusted net income ⁽¹⁾		Net operating investments ⁽¹⁾	
	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016
Upstream	1,499	1,225	115	46	466	643
Europe, Africa and Brazil	503	329	59	34	86	182
Latin America - Caribbean	462	430	53	107	128	215
North America	306	241	(15)	(46)	102	25
Asia and Russia	228	225	21	13	87	85
Exploration and other	-	-	(3)	(62)	63	136
Downstream	9,637	7,528	429	378	154	(344)
Europe	8,847	7,122	437	412	108	(189)
Rest of World	1,489	817	(8)	(34)	46	(155)
Adjustments	(699)	(411)	-	-	-	-
Corporation and other	(390)	(257)	(48)	(79)	10	30
TOTAL	10,746	8,496	496	345	630	329

⁽¹⁾ For the reconciliation of these figures with the IFRS-EU disclosures, see Appendix IV and Appendix I of the 2017 interim management report.

Million euros	First half 2017 and 2016							
	Revenue ⁽¹⁾		Adjusted net income ⁽¹⁾		Net operating investments ⁽¹⁾		Capital employed ⁽¹⁾	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Upstream	3,097	2,309	339	63	921	1,281	22,592	23,804
Europe, Africa and Brazil	1,059	586	141	58	177	295	-	-
Latin America - Caribbean	882	804	159	172	290	404	-	-
North America	642	466	(25)	(114)	217	194	-	-
Asia and Russia	514	453	74	19	133	107	-	-
Exploration and other	-	-	(10)	(72)	104	281	-	-
Downstream	19,094	14,638	929	934	245	(258)	9,294	9,380
Europe	17,659	13,486	883	940	185	(137)	-	-
Rest of World	2,996	1,941	46	(6)	60	(121)	-	-
Adjustments	(1,561)	(789)	-	-	-	-	-	-
Corporation and other	(800)	(402)	(142)	(80)	8	15	5,774	7,347
TOTAL	21,391	16,545	1,126	917	1,174	1,038	37,660	40,531

⁽¹⁾ For the reconciliation of these figures with the IFRS-EU disclosures, see Appendix IV and Appendix I of the 2017 interim management report.

(4) OTHER INFORMATION

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

4.1 Assets

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

Investment commitments

On April 17, the "Field Development Plan" (FDP) of the project for the development and start of production of the Ca Rong Do (CRD) offshore discovery in Vietnam block 07/03 was approved by the corresponding authorities. Subsequently, on April 26, Repsol and its partners in the project signed the "Final Investment Decision" (FID), launching the development phase of the project which is expected to begin production in late 2019. Net investment required from Repsol has been estimated at \$627 million.

Repsol and its partner Pertamina have reached an agreement with Sonatrach, the Algerian national company, to commence Phase IV of the development project of block 405a in the MLN field of Algeria. The project will attain production of approximately 30,000 barrels of oil per day and will require an estimated net investment by Repsol of \$110 million.

4.2 Investments accounted for using the equity method

Repsol accounts using the equity method all investments and results in joint ventures and associated companies in which it participates. Its investments in joint venture mainly correspond to Repsol Sinopec Brasil, S.A., YPFB Andina, S.A., BPRY Caribbean Ventures, Llc., Petroquiriquire, S.A., Cardón IV, S.A. and Equion Energía, Ltd., and in associates mainly to Gas Natural SDG, S.A.

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

	Million euros			
	Carrying value of investment		Share of results ⁽¹⁾	
	06/30/2017	12/31/2016	06/30/2017	06/30/2016
Joint ventures	6,222	6,713	114	182
Associates	3,331	3,463	109	30
TOTAL	9,553	10,176	223	212

⁽¹⁾ Corresponds to the net income for the period from continuing and discontinued operations. Does not include "Other comprehensive income" of €608 million in 2017 (€496 million corresponding to joint ventures and €112 corresponding to associates) and €7 million in 2016 (€6 million corresponding to joint ventures and €1 million corresponding to associates).

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

	Million euros	
	2017	2016
Balance at January 1	10,176	11,797
Net investments	130	303
Changes in scope of consolidation	73	1
Share of results of companies accounted for using the equity method net of taxes	223	212
Dividends paid out	(378)	(190)
Translation differences	(599)	(71)
Reclassifications and other movements	(72)	(149)
Balance at June 30	9,553	11,903

4.3 Investments held for sale

In May, agreement with the Rubis group was reached for the sale of the piping facilities in mainland Portugal for the sum of €8 million. The agreement shall come into force on July 1; therefore, on the reporting date of these consolidated interim financial statements, these assets have been classified as held for sale for the net sum of €2 million.

4.4 Financial instruments

Financial assets

	Million euros	
	06/30/2017	12/31/2016
Non-current financial assets	1,193	1,204
Non-current derivatives on trading transaction ⁽¹⁾	1	-
Other current financial assets	1,231	1,280
Current derivatives on trading transactions ⁽²⁾	78	64
Cash and cash equivalents	4,717	4,687
Total financial assets	7,220	7,235

⁽¹⁾ Recorded in "Other non-current assets" on the consolidated balance sheet.

⁽²⁾ Recorded in "Other receivables" on the consolidated balance sheet.

Financial liabilities

	Millions of euros	
	06/30/2017	12/31/2016
Non-current financial liabilities	8,639	9,482
Current financial liabilities	6,809	6,909
Current derivatives on trading transactions ⁽¹⁾	54	282
Total financial liabilities	15,502	16,673

⁽¹⁾ Recorded in “*Other payables*” on the consolidated balance sheet.

For further information about the financial instruments recognized on the Group's balance sheet, classified into the various categories of financial assets and liabilities, see Appendix III. Below are the main updates for the various financial liabilities:

Bonds and other securities

The main issues, repayments or buybacks of bonds and other marketable securities carried out during the first six months of 2017 are the following:

- In February 2017, €886 million of 4.75% fixed annual bonds issued by Repsol International Finance, B.V. as part of the EMTN Program were repaid at maturity.
- In May 2017, Repsol International Finance, B.V. issued €500 million of 0.50% fixed annual bonds¹ underwritten by Repsol, S.A. and maturing in 2022, as part of the EMTN Program.
- On June 9, ROGCI announced the launch of a consent solicitation aimed at holders of its bonds in US dollars in order to amend certain terms and conditions of these issues, with the following main objectives: (i) replacing ROGCI information duties with the periodic financial information that Repsol publishes in compliance with its transparency duties; and (ii) rescinding the merger covenant for the purpose of optimizing the operating and financial flexibility of the Group.

ROGCI also offered investors the option of repurchasing their bonds.

Prior to the announcement of the transaction, Repsol, S.A. granted a guarantee of ROGCI's payment obligations as part of these issues; this guarantee shall remain in force until the maturity or cancellation of the bonds.

ROGCI has received the necessary number of consents from its bondholders to amend the terms and conditions of the issues in the proposed terms and repurchased bonds for a total of \$87 million.

¹This represents the first issue of a green bond by the Repsol Group, the funds of which are dedicated to refinancing and financing projects that seek to prevent the greenhouse gas emissions as part of refining and chemical activities in Spain and Portugal. For further information, consult the Green Bond Framework published at www.repsol.energy/es/.

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The balance of the issues of bonds and other securities at June 30 is as follows:

ISIN	Issuer	Issue date	Currency	Face value (million)	Average rate %	Maturity	Listed ⁽⁵⁾
US87425EAE32 ⁽³⁾	Repsol Oil & Gas Canada Inc.	oct-97	Dollar	50	7.250%	oct-27	-
XS0145515655	Repsol Oil & Gas Canada Inc.	apr-02	Pounds	250	6.625%	dec-17	LSE
US87425EAH62 ⁽³⁾	Repsol Oil & Gas Canada Inc.	may-05	Dollar	88	5.750%	may-35	-
US87425EAJ29 ⁽³⁾	Repsol Oil & Gas Canada Inc.	jan-06	Dollar	102	5.850%	feb-37	-
US87425EAK91 ⁽³⁾	Repsol Oil & Gas Canada Inc.	nov-06	Dollar	115	6.250%	feb-38	-
US87425EAL74 ⁽³⁾	Repsol Oil & Gas Canada Inc.	jun-09	Dollar	360	7.750%	jun-19	-
US87425EAM57 ⁽³⁾	Repsol Oil & Gas Canada Inc.	nov-10	Dollar	237	3.750%	feb-21	-
XS0733696495 ⁽¹⁾	Repsol International Finance, B.V.	jan-12	Euros	1,000	4.875%	feb-19	LuxSE
US87425EAN31 ⁽³⁾	Repsol Oil & Gas Canada Inc.	may-12	Dollar	57	5.500%	may-42	-
XS0831370613 ⁽¹⁾	Repsol International Finance, B.V.	sep-12	Euros	750	4.375%	feb-18	LuxSE
XS0933604943 ⁽¹⁾	Repsol International Finance, B.V.	may-13	Euros	1,200	2.625%	may-20	LuxSE
XS0975256685 ⁽¹⁾	Repsol International Finance, B.V.	oct-13	Euros	1,000	3.625%	oct-21	LuxSE
XS1148073205 ⁽¹⁾	Repsol International Finance, B.V.	dec-14	Euros	500	2.250%	dec-26	LuxSE
XS1207058733 ⁽²⁾	Repsol International Finance, B.V.	mar-15	Euros	1,000	4,500% ⁽⁴⁾	mar-75	LuxSE
XS1334225361 ⁽¹⁾	Repsol International Finance, B.V.	dec-15	Euros	600	2.125%	dec-20	LuxSE
XS1352121724 ⁽¹⁾	Repsol International Finance, B.V.	jan-16	Euros	100	5.375%	jan-31	LuxSE
XS1442286008 ⁽¹⁾	Repsol International Finance, B.V.	jul-16	Euros	600	Eur. 3M + 70 b.p.	jul-18	LuxSE
XS1451452954 ⁽¹⁾	Repsol International Finance, B.V.	jul-16	Euros	100	0.125%	jul-19	LuxSE
XS1613140489 ⁽¹⁾	Repsol International Finance, B.V.	may-17	Euros	500	0.500%	may-22	LuxSE

- (1) Issues made under RIF's EMTN Program, which is guaranteed by Repsol, S.A., as renewed in May 2017.
- (2) Subordinated bond issued by Repsol International Finance, B.V. and guaranteed by Repsol, S.A. This issue does not correspond to any open-ended or shelf program.
- (3) Issues undertaken by Repsol Oil&Gas Canada, Inc. guaranteed by Repsol, S.A., under the scope of its "*Universal Shelf Prospectus*" and "*Medium-Term Note Shelf Prospectus*" in the US and Canada, respectively. These issues are subject to the request for consent and repurchase option mentioned in this section.
- (4) Coupon scheduled for reset on March 25, 2025 and March 25, 2045.
- (5) LuxSE (Luxembourg Stock Exchange) and LSE (London Stock Exchange). Multilateral trading systems or other trading centers or non-official over-the-counter markets are not considered.

Furthermore, Repsol International Finance B.V. (RIF) runs a Euro Commercial Paper (ECP) Program, arranged on May 16, 2013 and updated on July 29, 2016, and guaranteed by Repsol, S.A., with a limit up to €2,000 million. Under this program, a number of issues and liquidations were carried out, with an outstanding balance at June 30, 2017 of €1,953 million.

4.5 Equity

	Million euros	
	06/30/2017	12/31/2016
Net equity	29,283	28,487
Issued share capital	1,527	1,496
Share premium and reserves	25,732	24,232
Share premium	6,428	6,428
Legal reserve	259	259
Retained earnings and other reserves	19,045	17,644
Dividends and remuneration	-	(99)
Treasury shares and own equity investments	(37)	(1)
Net income for the period attributable to the parent	1,056	1,736
Other equity instruments	1,005	1,024
Other accumulated comprehensive income	649	2,380
Minority interests	251	244
TOTAL EQUITY	30,183	31,111

Share capital

At the Annual General Meeting of May 19, 2017, the Company's shareholders approved two bonus share issues to execute the shareholder remuneration scheme named “*Repsol Flexible Dividend*”, in substitution of what would have been the traditional final dividend from 2016 profits and the interim dividend from 2017 earnings, under which shareholders can instead choose between receiving their remuneration in cash (by selling their bonus share rights in the market or back to the Company) or in Company shares. The first of these bonus share issues was executed between June and July. The main characteristics of this issue are detailed below:

		June/July 2017
REMUNERATION IN CASH	Shareholders that accepted the irrevocable purchase commitment ⁽¹⁾	29.58%
	Deadline for requesting sale of rights to Repsol at guaranteed price	June 23
	Fixed price guaranteed by right	€0.426 gross/right
	Gross value of rights acquired by Repsol	€189 million
REMUNERATION IN SHARES	Shareholders that chose to receive new Repsol shares	70.42%
	Number of rights required to allocate new share	34
	New shares issued	30,991,202
	Approximate increase in share capital	2.07%
	Capital increase end date	July 4

⁽¹⁾ Repsol has renounced the bonus share rights acquired by virtue of the purchase commitment and, by extension, the shares corresponding to those rights. The balance sheet at June 30, 2017 recognizes a reduction in equity in the line item “*Retained earnings and other reserves*” along with the obligation to pay the shareholders that had accepted Repsol's irrevocable purchase commitment.

Following the capital increase, the registered share capital of Repsol, S.A. amounted to €1,527,396,053 at June 30, represented by 1,527,396,053 shares with a nominal value of 1 euro each.

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

Significant shareholders	% of share capital
Fundación Bancaria Caixa d'Estalvis y Pensions de Barcelona ⁽¹⁾	9.6
Sacyr, S.A. ⁽²⁾	8.1
Temasek Holdings (Private) Limited ⁽³⁾	4.3
Blackrock, Inc. ⁽⁴⁾	3.0

⁽¹⁾ Fundació Bancaria Caixa d'Estalvis i Pensions de Barcelona holds its interest through CaixaBank, S.A.

⁽²⁾ Sacyr, S.A. retains its shareholding via Sacyr Securities, S.A.U, Sacyr Investments S.A.U. and Sacyr Investments II, S.A.U.

⁽³⁾ Temasek holds its investment through its subsidiary, Chembra Investment PTE, Ltd.

⁽⁴⁾ Blackrock, Inc. holds its shareholding through several funds and accounts managed by fund managers under its control. The information pertaining to Blackrock, Inc. is based on the declaration presented by the latter to the CNMV on January 15, 2016 regarding its shareholding as of that date.

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Treasury shares and own equity instruments

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

	No. of shares	Amount (€M)	% capital
Balance at 1 January	94,185	1	0.01%
Market purchases	13,250,637	187	0.87%
Market sales	(10,663,928)	(151)	0.70%
Employee Share Acquisition Plan ⁽¹⁾	279,352	4	0.02%
Loyalty Program	21,576	-	0.00%
Repsol Flexible Dividend	2,395	-	0.00%
Balance at 06/30/2017⁽²⁾	2,683,289	37	0.18%

⁽¹⁾ All of the shares acquired under the scope of the Share Acquisition Plan have been delivered to employees.

⁽²⁾ Between January and June, Repsol Tesorería y Gestión Financiera, S.A. has arranged equity swaps with financial entities for a total notional of 13 million shares of Repsol, S.A., under which the voting rights and economic risk intrinsic to the shares sold have been transferred; of the aforementioned amount, the swaps remain in place for a notional of 3 million shares on June 30.

Shareholder remuneration

The following table breaks down the dividend payments received by Repsol's shareholders during the six-month period ending on June 30, 2017, carried out under the "Repsol Flexible Dividend" program:

	No. free allocation rights sold to Repsol	Price of purchase commitment (€/right)	Amount paid out in cash (million euros)	New shares issued	Remuneration in shares (million euros)
December 2016/January 2017	296,735,539	0.335	99	30,760,751	392
June/July 2017	442,703,938	0.426	189	30,991,202	449

4.6 Tax situation

Income tax

For the calculation of corporate income tax in interim periods, the estimated effective annual tax rate is used. However, tax effects derived from occasional events or unique transactions undertaken during the period are fully taken into account.

The effective tax rate applicable to adjusted net income for the period has been estimated at 27%. This rate is higher compared to the same period of the previous year (-1%), mainly due to the increased income in *Upstream* businesses with high tax rates (Libya and Norway) and the impact on deferred taxes of the exchange rate of local currencies in countries in which the functional currency of some businesses is the dollar.

The effective tax rate applied to net income was 21%. This rate is higher compared to the first half of 2016 (7%), as explained in the preceding paragraph.

Administrative and legal proceedings with tax implications

The information herein updates the content of the administrative and legal proceedings with tax implications reported in Note 20 - “*Tax situation*” - of the 2016 consolidated financial statements in respect of the following countries:

Canada

In connection with the administrative proceedings undertaken by the Canada Revenue Agency (CRA), on the tax situation of Talisman Group companies resident in Canada for the years 2006-2010, a notice of reassessment was received resulting in adjustments to the 2006 tax return under several items. The company does not expect this claim to have a significant impact on the Group and has submitted the corresponding appeal as it believes incorrect some of the concepts adjusted.

Spain

With regard to litigation relating to penalties arising from inspection of income tax from 1998 to 2001 and from 2002 to 2005 in Spain, they have been annulled by the courts in almost all cases.

In the course of inspection of the years 2010 to 2013, consensual agreements were signed relating to corporate income tax (partial), VAT and withholdings on income tax, with no material impact on the financial statements. Nevertheless, the proceeding has not yet concluded, and other items are pending settlement in relation to corporate income tax.

East Timor

With respect to administrative proceedings by the authorities of East Timor on the deductibility of certain expenses in income tax by Repsol Oil & Gas Australia (JPDA 06-105) Pty Limited, the authorities have recently withdrawn their claims in this connection.

Brazil

With respect to the litigation of Repsol Sinopec Brasil arising from notices of infringement with respect to withholdings (in 2009 and 2011) in relation to payments to foreign companies for the chartering of exploration vessels and related services used at blocks BM S-48 and BM-C33 in which Repsol Sinopec Brasil is the operator, the company received an adverse tax assessment in the second federal administrative instance. The company continues considering that its actions are in line with widespread sector practice as well as compliant with the law; consequently it has filed a new appeal.

4.7 Operating revenues and expenses

Revenue¹ by geographic area is disclosed below:

Geographical area	Million euros	
	06/30/2017	06/30/2016
Spain	10,232	9,002
Rest of European Union	3,164	2,499
Rest of O.E.C.D.countries	2,977	1,755
Rest of the world	3,930	2,503
TOTAL	20,303	15,759

NOTE: See Note 3.2 “*Information by geographical area*” with additional information in accordance with the Group’s reporting model.

There has been a significant increase in revenue in the first half of 2017, largely attributable to the increase in “*Sales*” in both the *Downstream* segment, due to larger volumes of oil products sold compared to the same period of the previous year, and in the *Upstream* segment, due to the increase in prices of crude oil (Brent: +30%) and gas (Henry Hub: +61%).

“*Personnel expenses*” in 2017 includes the impact of the downsizing of the management team (see Note 3) and in 2016 includes workforce restructuring charges deriving from the collective redundancy program in Spain and in countries, and changes made to the management team.

4.8 Asset impairment

In the *Upstream* segment, net impairment losses were recognized for exploration assets in the Gulf of Mexico in the amount of €31 million, in accordance with the expected course of development plans in the area.

4.9 Earnings per share

Earnings per share at June 30, 2017 and 2016 are detailed below:

EARNINGS PER SHARE (EPS)	Q2 2017	Q2 2016	06/30/2017	06/30/2016
Net income attributable to the parent (millions of euros)	367	205	1,056	639
Adjustment for the interest expense of subordinated perpetual bonds (millions of euros)	(7)	(7)	(15)	(15)
Weighted average number of shares outstanding at June 30 (millions of shares) ⁽¹⁾	1,519	1,506	1,520	1,508
Basic/diluted EPS (€share)	0.24	0.13	0.68	0.41

⁽¹⁾ Share capital registered at June 30, 2016, amounted to 1,465,644,100 shares, though the weighted average number of shares in circulation for purposes of calculating EPS includes the effect of share capital increases carried out as part of the remuneration scheme for shareholders “*Repsol Flexible Dividend*”, in accordance with the applicable accounting standard (see Note 2.2 “*Comparison of information*”).

4.10 Geopolitical risks

The information in this section is provided by way of an update on the contents of Note 22.3 of the 2016 consolidated financial statements.

¹ Corresponds to the sum of “*Sales*” and “*Services rendered and other income*” of the income statement.

Venezuela

Repsol's exposure to Venezuela at June 30 amounts to approximately €2,181 million and mainly comprises dollar-denominated financing extended to the Venezuelan subsidiaries.

Exchange system

During the period, a reform was introduced in the exchange rate system that essentially replaced the SIMADI exchange rate mechanism with a new floating rate system called DICOM.

The operating mechanism of the DICOM system was established on May 19 by Foreign Exchange Agreement 38, which provides as follows: (i) Mixed Companies may sell dollars via the DICOM exchange market having obtained authorization from the executive branch; (ii) the DICOM exchange rate will be set by means of currency auctions within the system of fluctuation bands to be announced by the Central Bank of Venezuela.

In this new floating rate mechanism, the Venezuelan bolivar suffered a sharp devaluation in the period. The rate at December 31, 2016 was 674 Bs/\$, and at June 30, 2017, the DICOM rate was 2,640 Bs/\$.

This devaluation did not have a material impact on Repsol's financial statements.

Repsol maintains the dollar as the functional currency for the majority of its oil and gas exploration and production activities in Venezuela (carried out mainly through investments recognized by the equity method in Cardón IV, S.A., Empresa Mixta Petroquiriquire, S.A. and Empresa Mixta Petrocarabobo, S.A.). In companies whose functional currency is the bolivar (mainly Quiriquire Gas, S.A), Repsol uses the DICOM exchange rate for conversion of bolivars to euros for the preparation of the financial statements.

Inflation and socioeconomic situation

Inflation (the IMF forecasts 720% in 2017¹) and shortages of some basic products have caused difficulties in the country.

During the period, the State of Economic Emergency was extended, and the situation of political instability continues. Noteworthy is the convening of a National Constituent Assembly, to be held on July 30.

Libya

Political instability in the country continues, with no new government that is recognized by all parties having been formed.

On December 20, 2016, production in El Sharara (fields A, M and H) was reestablished. On January 4, 2017, production resumed in the I/R field in Libya (field shared between blocks NC-186 and NC-115) and, on May 9, in NC-186.

However, due to external factors, there has been intermittent downtime since the end of March. Average production in the second half of 2017 was 21.5 thousand barrels of oil equivalent/day (29.8 in June).

¹ Source: the IMF's *World Economic Outlook*, April 2017.

4.11 Legal contingencies

The information contained in this section updates the legal contingencies reported under Note 29 of the 2016 consolidated financial statements in the following countries.

United Kingdom

“Galley” pipeline lawsuit

In June 2017, the Court, at the proposal of the parties, approved the division of the procedure into two phases (liability and quantum, as applicable) and the holding of a preliminary hearing for matters to be addressed in the first phase in February 2018 over a period of approximately 10 days. The Court will establish the timeline for the evidence phase and other activities to prepare the preliminary hearings, in addition to other procedural issues.

United States of America

The Passaic River/Newark Bay lawsuit

The Presiding judge decided on April 5, 2016 to uphold all of the recommendations issued by the Special Master, thereby dismissing in full Occidental Chemical Corporation’s (OCC) suit against Repsol. His decision can be appealed. On June 16, 2016, the Special Master agreed to hear the Motion for Summary Judgment presented by Repsol with regard to its claim against OCC for the \$65 million paid as part of the settlement reached with the State of New Jersey. On January 30, 2017, OCC appealed against the recommendation of the Special Master. On June 17, 2016, Maxus filed for bankruptcy protection before the United States Bankruptcy Court for the District of Delaware, also seeking release from its main litigation liability, a petition the Court must rule on. As at the date of approval of these financial statements, the main lawsuit has been stayed following the appeal of the claim against OCC for the \$65 million.

4.12 Remuneration of Board members and personnel obligations¹

The information in this section is provided by way of an update on the contents of Note 27 and 28 of the 2016 consolidated financial statements.

Remuneration of Board members and executive officers

During the first half of 2017, a total of 19 people have been part of the Board of Directors and a total of 8 people have been members of the Corporate Executive Committee.

The table below details the remuneration accrued during the first half of 2017 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 duration, were members of the Corporate Executive Committee. Unless indicated otherwise, the compensation figures provided for “*executive officers*” do not include the compensation accrued in

¹ For reporting purposes in this section, Repsol considers “*executive officers*” to be the members of the Corporate Executive Committee. The aforementioned classification of “*executive officers*”, to mere informational purposes, does neither replace nor is configured as an interpreting element of other senior management concepts contained in the regulations applicable to the Company (as contained in Royal Decree 1382/1985), and it does not seek the creation, recognition, modification or termination of legal or contractual rights or obligations.

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their capacity as Directors of Repsol, S.A., as the director compensation disclosures for these individuals is included in the section on “*directors*” remuneration.

Directors ⁽¹⁾	Thousands of euros	
	06/30/2017	06/30/2016
Remuneration item:		
Fixed remuneration	1,320	1,182
Variable remuneration	1,811	1,615
By-laws stipulated remuneration	3,733	3,678
Others ⁽²⁾	194	171
Total remuneration received by directors	7,058	6,646
Total remuneration received by executives ⁽²⁾⁽³⁾	5,425	22,313

⁽¹⁾ The composition of members of the Board of Directors varied between 2017 and 2016.

⁽²⁾ Includes settlement of the fourth cycle of the Loyalty Plan and in-kind benefits received. In-kind benefits include the corresponding payments on account.

⁽³⁾ In 2016, it includes the amounts recognized as compensation for the termination of contracts and the covenant not to compete amounting to €13.8 million at June 30, 2016.

During the first half of 2017, the accrued cost of the retirement, disability, and death insurance policies for Board Members, including the corresponding tax payments on account, amounts to €42 thousand (€33 thousand in the first half of the previous year); and the contributions to pension plans and long-service bonuses amount to €25 thousand (€231 thousand for the same period in the previous year).

As for the Group's executives, the amount accrued during the first half of 2017 in respect of contributions to the pension plans offered to these individuals by the Group, contributions to savings plans and life and accident insurance premiums (including in the latter instance the corresponding payments on account) totaled €726 thousand (€857 thousand during the first semester of the previous period).

Share Purchase Plans by the Beneficiaries of the Multi-annual variable Remuneration Programs and Share Acquisition Plans

i.) "Share Purchase Plan by the Beneficiaries of the Multi-Annual variable Remuneration Program"

A total of 153 employees and executives took part in the seventh cycle of the Plan 2017-2020, having acquired a total of 135,047 shares on June 30, 2017, with an average price of €14.9955 per share. Consequently, the Group has committed to deliver a maximum of 44,964 shares as part of this seventh plan to those employees who fulfil the Plan requirements after the three-year vesting period ends.

During this seventh cycle, the current members of the Corporate Executive Committee have acquired a total of 51,482 shares.

In addition, the fourth cycle of the Plan vested on May 31, 2017. As a result, the rights of 160 beneficiaries to 28,288 shares vested (receiving a total of 21,576 shares net of the payment on account of the personal income tax to be made by the Company). In parallel, the rights of the members of the Corporate Executive Committee and the rest of the Executive Directors to 9,400 shares also vested (net of the withholding retained by the Company, these individuals received a total of 6,504 shares).

ii.) “Share Acquisition Plan”

During the first half of 2017, the Group has purchased 279,352 treasury shares for €3.98 million, to be delivered to Group employees. The members of the Corporate Executive Committee acquired a total of 2,947 shares in accordance with the plan terms and conditions in the six-month period.

The shares to be delivered under both schemes, i) and ii), may consist of directly or indirectly held treasury shares of Repsol, new issuance shares or shares acquired from third parties under agreements entered into to cover the delivery commitments assumed.

4.13 Other information

Annual General Meeting

The Annual General Meeting of Repsol, S.A., held on May 19, 2017, approved all proposals submitted by the Board of Directors, including:

- the reelection of Mr. Manuel Manrique Cecilia, Mr. Rene Dahan and Mr. Luis Suárez de Lezo Mantilla, as directors for a further 4-year term;
- the ratification of the appointment made by cooptation and reelection of Mr. Antonio Massanell Lavilla as a director for a further 4-year term;
- the appointment of the following individuals as independent external directors for a 4-year term: Ms. Maria Teresa Ballester Fornés, Ms. Isabel Torremocha Ferrezuelo and Mr. Mariano Marzo Carpio, replacing Mr. Javier Echenique Landiribar, Ms. María Isabel Gabarró Miquel and Mr. Henri Philippe Reichstul;
- the reelection of Deloitte, S.L. as the auditor of Repsol, S.A. and the Group for 2017, in addition to the appointment of PricewaterhouseCoopers Auditores, S.L. as the auditor of Repsol, S.A. and the Group for 2018, 2019 and 2020.

Average headcount

The average workforce at June 30, 2017 and 2016 was:

	6/30/2017	6/30/2016
Men	15,952	17,950
Women	8,564	8,964
Average headcount	24,516	26,914

(5) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

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APPENDIX I: GROUP COMPOSITION

The main companies comprising the Repsol Group are listed in Appendix I of the 2016 consolidated financial statements. The main changes in the scope of consolidation in the first six months of 2017 are as follows:

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

Name	Country	Parent company	Description	Date	06.30.2017		
					Method of consolidation (1)	% voting rights acquired	% total voting rights at the entity after the acquisition (2)
Repsol Exploración Aitolokamania, S.A.	Spain	Repsol Exploración, S.A.	Incorporation	Feb-17	FC	100.0%	100.0%
Repsol Exploración Ioannina, S.A.	Spain	Repsol Exploración, S.A.	Incorporation	Feb-17	FC	100.0%	100.0%
Air Miles España, S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Incr. in shareholding	Feb-17	EM	1.7%	26.7%
OGCI Climate Investments, Llp.	United Kingdom	Repsol Energy Ventures, S.A.	Incorporation	Apr-17	EM	14.3%	14.3%
Sorbwater Technology, A.S.	Norway	Repsol Energy Ventures, S.A.	Acquisition	May-17	EM	11.3%	11.3%
Pan Pacific Petroleum (Vietnam) Pty, Ltd.	Australia	Repsol Exploración, S.A.	Acquisition	Jun-17	FC	100.0%	100.0%
Principle Power, Inc.	United States	Repsol Energy Ventures, S.A.	Incr. in shareholding	Jun-17	EM (J.V.)	0.32%	25.11%

(1) Method of consolidation:

FC: Full consolidation.

EM: 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:*

Name	Country	Parent company	Description	Date	06.30.2017			Gain/(Loss) generated (Million euros) (2)
					Method of consolidation (1)	% voting rights disposed of or derecognized	% total voting rights at the entity after disposal	
Talisman North Jabung, Ltd.	Canada	Talisman (Asia), Ltd.	Absorption	January 17	FC	100.00%	0.00%	-
Talisman (Ogan Komering) Ltd.	Canada	Repsol Oil & Gas Canada, Inc.	Disposal	March 17	FC	100.00%	0.00%	3
Repsol Central Alberta Partnership	Canada	Repsol Oil & Gas Canada, Inc.	Winding up	May 17	FC	100.00%	0.00%	-
Repsol Wild River Partnership	Canada	Repsol Oil & Gas Canada, Inc.	Winding up	May 17	FC	100.00%	0.00%	-
8787387 Canada, Ltd.	Canada	Repsol Oil & Gas Canada, Inc.	Winding up	May 17	FC	100.00%	0.00%	-
8441316 Canada, Ltd.	Canada	Repsol Oil & Gas Canada, Inc.	Winding up	May 17	FC	100.00%	0.00%	-
Talisman East Tanjung, B.V.	The Netherlands	Talisman International Holdings, B.V.	Winding up	June 17	FC	100.00%	0.00%	-
Talisman Sumatra, B.V.	The Netherlands	Talisman International Holdings, B.V.	Winding up	June 17	FC	100.00%	0.00%	-
Talisman Vietnam 45, B.V.	The Netherlands	Talisman International Holdings, B.V.	Winding up	June 17	FC	100.00%	0.00%	-
Talisman Vietnam 46-07, B.V.	The Netherlands	Talisman International Holdings, B.V.	Winding up	June 17	FC	100.00%	0.00%	-
Talisman International Holdings, B.V. S.C.S.	Luxembourg	Talisman Global Holdings, B.V.	Winding up	June 17	FC	100.00%	0.00%	-
Talisman Middle East, B.V.	The Netherlands	Talisman Global Holdings, B.V.	Absorption	June 17	FC	100.00%	0.00%	-
Talisman K. Holdings, B.V.	The Netherlands	Talisman Global Holdings, B.V.	Absorption	June 17	FC	100.00%	0.00%	-
TV 135- 136 Holding, B.V.	The Netherlands	Talisman International Holdings, B.V.	Absorption	June 17	FC	100.00%	0.00%	-
Talisman Global Holdings, B.V.	The Netherlands	Talisman International Holdings, B.V.	Absorption	June 17	FC	100.00%	0.00%	-
Talisman Energy (Sahara), B.V.	The Netherlands	Talisman International Holdings, B.V.	Absorption	June 17	FC	100.00%	0.00%	-
CSJC Eurotek-Yugra	Russia	Repsol Exploración Karabashsky, B.V.	Deer. in shareholding	June 17	EM (J. V.) (3)	25.02%	74.98%	6

(1) Method of consolidation:

FC: Full consolidation.

EM: Equity method. Joint ventures are identified as "JV".

(2) Corresponds to net income before tax.

(3) This company was fully consolidated prior to the sale of the 25% shareholding.

APPENDIX II: REGULATORY FRAMEWORK

The activities of Repsol, S.A. and subsidiaries are subject to extensive regulation. The information provided in this section updates Appendix IV “*Regulatory Framework*” of the 2016 consolidated financial statements.

Indonesia

On January 16, 2017, the government of Indonesia introduced a new Gross Split Production Sharing Contract (PSC) model via Regulation No. 8/2017 of the Ministry of Energy and Mineral Resources (MERM). The Gross Split PSC contains no cost recovery mechanism, but features two components to establish the distribution of production, i.e., basic sharing components, subject to additional adjustments during the Development Plan phase.

By virtue of Regulation 8/2017, given that there is no cost recovery plan, the functions of the public regulatory body *Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi* (“SKK Migas”) are reduced exclusively to approving contractor work schemes. The new model under Regulation 8/2017 does not terminate existing PSCs and only applies to new PSCs or renewals of existing PSCs. Contractors subject to any PSC that can be extended rather than replaced by the Gross Split PSC have the option of remaining under the previous PSC model, although subject to approval by the MERM.

Venezuela

On May 1, 2017, the Extraordinary Official Gazette No. 6295 published Decree No. 2830, under which the executive branch called a national constituent assembly.

The State of Economic Emergency has been extended on eight (8) occasions. On July 13, 2017, Presidential Decree No. 2987 was published in Extraordinary Official Gazette No. 41192, declaring a State of Economic Emergency throughout the country for a period of (60) days.

On March 29, 2017, the Venezuelan Supreme Court of Justice's Constitutional Court issued a ruling, declaring that the executive branch had the power to constitute mixed-ownership companies as established by Article 33 of the Organic Law of Hydrocarbons, without the need for prior authorization from the National Assembly. As established by the ruling, the aforementioned Constitutional Court shall be informed of all circumstances corresponding to said constitution and conditions, including special advantages afforded to the Republic, in addition to any subsequent change to the conditions of constitution, subject to a favorable ruling from the Ministry of Energy and Petroleum.

The ruling of April 1, 2017 of the Constitutional Court (TSJ) clarified the ruling of March 29, 2017, repeating its judgment concerning the alleged current status of contempt and unconstitutional neglect of duty on the part of the National Assembly, and regarding which it issued an injunctive warning that as long as such contempt and neglect of duty continues, the Constitutional Court would ensure that the powers of parliament would be directly exercised by Court itself or by anybody it should designate.

Its fourth dispositive provision confirms that there is no impediment to the executive branch incorporating public-private ventures in the spirit of Article 33 of the Organic Law of Hydrocarbons, for which purpose the executive branch, via the Ministry of Petroleum, shall inform the Court of all circumstances relating to such incorporation and the conditions thereof, including special advantages provided to the Republic. Any subsequent modification of the conditions should be reported to the Court, subject to a favorable report of the Ministry. Therefore, the Court maintains the provision in its ruling of March 29, 2017 authorizing the executive branch to create public-private ventures in the country without the approval of the National Assembly.

APPENDIX III: OTHER DETAILED INFORMATION

Financial instruments

Financial assets

The breakdown of the Group's financial assets by the various asset classes used for financial reporting purposes is provided below:

Million euros	June 30, 2017 and December 31, 2016													
	Financial assets held for trading ⁽²⁾		Other financial assets at fair value with changes through profit or loss ⁽²⁾		Financial assets available for sale ⁽²⁾		Loans and receivables		Held to maturity investments		Hedging derivatives ⁽²⁾		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Equity instruments	-	-	-	-	122	123	-	-	-	-	-	-	122	123
Derivatives	1	-	-	-	-	-	-	-	-	-	-	-	1	-
Other financial assets	-	-	56	56	-	-	1,015	1,025	-	-	-	-	1,071	1,081
Long term/ Non-current	1	-	56	56	122	123	1,015	1,025	-	-	-	-	1,194	1,204
Derivatives	109	95	-	-	-	-	-	-	-	-	-	-	109	95
Other financial assets	-	-	10	10	-	-	1,198	1,247	4,709	4,679	-	-	5,917	5,936
Short term/ Current	109	95	10	10	-	-	1,198	1,247	4,709	4,679	-	-	6,026	6,031
TOTAL⁽¹⁾	110	95	66	66	122	123	2,213	2,272	4,709	4,679	-	-	7,220	7,235

(1) Furthermore, there are trade accounts receivable under "Other non-current assets" and "Trade and other receivables", at June 30, 2017, €246 million in the long term and €4,630 million in the short term and at December 31, 2016, €23 million in the long term and €4,832 million in the short term.

(2) Section "Fair value of financial instruments" in this appendix informs about the classification of the financial instruments by fair value hierarchy levels.

Financial liabilities

The breakdown of the Group's financial liabilities by the various classes of financial liabilities used for financial reporting purposes is provided below:

Million euros	June 30, 2017 and December 31, 2016									
	Financial liabilities held for trading ⁽²⁾		Loans and payables		Hedging derivatives ⁽²⁾		Total		Fair value	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Bank borrowings	-	-	1,066	1,491	-	-	1,066	1,491	1,073	1,496
Bonds and other securities	-	-	7,482	7,905	-	-	7,482	7,905	7,922	8,328
Derivatives	-	-	-	-	79	86	79	86	79	86
Other financial liabilities	-	-	12	-	-	-	12	-	12	-
Long term/ Non-current	-	-	8,560	9,396	79	86	8,639	9,482	9,086	9,910
Bank borrowings	-	-	723	837	-	-	723	837	723	837
Bonds and other securities	-	-	3,102	2,855	-	-	3,102	2,855	3,130	2,875
Derivatives	83	303	-	-	2	3	85	306	85	306
Other financial liabilities ⁽³⁾	-	-	2,953	3,193	-	-	2,953	3,193	2,953	3,193
Short term/ Current	83	303	6,778	6,885	2	3	6,863	7,191	6,891	7,211
TOTAL⁽¹⁾	83	303	15,338	16,281	81	89	15,502	16,673	15,977	17,121

(1) There are also finance lease obligations at June 30, 2017 and December 31, 2016, for the sum of €1,420 million and €1,550 million registered within "Other non-current liabilities", respectively, and €192 million and €208 million within "Other payables", respectively.

(2) Section "Fair value of financial instruments" in this appendix informs about the classification of the financial instruments by fair value hierarchy levels.

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

Fair value of financial instruments

The classification of financial instruments recognized in the financial statements at fair value at June 30, 2017 and December 31, 2016, is as follows:

Million euros	June 30, 2017 and December 31, 2016							
	Level 1		Level 2		Level 3		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Financial assets								
Financial assets held for trading	30	6	80	89	-	-	110	95
Other financial assets at fair value with changes through profit or loss	66	66	-	-	-	-	66	66
Financial assets available for sale ⁽¹⁾	1	1	-	-	-	-	1	1
Total	97	73	80	89	-	-	177	162
Financial liabilities								
Financial liabilities held for trading	2	215	81	88	-	-	83	303
Hedging derivatives	-	-	81	89	-	-	81	89
Total	2	215	162	177	-	-	164	392

Financial instruments recognized at fair value are classified at different levels in the fair value hierarchy, as described below:

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

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

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

⁽¹⁾ Does not include €121 and €122 million at June 30, 2017 and December 31, 2016 corresponding to equity investments in companies that are measured at acquisition cost under IAS 39.

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

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

Related party transactions

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

- a. Significant shareholders: Fundació Bancaria Caixa d'Estalvis i Pensions de Barcelona, Sacyr S.A. and Temasek Holdings (Private) Limited (see heading 4.5).
- b. Directors and executives: includes members of the Board of Directors as well as members of the Corporate Executive Committee whose members are considered as "executives" for purposes of this section (see section 4.12).
- 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.

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Income, expenses and other transactions recorded for the six-month period ended June 30, 2016 with related parties were as follows:

Thousands of euros	2017				2016			
	Significant shareholders	Directors and executives	People, companies or entities within the Group	Total	Significant shareholders	Directors and executives	People, companies or entities within the Group	Total
EXPENSES AND REVENUES								
Financial expenses	2,612	-	35,633	38,245	4,264	-	26,107	30,371
R&D transfer and license agreements	-	-	2	2	-	-	-	-
Leases	221	-	685	906	360	-	1,195	1,555
Services received	10,770	-	65,781	76,551	7,956	-	81,123	89,079
Purchase of goods (finished or in-progress) ⁽²⁾	8	-	844,704	844,712	4	-	720,026	720,030
Valuation changes due to uncollectable or bad debts	1	-	-	1	1	-	-	1
Losses from the derecognition or disposal of assets	-	-	208	208	-	-	70	70
Other expenses	6,131	-	56	6,187	10,268	-	633	10,901
TOTAL EXPENSES	19,743	-	947,069	966,812	22,853	-	829,154	852,007
Financial income	-	-	80,606	80,606	1,864	-	62,612	64,476
Leases	337	-	1,887	2,224	344	-	2,002	2,346
Services rendered	3,769	-	777	4,546	3,396	-	2,238	5,634
Sale of goods (finished or in-progress) ⁽³⁾	75,059	-	344,293	419,352	47,430	-	240,392	287,822
Gains from the derecognition or disposal of assets	-	-	2,028	2,028	-	-	-	-
Other revenues	15	-	30,839	30,854	22	-	33,697	33,719
TOTAL REVENUES	79,180	-	460,430	539,610	53,056	-	340,941	393,997

Thousands of euros	2017				2016			
	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
OTHER TRANSACTIONS								
Purchase of property, plant and equipment, intangible assets and others	46,656	-	-	46,656	27,017	-	-	27,017
Financing agreements: loans and capital contributions (lender) ⁽⁴⁾	-	-	3,724,860	3,724,860	-	-	2,409,009	2,409,009
Finance lease agreements (lessor)	-	-	1,628	1,628	-	-	3,000	3,000
Sale of property, plant and equipment, intangible assets and others	39,475	-	-	39,475	27,516	-	-	27,516
Financing agreements: loans and capital contributions (borrower) ⁽⁵⁾	344,755	-	3,922,211	4,266,966	550,560	-	3,991,361	4,541,921
Guarantees extended ⁽⁶⁾	294,905	-	2,124,554	2,419,459	321,312	-	2,178,267	2,499,579
Guarantees received	45,577	-	3,942	49,519	60,449	-	3,639	64,088
Commitments acquired ⁽⁷⁾	201,268	-	9,692,080	9,893,348	(2,118,939)	-	4,123,219	2,004,280
Cancelled commitments/guarantees	-	-	-	-	-	-	-	-
Dividends and other profit distributed ⁽⁸⁾	67,204	37	-	67,241	166,599	8	-	166,607
Other transactions ⁽⁹⁾	1,242,245	-	-	1,242,245	1,200,621	-	-	1,200,621

- (1) Includes any transactions at June 30 with executives and directors not included in heading 4.12 on remuneration received by executives and directors, corresponding 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 dividend and other remuneration received as a result of holding shares in the Company.
- (2) It mainly includes purchases with the group Gas Natural Fenosa (GNF) and the group Repsol Sinopec Brasil (RSB) entities consolidated by the equity method (see section 4.2 "Investments accounted for using the equity method") amounting to €14 and €79 million.
- (3) Mainly includes sales to the Gas Natural Fenosa group (GNF), the Dynasol group and Iberian Lube Base Oils Company (ILBOC) amounting €165, €86 and €85 million.
- (4) Mainly includes the financing provided to RSRUK, which is part of the investment amount, and also includes loans and undrawn credit lines extended to Group companies consolidated using the equity method.
- (5) At June 30, "Significant shareholders" includes credit lines with La Caixa for the maximum amount granted of €258 million. "People, companies or entities within the Group" mainly includes the loan extended by Repsol Sinopec Brasil S.A. to its shareholders (see "Financial instruments" in this Appendix) as well as undrawn credit lines with investees accounted for using the equity method.
- (6) This mainly includes €1,261 million corresponding to 3 guarantees issued by Repsol S.A. in relation to the lease agreements for three floating platforms belonging to its subsidiary Guar B.V. It also includes €93 million corresponding to the counter guarantees issued by Repsol Oil & Gas Canada, Inc. associated with bank guarantees issued on behalf of its subsidiary Repsol Sinopec Resources UK Ltd. (RSRUK) covering decommissioning obligations arising from their exploration activity in the North Sea (see Note 30 of the 2016 consolidated financial statements).
- (7) In 2017, corresponds to the commitments to purchases outstanding at June 30 (in 2016, it included purchase commitments net of selling commitments outstanding at June 30).

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- ⁽⁸⁾ The amounts recorded under dividends and other profit distributions include the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of free-of-charge allocation rights as part of the paid-up capital increase closed in January 2017 under the framework of the remuneration program named “*Repsol Flexible Dividend*”. In contrast, this sub-heading does not include the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of free-of-charge allocation rights as part of the paid-up capital increase closed in July 2017, which in the case of the significant shareholders amounted to €106 million. These rights are recognized as an account payable at June 30, 2017. Nor does it include the Repsol shares subscribed as a result of the aforementioned bonus share issues.
- ⁽⁹⁾ In 2017, it mainly includes remunerated accounts and deposits with La Caixa in the amount of €847 million.

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APPENDIX IV: RECONCILIATION BETWEEN REPSOL'S REPORTING MODEL AND EU-IFRS¹

The reconciliation between adjusted net income (loss) and EU-IFRS net income (loss) for the first semester of 2017 and 2016 is as follows:

	Results for first half 2017 and 2016											
	ADJUSTMENTS										EU-IFRS Result	
	Adjusted Result		Joint Venture reclassifications		Special items		Inventory Effect ⁽²⁾		Total Adjustments			
<i>Million euros</i>	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Operating income	1,613	997 ⁽¹⁾	(221)	(108)	(49)	(219)	(86)	8	(356)	(319)	1,257	678
Financial result	(229)	(262)	39	84	5	(18)	-	-	44	66	(185)	(196)
Share of results of companies accounted for using the equity method - after taxes	135	206	88	6	-	-	-	-	88	6	223	212
Net income before tax	1,519	941	(94)	(18)	(44)	(237)	(86)	8	(224)	(247)	1,295	694
Income tax	(376)	(4)	94	18	34	(45)	22	(3)	150	(30)	(226)	(34)
Net income for the period	1,143	937	-	-	(10)	(282)	(64)	5	(74)	(277)	1,069	660
Net income attributable to minority interests	(17)	(20)	-	-	-	2	4	(3)	4	(1)	(13)	(21)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	1,126	917	-	-	(10)	(280)	(60)	2	(70)	(278)	1,056	639

	Results for second quarter 2017 and 2016											
	ADJUSTMENTS										EU-IFRS Result	
	Adjusted Result		Joint Venture reclassifications		Special items		Inventory Effect ⁽²⁾		Total Adjustments			
<i>Million euros</i>	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Operating income	671	437 ⁽¹⁾	(96)	(83)	37	(241)	(199)	223	(258)	(101)	413	336
Financial result	(74)	(185)	8	87	1	(40)	-	-	9	47	(65)	(138)
Share of results of companies accounted for using the equity method after taxes	62	95	21	(42)	-	-	-	-	21	(42)	83	53
Net income before tax	659	347	(67)	(38)	38	(281)	(199)	223	(228)	(96)	431	251
Income tax	(154)	6	67	38	(23)	(20)	50	(56)	94	(38)	(60)	(32)
Net income for the period	505	353	-	-	15	(301)	(149)	167	(134)	(134)	371	219
Net income attributable to minority interests	(9)	(8)	-	-	-	2	5	(8)	5	(6)	(4)	(14)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	496	345	-	-	15	(299)	(144)	159	(129)	(140)	367	205

⁽¹⁾ Income from continuing operations at current cost of supply (CCS).

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

	Figures for second quarter 2017 and 2016 (million euros)					
	Group Reporting Model		Adjustment Joint Ventures and others ⁽¹⁾		IFRS-EU	
	2017	2016	2017	2016	2017	2016
OTHER FIGURES						
EBITDA	1,264	1,390	(262)	(234)	1,002	1,156
Net debt	(7,477)	(11,709)	(873)	(1,035)	(8,350)	(12,744)

⁽¹⁾ The adjustment to EBITDA includes pre-tax inventory effects.

¹ The interim financial statements for the first half of 2017 contain amounts and metrics prepared using the Group's internal reporting model. For further information regarding the Alternative Performance Measures (APM) used by the Group, go to Appendix I of the Group's management report for the first half of 2017.

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The breakdown of revenue by segments between third-party revenue and inter-segment revenue is displayed below:

Segments	Million euros					
	Operating revenue from customers		Operating revenue from inter-segment sales		Total operating revenue	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Upstream	2,308	1,917	789	392	3,097	2,309
Downstream	19,083	14,627	11	11	19,094	14,638
Corporation	1	-	-	3	1	3
(-) Inter-segment adjustments and eliminations of operating income	(1)	1	(800)	(406)	(801)	(405)
TOTAL	21,391	16,545	-	-	21,391	16,545

The reconciliation of other metrics disclosed in Note 3.2 with the EU-IFRS disclosures for the first half of 2017 and 2016 is as follows:

	Million euros		Million euros	
	Q2 2017	Q2 2016	06/30/2017	06/30/2016
Revenue ⁽¹⁾	10,746	8,496	21,391	16,545
<i>Adjustment for joint ventures or othe companies managed as such:</i>				
Upstream	(556)	(394)	(1,075)	(771)
Downstream	(8)	(10)	(13)	(15)
EU-IFRS Revenue ⁽²⁾	10,182	8,092	20,303	15,759
Capital employed ⁽¹⁾	-	-	37,660	40,531
<i>Adjustment for joint ventures or othe companies managed as such:</i>				
Upstream	-	-	854	1,022
Downstream	-	-	19	13
Capital employed	-	-	38,533	41,566

⁽¹⁾ Figures compiled in keeping with the Group reporting model described in Note 2.6 “*Information by business segment*”.

⁽²⁾ The EU-IFRS revenue figure corresponds to the sum of the “*Sales*” and “*Services rendered and other income*” headings on the consolidated income statement.

INTERIM CONSOLIDATED MANAGEMENT REPORT

For the first half of 2017

REPSOL, S.A. and Investees comprising the Repsol Group



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1. MAIN EVENTS OF THE PERIOD

During the first half of 2017, Repsol¹ has progressed with the **implementation of the 2016-2020 Strategic Plan**² and its **transformation process**, seeking to become a more efficient, flexible and innovative company. Evidence of this is its **ability to achieve results** in this period, even in the current environment of persistently low crude oil and gas prices: the **net income** amounted to 1,056 million euros (a 65% increase over the same period of the previous year), the **free cash flow** generated has risen to 943 million euros (up 22% on the previous year) and **net debt** has fallen to 7,477 million euros (compared to 11,709 million euros in the same period of the previous year). Moreover, this notable financial performance was accompanied by important discoveries in the *Upstream* business.

RESULTS³

Million euros	1H 2017	1H 2016	Variation
Upstream	339	63	276
Downstream	929	934	(5)
Corporation and other	(142)	(80)	(62)
Adjusted Net Income	1,126	917	209
Inventory Effect	(60)	2	(62)
Special Items	(10)	(280)	270
Net Income	1,056	639	417

The *Upstream* results show a significant improvement over the first half of 2016 (up 437%), driven by the increase in the realization prices for oil and gas and the reduction in recurring operational costs, together with the contribution of the production in Libya and Brazil.

In *Downstream*, the solid results continued in the same line as in the first half of 2016, demonstrating the quality of our industrial assets and the competitive advantages of our integrated business model.

The decline in the results of *Corporation and others* is attributable mainly to the reduced contribution of Gas Natural Fenosa (GNF), due to the sale of 10% of its interest in September 2016, partly offset by the reduction in the Corporation's costs.

As a consequence of the foregoing, **adjusted net income** amounted to 1,126 million euros, 23% up on the 2016 figure.

The *inventory effect*, which reflects the impact of the variation in inventory prices, was negative due to the decline in crude oil prices over the period.

The *special items* in the period are not significant, whereas in 2016 they included workforce restructuring costs and provisions.

In short, the Group's **net income** rose to a profit of 1,056 million euros in the first half of 2017, compared to 639 million euros in 2016.

¹ Henceforth, the names "Repsol," "Repsol Group" or "the company" are used interchangeably to refer to the company group consisting of Repsol, S.A. and its subsidiaries, associates and joint arrangements.

² The 2016-2020 Strategic Plan was published in October 2015.

³ All the information presented throughout this section, unless expressly stated to the contrary, was prepared in accordance with the *reporting* model, which is described in Note 2.6 "Segment reporting" in the interim condensed consolidated financial statements for the first half of 2017. Some of the financial indicators used in this document are classified as Alternative Performance Measures (APM) in accordance with the Guidelines of the European Securities Markets Authority (ESMA). See Appendix I, "Alternative Performance Measures", which includes the reconciliation between the adjusted figures and those corresponding to IFRS-EU financial information.

EBITDA amounted to 3,108 million euros, an increase of 29% over the first half of 2016, driven by a substantial improvement in the results of the *Upstream* operations.

Free cash flow in the first half was 943 million euros (22% up on the same period of 2016). The main reason was the improved cash flow generated by the business and the discipline in investments.

At the end of the half-year, **net debt** was 7,477 million euros, a significant reduction on the position at June 30, 2016 (11,709 million euros) and December 31, 2016 (8,144 million euros).

OTHER EVENTS DURING THE PERIOD

During the first half, there were **two important discoveries**, in the Alaska North Slope with the *Horseshoe-1* and *Horseshoe-1A* drillings, the biggest conventional hydrocarbon find in the US in the last thirty years, and in Trinidad and Tobago with the *Savannah* and *Macadamia* drillings, Repsol's largest gas discovery in the last five years.

The company has maintained its **stockholder remuneration scheme** and in January and July it carried out two scrip issues through which the "Repsol flexible dividend" program is implemented, guaranteeing shareholders 0.76 euros per share (0.43 paid in July).

The **stock market performance** of the Repsol share price (a fall of 0.9%) was better than that of the European Oil & Gas sector, which experienced an average fall of 6%; this reflected the negative influence of the fall in the price of crude oil.

The Group has maintained its **credit rating** and the leading credit agencies have improved the outlook, with S&P updating it to "positive" and Moody's and Fitch to "stable".

Also worthy of note was the issuance of a **green bond**¹, the first for the company and for the Oil & Gas sector, in the amount of 500 million euros.

The Annual General Meeting, held on May 19, 2017, approved the **appointment of three new independent external directors**, which will improve the Board's diversity in terms of expertise and gender.

Lastly, it should be noted that Repsol has maintained its **commitment to safety and the environment**. With regard to employee accidents, the Total Frequency Rate (TFR)² decreased compared to 2016. With regard to the environment, improvement actions were carried out in the period at our facilities which, in addition to reducing energy consumption, reduced CO₂ emissions by 75,200 tons.

¹ The bond is initially constituted by 312 eligible projects that meet the requirements established by the *Green Bond Principles* (of the International Capital Market Association) and fall mainly into the category of "Energy efficiency"; they were or are being executed in our refineries and chemical plants in Spain and Portugal.

² The TFR is an indicator that broadens the definition of accident rate, as it measures the consequences of personal harm and includes other accidents with lesser consequences. Hence, Repsol considers the TFR the most appropriate indicator for evaluating accident rate targets.

MAIN FIGURES AND INDICATORS OF THE PERIOD

Financial indicators ⁽¹⁾	1H 2017	1H 2016	Macroeconomic environment	1H 2017	1H 2016
Results			Brent (\$/bbl) average	51.7	39.8
EBITDA	3,108	2,417	WTI (\$/bbl) average	50.0	39.8
Adjusted net income	1,126	917	Henry Hub (\$/MBtu) average	3.3	2.0
Net income	1,056	639	Algonquin (\$/MBtu) average	3.7	2.9
Earnings per share (€/share)	0.68	0.41	Exchange rate (\$/€) average	1.08	1.12
Capital employed	37,660	40,531			
ROACE (%) ⁽²⁾	6.5	5.3	Our business performance ⁽¹⁾	1H 2017	1H 2016
Financial overview			Upstream		
Free cash flow	943	775	Net production of liquids (kbbbl/d)	256	251
Debt interest / EBITDA (%)	5.9	9.3	Net production of gas (kboe/d)	429	454
Net debt (ND)	7,477	11,709	Net daily liquid production (kboe/d)	685	705
ND / EBITDA (x times) ⁽³⁾	1.20	2.42	Average crude oil realization price (\$/bbl)	46.7	35.1
ND / Capital employed (%)	19.9	28.9	Average gas realization price (\$/kscf)	2.9	2.3
Shareholder remuneration			EBITDA	1,666	933
Shareholder remuneration (€/share) ⁽⁴⁾	0,335	0,466	Adjusted net income	339	63
			Net investments	921	1,281
Stock market indicators ⁽¹⁾	1H 2017	1H 2016	Downstream		
End-period share price (€)	13.40	11.41	Refining capacity (kbbbl/d)	1,013	998
Period average share price (€)	14.28	10.26	Conversion ratio in Spain (%)	63	63
Market capitalization at period-end	20,052	16,451	Refining margin indicator Spain (\$/bbl)	6.6	6.4
Non-financial indicators	1H 2017	1H 2016	Gas stations (no.)	4,712	4,724
People			Oil product sales (kt)	25,071	22,051
Staff ⁽⁵⁾	27,273	29,341	Petrochemical product sales (kt)	1,407	1,477
New employees ⁽⁶⁾	1,476	1,308	LPG sales (kt)	750	1,052
Safety and environment			Gas sales in North America (TBtu)	266	221
Accident frequency rate ⁽⁷⁾	0.72	0.69	EBITDA	1,518	1,585
Total accident frequency rate ⁽⁸⁾	1.34	1.46	Adjusted net income	929	934
CO ₂ emission reduction ₂ (kt)	75	145	Net investments	245	(258)

(1) In millions of euros, where applicable.

(2) The ROACE for the first half of 2017 has been annualized by extrapolating the data for the period.

(3) The EBITDA for this indicator has been annualized by extrapolating the data for the period.

(4) Fixed price guaranteed by Repsol for the freely allocated rights awarded under the "Repsol Flexible Dividend" program (see Note 4.3)

(5) Includes direct and indirect employees.

(6) Only fixed or temporary employees with no prior working relationship with the company are considered to be new hires. The % of new hires that are permanent in the first half of 2017 and 2016 amounts to 36% and 44%, respectively.

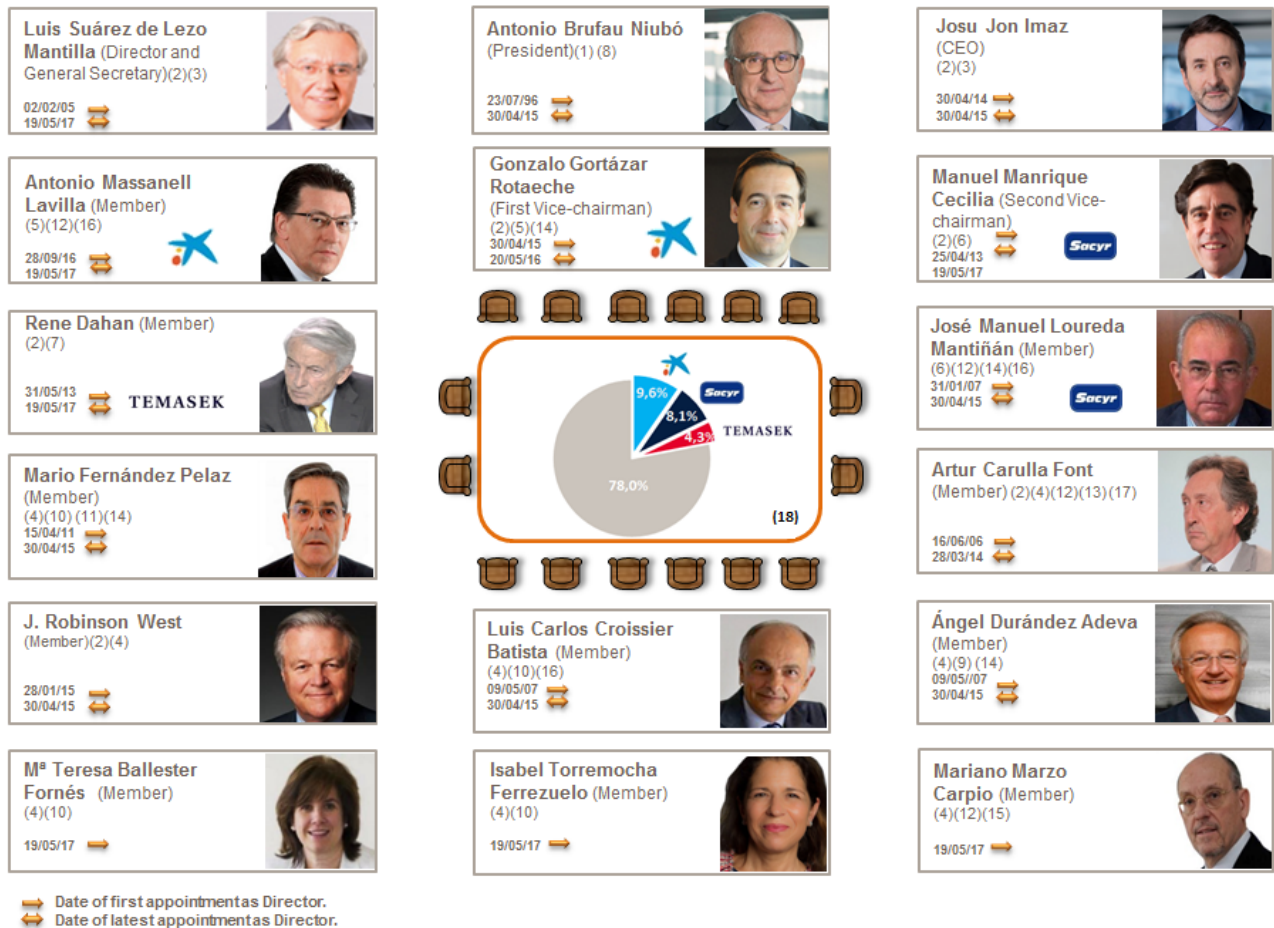
(7) Overall Lost Time Injury Frequency Rate with sick leave (number of days lost and fatal accidents recorded over the year, per million work hours). The 2016 figure is annual.

(8) Total Recordable Incident Rate (TRIR): number of accidents without lost days, with lost days and fatal accidents over the year, per million work hours. The 2016 figure is annual.

2. CORPORATE GOVERNANCE

On May 19, 2017, Repsol's General Shareholders' Meeting approved the **reelection** as Directors of Mr. Rene Dahan, Mr. Manuel Manrique Cecilia and Mr. Luis Suárez de Lezo Mantilla, the **ratification and reelection** as Director of Mr. Antonio Massanell Lavilla, together with the **appointment** as independent **Directors** of Ms. María Teresa Ballester Fornés, Ms. Isabel Torremocha Ferrezuelo and Mr. Mariano Marzo Carpio, all for the statutory term of 4 years.

The current composition of the Board of Directors is as follows:



Note: Additional information about Board members may be found at www.repsol.es/es

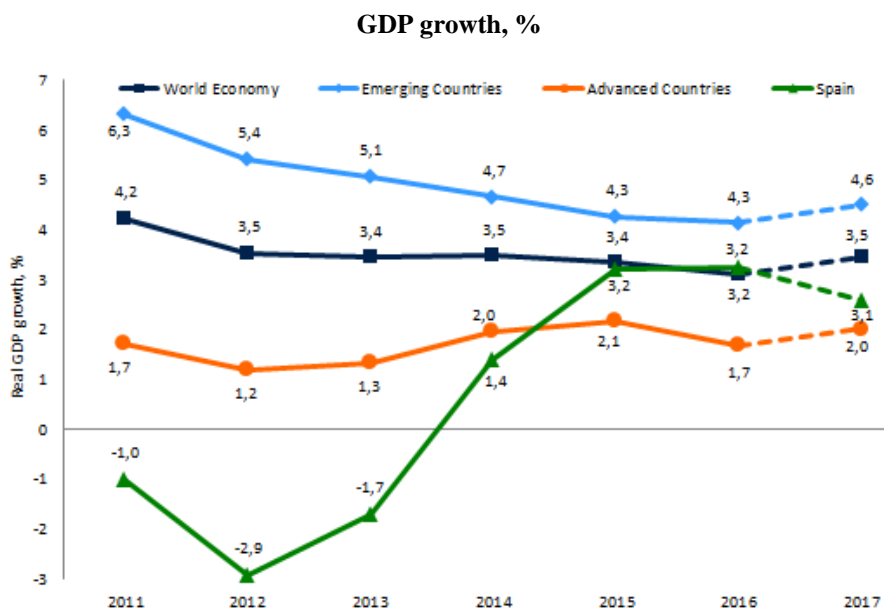
- (1) Chairman of the Delegate Committee.
- (2) Member of the Delegate Committee.
- (3) Executive Director.
- (4) Independent Non-Executive Director.
- (5) External Proprietary Director proposed by Caixabank, S.A.
- (6) External Proprietary Director proposed by Sacyr, S.A.
- (7) External Proprietary Director proposed by Temasek.
- (8) External Director
- (9) Chairman of the Audit and Control Committee.
- (10) Member of the Audit and Control Committee.
- (11) Chairman of the Appointments Committee.
- (12) Member of the Nomination Committee.
- (13) Chairman of the Remuneration Committee.
- (14) Member of the Remuneration Committee.
- (15) Chairwoman of the Sustainability Committee.
- (16) Member of the Sustainability Committee.
- (17) Coordinating Director.
- (18) Percentage of share capital according to the latest information available at the date of this document. Information provided by Compañía de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear), and the information submitted by the stockholders to the Company and to the National Securities Market Commission (CNMV for its abbreviation in Spanish).

3. MACROECONOMIC ENVIRONMENT

RECENT ECONOMIC TRENDS

Though the **global economy** grew by a modest 3.2% in 2016 as a whole, 0.2 percentage points less than in 2015, output growth accelerated during the year. This favorable trend has been consolidated during 2017, which has contributed to the reduction of risk in the short term and to the improvement of the outlook. The IMF (in its July 2017 WEO) forecasts that global growth would accelerate to 3.5% in 2017, driven by both the advanced economies and emerging markets.

Growth in the **advanced economies** is projected to rise from 1.7% in 2016 to 2.0% in 2017, due to an improvement in domestic demand, with the deleveraging of the private sector now well advanced and with fiscal policy becoming, in general, more expansive. Meanwhile, emerging markets, after five years of slowdown, are expected to see growth pick up from 4.3% in 2016 to 4.6% in 2017. This is due to increased dynamism in China, some recovery in commodity prices and the resumption of capital inflows.



Source: IMF (July 2017 WEO) and Repsol Research Unit.

By regions, growth in the **Eurozone** is surprising on the upside, supported by the quantitative easing program of the European Central Bank (ECB), looser fiscal policies, and the improvement in competitiveness. After continuing to recover in 2016, with growth of 1.7%, in the first quarter of 2017 it grew at over 2% on an annualized basis. In **Spain**, not only does the economy remain dynamic (with YoY growth of 3.0% in the first quarter of 2017), but the composition of growth appears healthy. Despite the strength of domestic demand, the current account balance remains positive, with the strength of exports pointing to improved competitiveness. As a result, the IMF's July forecast of 3.1% growth in 2017 is now well below the latest revised figures from the European Commission.

Meanwhile, in the **US** growth moderated to 1.6% in 2016 and, though some of the explanatory factors seem transitory, the figures for the first quarter of 2017 again disappointed (1.4% annualized quarterly growth). Growth of 2.1% is forecast for 2017, on the basis of the strength of private consumption, but the prospect of growth being boosted by increased fiscal stimuli that would boost growth is receding.

In this regard, the divergence between the leading central banks has been less than expected, providing support for increased risk appetite and looser financial conditions, which has favored the upturn in global growth. In the US, the Federal Reserve (FED) has continued to tighten monetary policy, but very

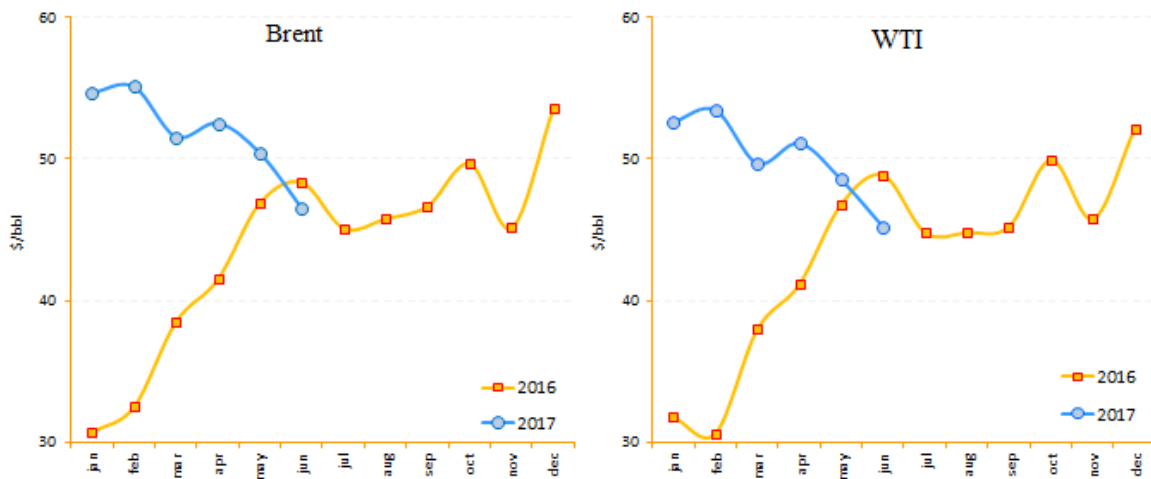
gradually, while the ECB maintains its quantitative easing measures as inflation remains below target, despite the pickup in growth.

DEVELOPMENTS IN THE ENERGY SECTOR

Crude oil - Brent

In the first half of 2017, Brent and WTI prices have followed a predominantly downward trajectory, recording averages of US\$51.7/bbl and US\$50.0/bbl respectively. Following the agreement by the OPEC countries at the end of last year to cut production, which was seconded by 11 non-OPEC countries (Russia, Mexico, Kazakhstan, Azerbaijan, Oman, Malaysia, Equatorial Guinea, South Sudan, Sudan, Bahrain and Brunei), the Brent oil price rose in January and February, surpassing US\$55/bbl at one point. After that, market sentiment reversed, with prices correcting by around ten dollars. The factors behind the bearish trend of recent months include the following: i) the uncertainty arising in the market with regard to compliance with the cuts agreed; ii) the increased production by OPEC countries not subject to the agreement on cuts, such as Nigeria and Libya; and iii) the increase in US production.

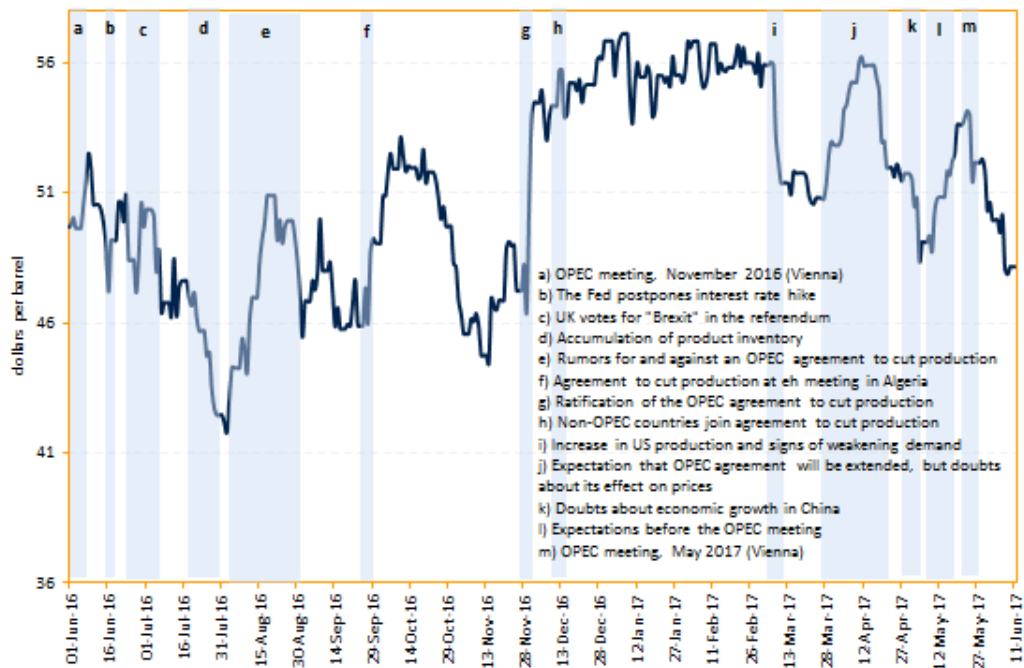
Recent trends in Brent and WTI prices



Source: Bloomberg and Repsol Research Unit

Despite the market's pessimism, the International Energy Agency (IEA), in its June monthly report on the oil market, indicates that the balance of supply and demand is thought to have moved into deficit (demand exceeding supply) since the second quarter of this year, and in the year as a whole inventories are expected to fall by an average of over half a million barrels per day, with a positive effect on prices.

Key milestones in Brent oil price movements in the first half of 2017

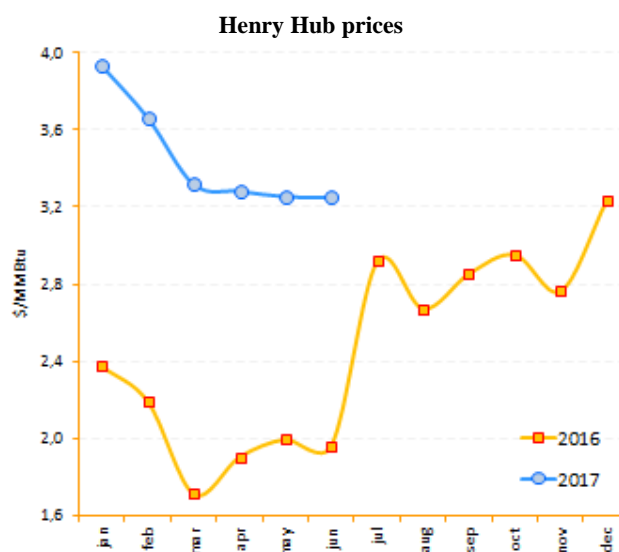


Source: Bloomberg and Repsol Research Unit

Natural Gas - Henry Hub (HH)

With regard to US natural gas, the average HH one-month futures price in the first half of 2017 was US\$3.3/MBtu, an increase of 61% over the average price in the same half of 2016.

With estimated quarterly production remaining below the levels of the previous year, the cold spells at the beginning of the year and the expectations of increased exports drove the recovery in prices. Nevertheless, since January prices have declined in the face of prospects for increased production and warmer weather.



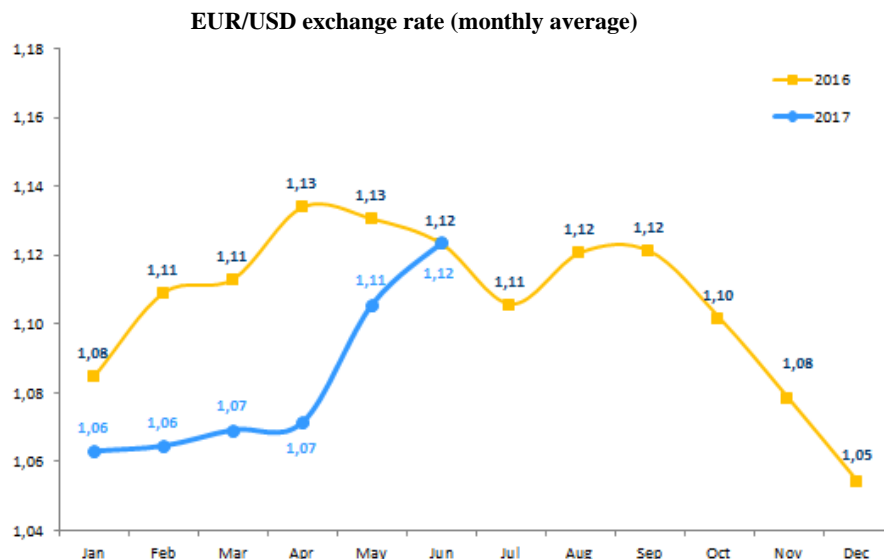
Source: NYMEX and Repsol Research Unit.

EXCHANGE RATE TRENDS

The first part of 2017 was characterized by the progressive weakness of the US dollar after the rally seen at the end of 2016. The FED's decision to raise rates in December and the election of Mr. Trump as US president in November were the main factors behind the dollar's strength in the latter part of last year. The markets thought that the new president's electoral promises would provide support for the dollar inasmuch as they would result in an expansionary fiscal policy, a tightening of monetary policy and a deregulation of US financial markets.

On the other hand, the fact that the ECB and the Bank of Japan (BOJ) continued with their balance sheet expansion programs, with interest rates at historical lows, exerted downward pressure on the euro and yen. Meanwhile, a year weighted with highly significant elections in Holland, France and Germany, together with a number of anti-EU parties bursting onto the scene, gave rise to a high level of political risk which predominated even over economic fundamentals.

During the first part of this year, some of the factors that had favored the strength of the dollar against the euro have weakened. Doubts have arisen about the capacity of the Trump administration to carry out its electoral promises - especially the fiscal expansion - and in Europe political risk has diminished following the victories of pro-EU parties. Moreover, while economic growth in Europe shows clear signs of strength, in the first quarter US growth was below the forecasts, meaning that the normalization of interest rates is expect to proceed more slowly than anticipated.



Source: Bloomberg and Repsol Research Unit

Emerging markets have seen their currencies appreciate in the first half of 2017, benefitting from a recovery in commodity prices and increased capital inflows. In addition, some currencies, such as the Mexican peso, have reversed their earlier depreciation as President Trump's administration adopts a less aggressive tone with regard to protectionist policies.

4. RESULTS, FINANCIAL OVERVIEW AND STOCKHOLDER REMUNERATION

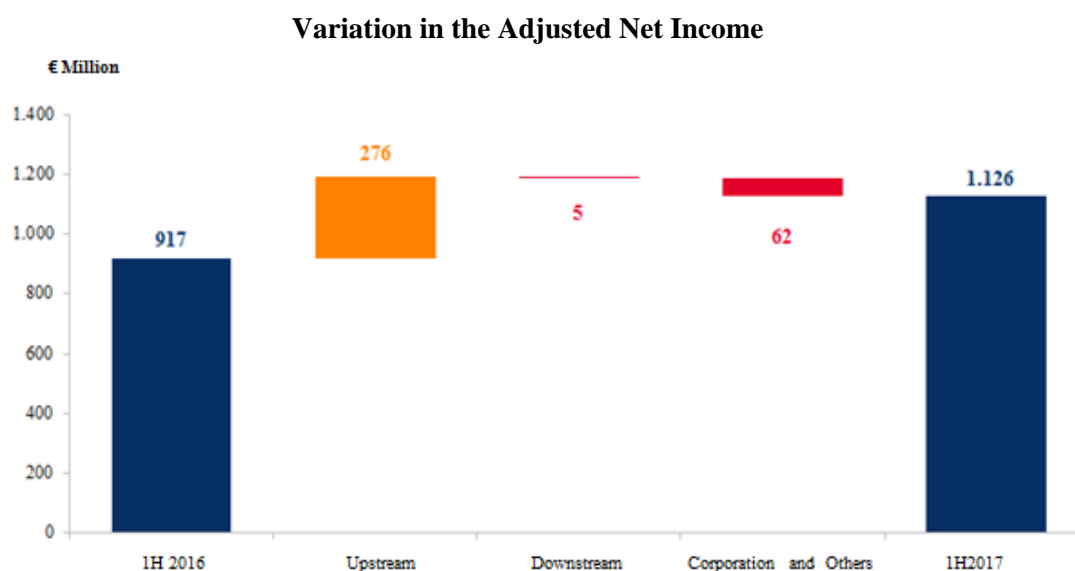
4.1. RESULTS AND CASH FLOW

Million euros	1H 2017	1H 2016	Δ
Upstream	339	63	438%
Downstream	929	934	(1)%
Corporation and other	(142)	(80)	(78)%
Adjusted Net Income	1,126	917	23%
Inventory effect	(60)	2	-
Special Items	(10)	(280)	(96)%
Net income	1,056	639	65%

NOTE: For further information on the results by business segment, see Note 3 “Segment results” in the Interim financial statements for the first half of 2017.

The results for the first half of 2017, compared to the same period in the previous year, are occurring in a more favorable **environment** marked by higher prices for oil and, above all, for gas (a 30% increase in Brent prices and a 61% increase in the Henry Hub), solid indicators in refining margins (around US\$6.6/bbl) and the petrochemicals business, and the appreciation of the dollar against the euro.

Adjusted Net Income for the half-year rose to 1,126 million euros, an increase of 23% over the same period in 2016. Notable factors were the improved results in *Upstream*, due to the increase in realization prices, efforts to increase efficiency and the contribution of Libya, and the maintenance of the solid results in *Downstream*.



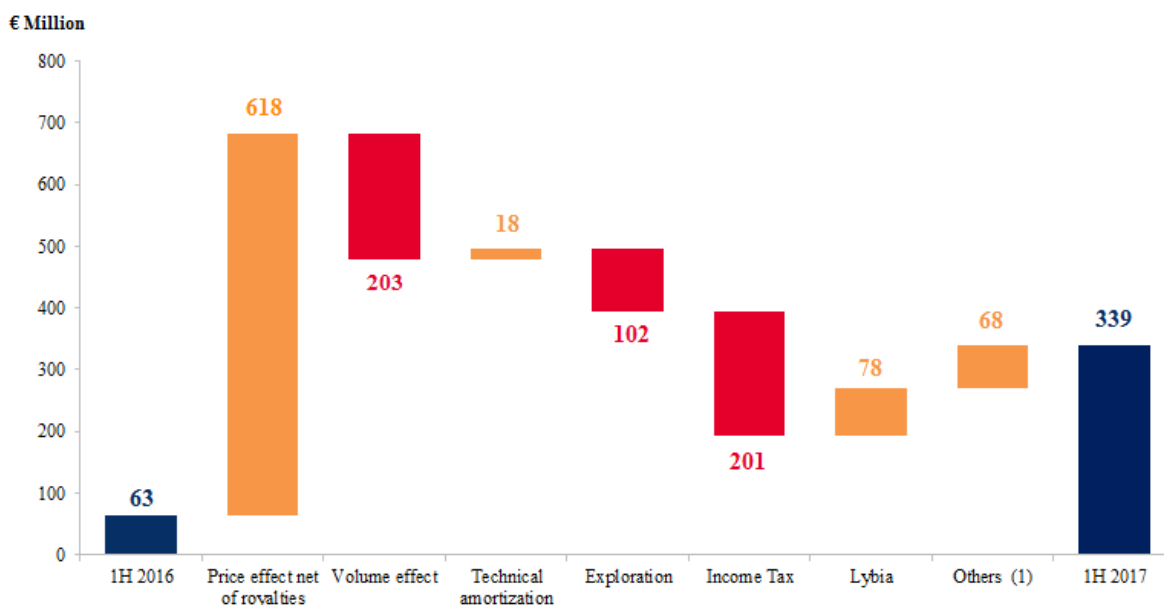
Upstream

Average **production** in the half-year was 685 Kboe/d, 3% down on the same period the previous year. The natural decline in the United States and the exhaustion and cease of activity of fields in Norway, the loss of production from assets sold in Indonesia and the fall in Brazilian demand for exports from Bolivia have been largely offset by the resumption of production in Libya and the inauguration of new wells in Sapinhoá and Lapa in Brazil.

With regard to **exploration**, drilling was completed for seven exploration wells and three delineation/appraisal wells. Five of them were declared positive (three exploration and two appraisal wells) and five negative (four exploration and one appraisal wells). The discoveries in Alaska (*Horseshoe-1* and *Horseshoe-1A*) and in Trinidad and Tobago (*Savannah* and *Macadamia*) are notable for their potential.

The **Adjusted Net Income** of *Upstream* stood at 339 million euros, much higher than the same period of the previous year (63 million euros). This significant improvement was driven fundamentally by the recovery in oil and gas realization prices, the contribution from Libya, which resumed production in December 2016, and from Brazil and by the reduction in recurring operating costs. These increases in income were partly offset by higher taxes, the fall in volumes sold and increased exploration expenses.

Variation in the adjusted net income of Upstream 1H 2017 vs. 1H 2016



(1) Includes general administrative costs, exchange rate effect and others.

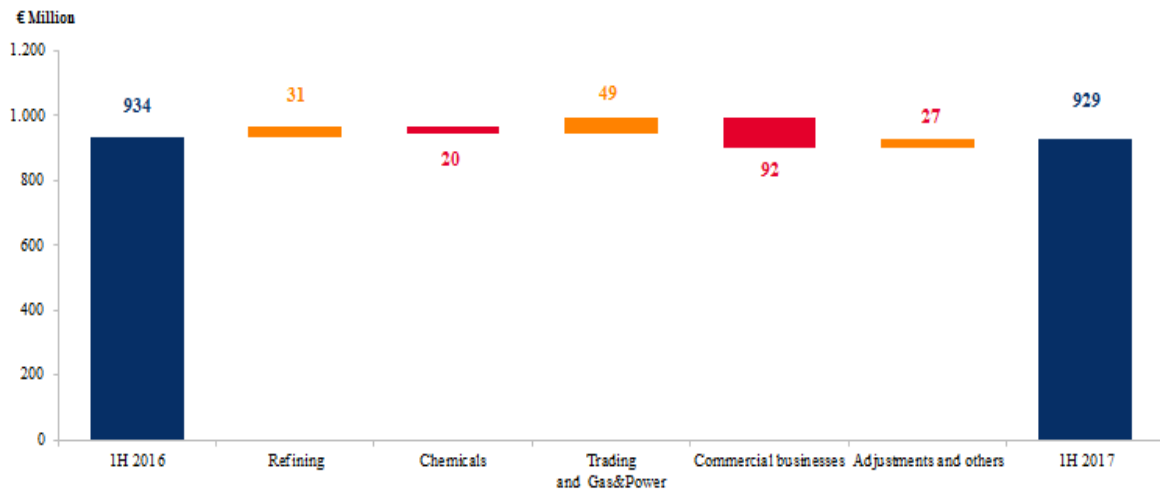
Upstream EBITDA amounted to 1,666 million euros, a 79% increase on the same period of the previous year.

Net investment in exploration in the period was 921 million euros, a 28% decline on the same period in 2016.

Downstream

Adjusted net income was 929 million euros in the first half of 2017, in line with the same period of 2016.

Variation in the adjusted net income of Downstream 1H 2017 vs. 1H 2016



The variation in the adjusted net income was due mainly to:

- The solid results in Refining were maintained in a more favorable international environment (higher margin of US\$6.6/bbl as opposed to US\$6.4/bbl in 1H2016 and a stronger US dollar: 1.08 €\$ vs. 1.12 €\$ in 1H2016), increased distillation in the plants and the increase in sales, which offset the effects of the multi-year maintenance downtimes in the industrial complexes of Bilbao and Cartagena, and increased amortization.
- In Chemicals, where the high international margins of the previous year were maintained, results were affected by lower sales in the period due to operational incidents at the plants. This effect was offset by the greater contribution to the result from cogeneration plants and associate companies.
- The improved results in Trading operations and the recovery in the Gas & Power business in North America, driven by the increase in volumes sold and lower costs.
- In Commercial Businesses, the improvement in the results of Marketing in Spain (sales up 2%, improvement in non-oil activity, reduction in fixed costs) and Portugal. However, the results of the LPG business were reduced, in comparison with the previous year, by lower margins on regulated bottled LPG, the indemnities resulting from applying the maximum price formula for the sale of bottled LPG 2009-2010 registered in 2016, and the income from the disposal of businesses (piped gas in Spain and the Peru and Ecuador LPG businesses).

Downstream's EBITDA stood at 1,518 million euros (compared to 1,585 million euros in the same period of 2016).

Downstream's net investments were 245 million euros (compared to a negative 258 million euros in the first half of 2016, when major divestments were made). Gross investment declined by 15% compared to the same period of 2016, with the main investments being those related to the improvement of energy efficiency and safety and environment, together with the multi-year downtimes in the Spain refineries and the refurbishing of the gasolines block in the La Pampilla refinery in Peru.

Corporation and other

The results (a loss of 142 million euros) were below those for the first half of 2016 (80 million euro loss). The reductions in corporate costs in Madrid and Calgary and lower debt interest payments were insufficient to compensate for the reduced contribution of Gas Natural Fenosa (following the reduction of the holding in 2016 and the worse performance by the electric power activity in Spain) and the comparative effect on the financial results of the gains achieved in 2016 on the repurchase of the ROGCI bonds.

The **Inventory Effect** is negative at 60 million euros, due to the decline in prices during the half-year.

In **Special Items**, which stood at -10 million euros, notable aspects were i) workforce restructuring costs, due to the downsizing of the executive team and the workforce reductions in the countries of the *Upstream* segment, ii) the impairment of exploration assets, and iii) the impact of legal, fiscal and environmental provisions.

<i>Million euros</i>	Upstream		Downstream		Corporation		TOTAL	
	1H 2017	1H 2016	1H 2017	1H 2016	1H 2017	1H 2016	1H 2017	1H 2016
Divestments	9	(10)	12	260	2	-	23	250
Workforce restructuring	(8)	(54)	(4)	(130)	(24)	(162)	(36)	(346)
Impairment	(26)	(8)	-	(2)	-	-	(26)	(10)
Provisions and others	36	(138)	14	(20)	(21)	(16)	29	(174)
TOTAL	11	(210)	22	108	(43)	(178)	(10)	(280)

Net Income for the first half, as a result of all of the above, was 1,056 million euros, 65% up on the same period of 2016.

EBITDA for the period, at 3,108 million euros, rose 29% over the previous period, driven basically by the notable performance of *Upstream*.

Below we present the main financial **profitability** indicators for the first half of 2017 and 2016:

Profitability indicators	1H 2017	1H 2016
Return on average capital employed (ROACE) (%)	6.5	5.3
Earnings per share (€share)	0.68	0.41

Free cash flow in the first half of 2017 stood at 943 million euros, compared to 775 million euros in the same period of 2016. The significant improvement in EBITDA and the fall in investment were partly offset by higher tax payments and the absence of major divestments in the period.

	1H 2017	1H 2016
EBITDA	3,108	2,417
Changes in working capital	(387)	(731)
Dividends received	140	303
Income tax receipts / (payments)	(380)	119
Other receipts/(payments) from operating activities	(306)	(336)
I. CASH FLOW FROM OPERATING ACTIVITIES	2,175	1,772
Payments on investments	(1,264)	(1,657)
Receipts from disinvestments	32	660
II. CASH FLOW FROM INVESTMENT ACTIVITIES	(1,232)	(997)
FREE CASH FLOW (I + II)	943	775
Payments for dividends and remuneration of other equity instruments	(143)	(271)
Net interest	(345)	(398)
Treasury stock	(183)	(49)
CASH GENERATED IN THE PERIOD	272	57

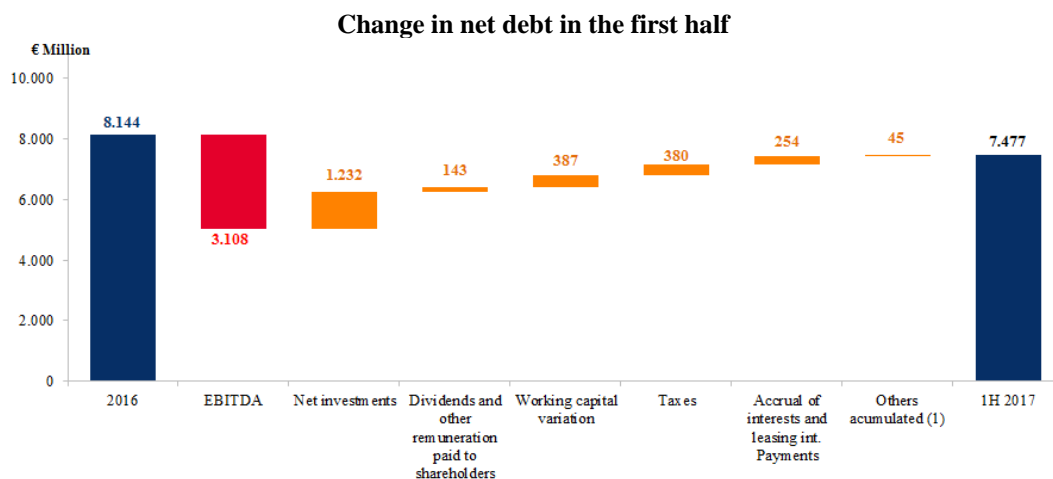
4.2. FINANCIAL OVERVIEW

During the first half of 2017, in accordance with the Group's commitment to strengthening its financial structure following the acquisition of ROGCI, it has continued with the various measures that have enabled it to reduce its borrowing and maintain its pre-acquisition credit rating; moreover, the leading credit agencies have improved the outlook, with S&P updating it from "negative" to "positive" and Moody's and Fitch from "negative" to "stable".

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

Indebtedness

The **net debt** at June 30, 2017 was 7,477 million euros, significantly inferior to that at the same date last year (11,709 million euros), due to the improvement in the cash flow generated by the businesses over the period (driven mainly by the Upstream segment), discipline in investments and the lower costs of borrowing. During the half-year, net debt was reduced by 667 million euros:



(1) Mainly includes treasury stock transactions and the effect of the exchange rate.

Main funding operations

- In February 2017, a bond issued by Repsol International Finance, B.V. (RIF) was repaid at maturity; the nominal amount was 886 million euros with a fixed annual coupon of 4.75%.
- In May 2017, RIF issued a bond guaranteed by Repsol S.A., in the amount of 500 million euros, maturing in 2022 and carrying a fixed annual coupon of 0.50%. This represents the first issue of a "green bond"¹ by the Repsol Group, the funds of which are dedicated to refinancing and financing projects that seek to prevent greenhouse gas emissions as part of refining and chemical activities in Spain and Portugal.
- On June 9, ROGCI announced the launch of a Consent solicitation addressed to holders of its US dollar bonds, with the aim of modifying certain terms and conditions of these issues with the aim of: (i) replacing ROGCI's reporting obligations with Repsol's periodic financial information; and (ii) eliminating the merger covenant in order to optimize the Group's operating and financial flexibility. ROGCI has also offered investors the option of repurchasing their bonds.

This transaction was preceded by Repsol, S.A.'s guaranteeing ROGCI's payment obligations as part of these issues; this guarantee shall remain in force until it expires or is cancelled.

ROGCI has received sufficient consents to amend the conditions of the issues in the terms proposed and has repurchased bonds in the amount of 87 million dollars.

Debt maturities

The maturity dates for gross debt at June 30, 2017 are as follows:

Gross debt ⁽¹⁾⁽²⁾ (Million euros)	Total	Maturities of bonds ⁽¹⁾ outstanding at June 30 2017				
		FY	Currency	Nominal	%	Maturity
		2017	£	250 ⁽⁴⁾	6.63	dec-17
Maturity 2017	2,820	2018	€	750 ⁽³⁾	4.38	feb-18
			€	600	Eur. 3M+p.b.	jul-18
Maturity 2018	1,956		€	1,000 ⁽³⁾	4.88	feb-19
		2019	\$	360 ⁽⁴⁾	7.75	jun-19
Maturity 2019	1,740		€	100	0.125	jul-19
		2020	€	1,200 ⁽³⁾	2.63	may-20
Maturity 2020	1,903		€	600 ⁽³⁾	2.13	dec-20
			\$	237 ⁽⁴⁾	3.75	feb-21
Maturity 2021	1,312		€	1,000 ⁽³⁾	3.63	oct-21
			€	500 ⁽³⁾	0.50	may-22
Maturity 2022 and thereafter	3,079		€	500 ⁽³⁾	2.25	dec-26
			\$	50 ⁽⁴⁾	7.25	oct-27
TOTAL	12,810	2021 and thereafter	€	100 ⁽³⁾	5.38	jan-31
			\$	88 ⁽⁴⁾	5.75	may-35
			\$	102 ⁽⁴⁾	5.85	feb-37
			\$	115 ⁽⁴⁾	6.25	feb-38
			\$	57 ⁽⁴⁾	5.50	may-42
			€	1,000 ⁽⁵⁾	4.50	mar-75

⁽¹⁾ Does not include the perpetual subordinated bond issued by Repsol International Finance, B.V (RIF) on March 25, 2015 in the amount of 1,000 million euros.

⁽²⁾ Includes exchange rate derivatives and interest.

⁽³⁾ Issues of RIF under the *Euro 10,000,000,000 Guaranteed Euro Medium Term Note Program* (EMTNs) guaranteed by Repsol, S.A.

⁽⁴⁾ Issues placed through ROGCI under the scope of the *Universal Shelf Prospectus* program in the United States and the *Medium-Term Note Shelf Prospectus* program in Canada. These issues are subject to the request for consent and repurchase option mentioned in this section and have been guaranteed by Repsol, S.A.

⁽⁵⁾ Subordinated bond maturing at 60 years issued by RIF and guaranteed by Repsol, S.A. Coupon scheduled for reset on March 25, 2025 and March 25, 2045.

¹ For further information, consult the Green Bond Framework published at www.repsol.energy/es/.

Additionally, Repsol International Finance, B.V. (RIF), holds a Euro Commercial Paper (ECP) Program, with a limit of 2,000 million euros; the outstanding balance at June 30, 2017 was 1,953 million euros.

Financial prudence

Group liquidity, including committed and undrawn credit facilities, stood at 7,756 million euros at June 30, 2017, which is enough to cover its short-term debt maturities by a factor of 1.91. Repsol had undrawn credit lines amounting to 2,814 and 4,214 million euros at June 30, 2017 and 2016, respectively.

INDICATORS OF FINANCIAL POSITION	06/30/2017	06/30/2016
Net financial debt (Million euros)	7,477	11,709
Net financial debt / EBITDA (x times)	1.20	2.42
Net financial debt / Total capital employed (%)	19.9	28.9
Liquidity / Gross short-term debt (x times)	1.91	1.8
Debt interest / EBITDA (%)	5.9	9.3

Credit rating

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

TERM	STANDARD & POOR'S		MOODY'S		FITCH RATINGS	
	Repsol, S.A.	ROGCI	Repsol, S.A.	ROGCI	Repsol, S.A.	ROGCI
Long-term	BBB-	BBB-	Baa2	Baa2	BBB	BBB-
Short-term	A-3	A-3	P-2	P-3	F-3	F-3
Outlook	positive	positive	stable	stable	stable	stable
Last date of change	03/03/2017	03/03/2017	06/22/2017	06/22/2016	05/16/2017	05/16/2017

Treasury shares and own equity investments

In the first half of 2017, no significant transactions involving treasury shares or own equity investments were performed. For further information, see Note 4.5 “*Treasury shares and own equity investments*” in the Interim Condensed Consolidated Financial Statements for the first half of 2017.

4.3. SHAREHOLDER REMUNERATION

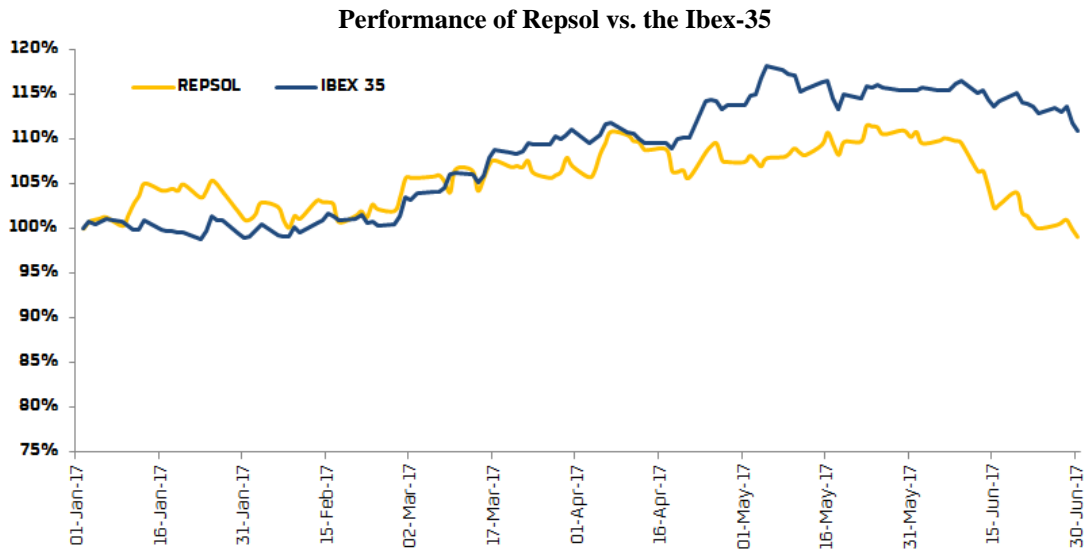
The remuneration received by shareholders in the first half of 2017 under the “*Repsol Flexible Dividend*” program includes the amount of the irrevocable commitment to purchase bonus share rights assumed by Repsol in the bonus share capital increase concluded in January 2017 (€0.335 gross per right). In the first half of 2017, Repsol paid out a gross total of 99 million euros to shareholders and distributed 30,760,751 new shares, worth 392 million euros, to those shareholders opting to take their dividend in the form of new company shares.

In addition, in July 2017, under the “*Repsol Flexible Dividend*” program, replacing what would have been the final dividend from 2016 profits, Repsol paid out 189 million euros in cash (€0.426 gross per right) to those shareholders opting to sell their bonus share rights back to the Company and delivered 30,991,202 shares, worth 449 million euros, to those opting to take their dividend in the form of new company shares.

For additional information on the total remuneration received by shareholders and the aforementioned capital increases issued under the “*Repsol Flexible Dividend*” program, see Note 4.5 “*Share capital*” of the Interim Condensed Consolidated Financial Statements for the first half of 2017.

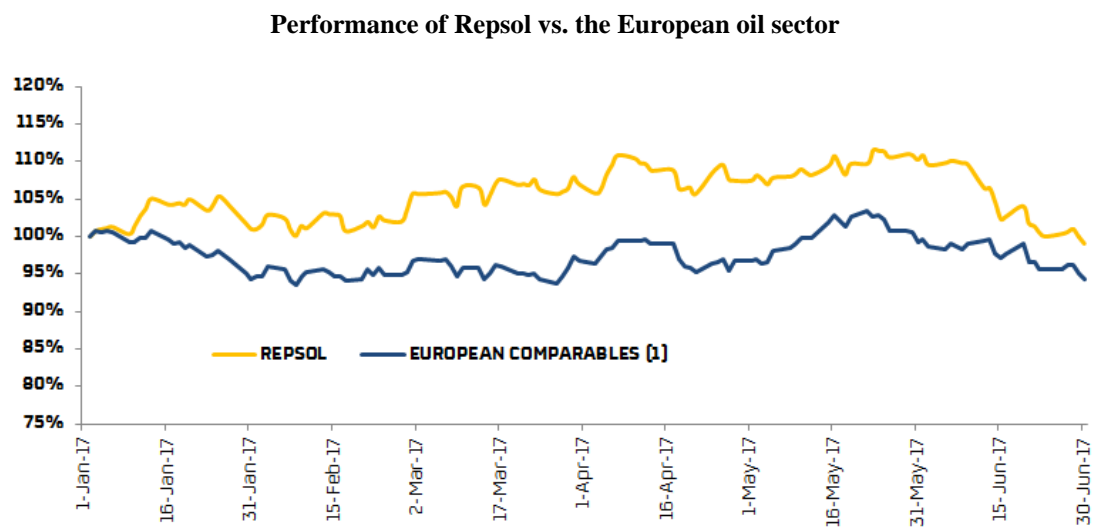
Share price

The first half of 2017 ended on a positive note for the leading European indexes and, in particular, for the **Ibex 35** as a result of the region's more stable economic situation. After maintaining a rising trend throughout the period, reaching yearly highs at the beginning of May, the Ibex-35 ended the period up 11%, recovering more than a thousand points.



Source: Bloomberg

Repsol ended the first half with a slight decline of 0.9%. Like the rest of the **European oil sector**, which fell an average 6%, Repsol was negatively affected by the progressive fall in oil prices over the period.

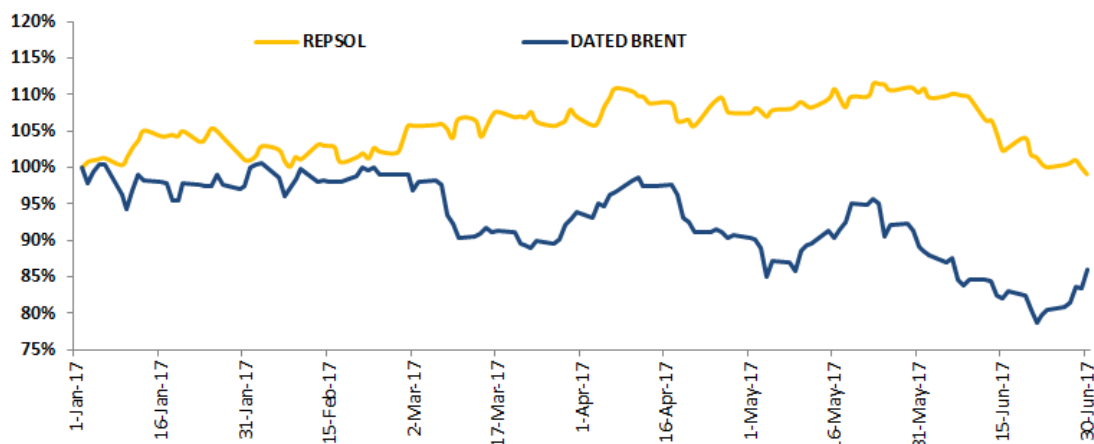


Source: Bloomberg

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

Brent began the year above US\$56/bbl, but the increase in OPEC and US shale production brought its price down to US\$48/bbl by the end of the first half, a decline of 14%.

Performance of Repsol vs. Brent



Source: Bloomberg

The Group's main stock market indicators in the first half of 2017 and 2016 are detailed below:

MAIN STOCK MARKET INDICATORS	1H 2017	1H 2016
Shareholder remuneration (€/share) ⁽¹⁾	0.335	0.466
Share price at period-end ⁽²⁾ (€)	13.40	11.41
Period average share price (€)	14.28	10.26
Maximum price (€)	15.09	11.94
Minimum price (€)	13.40	8.02
Number of shares outstanding at year-end (million)	1,496	1,442
Market capitalization at end of the year (€million) ⁽³⁾	20,052	16,451
Book value per share ⁽⁴⁾	20.01	19.84

⁽¹⁾ For each period, shareholder remuneration includes the dividends paid and the fixed price guaranteed by Repsol for the bonus share rights awarded under the "Repsol Flexible Dividend" program.

⁽²⁾ Share price at year-end in the continuous market of the Spanish stock exchanges.

⁽³⁾ Closing market price per share, times the number of outstanding shares.

⁽⁴⁾ Equity attributed to the Parent / Number of shares outstanding at period-end.

5. OUR BUSINESS PERFORMANCE

5.1. UPSTREAM

Figures, indicators and investments			Results			
	1H 2017	1H 2016	€ Million	1H 2017	1H 2016	Var. %
Net production of liquids (kbbbl/d)	256	251	Operating income	503	(79)	737%
Net production of gas (kboe/d)	429	454	Income tax	(176)	137	(228%)
Total net production of hydrocarbons (kboe/d)	685	705	Investees and non-controlling interests	12	5	140%
Average crude oil realization price (\$/bbl)	46.7	35.1	Adjusted net income ⁽¹⁾	339	63	438%
Average gas realization price (\$/kscf)	2.9	2.3	Special items	11	(210)	(105%)
Bonds, dry wells, and general and administration expenses ⁽¹⁾	141	65	Net income	350	(147)	338%
Net investments ⁽²⁾	921	1,281	Effective tax rate (%)	35	(173)	-
			EBITDA	1,666	933	79%
			⁽¹⁾ Detail of Adjusted Net Income by geographical area:			
			Geographical area	1H 2017	1H 2016	Var.
			Europe, Africa and Brazil	141	58	143%
			Latin America - Caribbean	159	172	(8%)
			North America	(25)	(114)	78%
			Asia and Russia	74	19	284%
			Exploration and other	(10)	(72)	88%
			Adjusted Net Income	339	63	438%

Main events of the first half of 2017

- **Exploration campaign:** in the first half of 2017, the drilling of 7 exploration wells and 3 *appraisal* wells was concluded, 5 with positive results (3 exploration wells and 2 *appraisal* wells) and 5 negative (all exploration except one *appraisal* well). At June 30, 2 exploratory wells were still ongoing. In addition, one exploration drilling in Romania was suspended.
- On January 4, 2017, **production resumed in the I/R field in Libya** (field shared between blocks NC-186 and NC-115) and, on May 9, in NC-186. On December 20, 2016, production was reestablished in El Sharara in block NC115 (fields A, M and H). Average production in the first half of 2017 amounted to 177 Kboe/d gross (251 Kboe/d gross in June), representing a net Repsol production of 21.5 kboe/d in the first half (29.8 kboe/d in June)
- On January 19, **appraisal drilling PTJ-X5 in Bolivia** in the Patajú block (48.33% Repsol) ended with a negative result.
- On January 31, the **Mashira drilling 57-18-6X in block 57 in Peru** (53.84% Repsol) ended with a negative result.
- On March 9, 2017, the **discovery in Alaska** was announced, with the **Horseshoe-1 and Horseshoe-1A** drillings which confirm that the Nanushuk formation has one of the highest potentials of the prolific Alaska *North Slope* zone. This discovery extends the Nanushuk formation by over 32 km with respect to the finds made until now. Total contingent resources are estimated at around 1,200 million recoverable barrels of light crude. The delineation works are currently in progress which will allow the development plan to be designed, with production expected to begin in 2022. Repsol has a 25% stake in this discovery; Armstrong is the operating company.
- On April 6, **drilling P-8 ended; this is situated in the Russian Karabashsky-1 block** (100% stake), and was declared negative.
- In the first quarter of 2017, the **second production well in the Lapa field** came on stream. This well in block BM-S-9 is located in the deep waters of Brazil. The third well is expected to come on stream during the second half of 2017.
- On April 16, **appraisal drilling PTJ-WX1 in Bolivia** in the Patujú block (Repsol 48.33%) ended with a positive result.

- On April 17, the *Field Development Plan* (FDP) of the project for the **development and start of production of the offshore Ca Rong Do (CRD) discovery** in Vietnam block 07/03 was approved. Subsequently, on April 26, Repsol and its partners in the project signed the Final Investment Decision (FID), launching the development phase of the project which is forecast to begin production in late 2019.
- On May 1, **drilling ended at Stordal-1**, in Norwegian block PL705 (Repsol 40%) with a negative result.
- On May 29, drilling ended at **Siluro 1B**, in Colombia block RC-11 (Repsol 50%) with a negative result.
- On May 12, the **start of production in the Shaw field in the MAR area** was announced (Montrose and Arbroath platforms) in the UK North Sea. This field is operated by Repsol Sinopec Resources UK in the framework of the MAR area development plan. This project includes the development of two new fields (Shaw and Cayley), for which a new production platform (BLP), connected to the Montrose Alpha platform, has been installed. The Cayley field came on stream in June 2017.
- On May 29, an agreement was announced to acquire a 60% stake and the status of operating **company in the Ioannina and Aitolokarnania onshore exploration blocks in western Greece**, with a total extension of 8,547 km²; they form part of the Hellinide fold belt and are related to the recent important discoveries in Albania (the Shell Shpirag discoveries). The current operator, Energean, will retain a 40% non-operating stake in the two blocks. The agreement is subject to approval by the Greek government and ratification of the Aitolokarnania concession agreement between Energean and the government.
- On June 6, the discovery was announced of **gas in the waters of Trinidad and Tobago** with the Savannah and Macadamia drillings in the East Block, situated in the Columbus basin, to the east of the island of Trinidad, in a sheet of water of some 150 meters. Repsol is participating in this block with a 30% interest (the other 70% is held by BP, the block's operating company). The resources are estimated at some 2 trillion cubic feet of gas (2 TCF), equivalent to over two years of consumption in Spain.
- As part of the project for the **redevelopment of the offshore Kinabalu field in Malaysia**, where Repsol is the operating company with 60%, a new riser platform was installed in June 8. Once the development drilling stage ends, after the connection and inauguration of the platform, production is expected to begin in the second half of 2017.
- On June 16, an agreement was announced between the Bolivian government and Repsol for work to begin in a **new exploration block (Iñiguazu)**, in the south of the country, where Bolivia's main gas-producing fields are found. The block covers 644 km², it is located in Tarija department and it borders on the Caipipendi area (Margarita-Huacaya). Drilling will be carried out by a consortium formed by Repsol, the operating company, YPFB Andina, Shell and PAE.
- On June 19, the Mexican National Hydrocarbons Commission (CNH) awarded Repsol a **gas exploration block in Mexico's shallow waters** as part of Exploration Round 2. This is Block 11, with a total surface area of 533 km², in the southeast basin. Repsol will act as operator with a 60% stake, with its partner Sierra Oil & Gas with the other 40%. This award represents Repsol's first exploration block in Mexico; it is returning to the country after an absence following the expiry in January 2014 of the Multiple Services Contract in the Burgos basin.
- On June 29, an agreement was reached with the Russian company **Gazprom Neft by which the latter acquired Repsol's 25% stake in the company Eurotek Yugra**. Thus, Repsol and Gazprom Neft will manage Eurotek Yugra jointly. Eurotek Yugra owns seven licenses in the most western zone of the West Siberia basin (Karabashky licenses 1, 2, 3, 9, 78, 79 and Kileyski). In the framework of this agreement, a memorandum of understanding was also signed to strengthen the collaboration between the two companies in West Siberia, and to explore joint investments in the area near Eurotek Yugra's assets.
- The second quarter of 2017 **saw the early cancellation**, in the Algarve basin in offshore Portugal, **of the exploration licenses** for blocks 11 (Sapateira) and 12 (Caranguejo). Repsol was the operator with a 70% interest, in association with Partex (30%).
- Following the studies of their potential, in the second quarter of 2017, Repsol agreed with the operator, Armstrong, its **early withdrawal from 19 marginal blocks to the north of the Alaska North Slope**.
- Also in the second quarter, the launch of the project for the **development of the Angelin gas field in BPTT in Trinidad and Tobago** was approved. Production is expected to begin in the first quarter of 2019.

- In the first half of the year, Repsol **AutoGas** has:
 - Secured **various agreements with leading automotive brands** (Fiat, PSA Group, Ssangyong-Subaru, Opel and Renault Dacia Group) to promote, through joint actions, the sale of vehicles fuelled by automotive LPG or AutoGas.
 - Repsol AutoGas has launched a **program of commercial incentives to adapt gasoline vehicles to AutoGas**.
 - Continued to support the consumption of **Autogas as an alternative fuel** through the Autogas cluster; in June, the cluster had 15 members which, in addition to Repsol, included manufacturers of vehicles and components and technology and/or research institutes.
- In Peru, following the launch of the diesel module of the La Pampilla refinery, in 2017 the **Gasoline block** is being developed in accordance with the timetable.
- In the first half, taking advantage of the scheduled shutdowns at the Bilbao and Cartagena refineries, the following **improvements** were carried out:
 - **In Bilbao**, we invested in **2 new compressors for the FCC unit** to reduce the fuel consumed in the generation of steam, in dry seals in rotating machinery to reduce oil consumption and in the installation of new air pre-heaters in furnaces to reduce their fuel consumption.
 - **In Cartagena**, various **projects have been carried out to improve energy efficiency in the crude unit, the Hydrocracker and the Hydrogen 2 unit**, notably the modifications to the reformer furnace of the Hydrogen 2 unit, which reduce the fuel consumption specific to the process.

5.3. CORPORATION

Main events of the first half of 2017

- On March 3, the **Standard & Poor's (S&P) credit rating agency changed the outlook** from “negative” to “stable” for Repsol's long-term debt, rated as BBB-.
- In April, the Corporate Executive Committee approved a set of **changes in the executive team** in the framework of the transformation of the organization. These changes will enable us to progress towards a more flexible company and strengthen the relationships between the Corporation and the businesses. It represents a simplification of our organizational structure and reduces the number of executives by 14.
- On May 19, 2017, Repsol's General Shareholders' Meeting approved the **appointments as independent external directors** of Ms Maria Teresa Ballester Fornés, Ms Isabel Torremocha Ferrezuelo and Mr Mariano Marzo Carpio. In all cases, for a statutory term of 4 years (see section 2 for further information).
- On May 23, 2017, Repsol International Finance B.V. **issued a "green" bond** (a first for the company and for the Oil & Gas sector), guaranteed by Repsol S.A., for a nominal amount of 500 million euros, maturing in 2022 with a fixed annual coupon of 0.50%.
- On May 16, the **Fitch credit rating agency changed the outlook** from “negative” to “stable” for Repsol's long-term debt, rated as BBB.
- On June 20, the Corporate Executive Committee approved the **Global Sustainability Plan** in which Repsol **commits itself to 2020 targets** in the six main areas (Ethics and transparency; People; Operational safety; Management of resources and impacts; Climate change and Innovation and technology).
- On June 22, the **Moody's credit rating agency changed the outlook** from “negative” to “stable” for Repsol's long-term debt, rated as Baa2.
- During the first half, **Emerging Businesses**, as part of its corporate venture capital activity, made the following investments in start-ups:
 - **WeSmartPark**: In January, it acquired 11.51% of this Spanish company, which manages a network of shared car parks.
 - **DriveSmart Technology**: In March, it acquired 15.65% of this Spanish company, which aims to provide a leading tool for obtaining metrics on the driving of vehicles.
 - **Sorbwater Technology**: In May, it acquired 11.29% of this Norwegian company, whose technology is based on the elimination of crude oil from water, forming part of the treatment of any type of waste water.
- On July 25, **Standard & Poor's (S&P)**, the credit rating agency, **changed the outlook** for Repsol's long-term debt, rated BBB-, from “stable” to “positive”.

6. RISKS

6.1. RISK FACTORS

Repsol's operations and earnings are subject to risks as a result of changes in competitive, economic, political, legal, regulatory, social, industrial, business and financial conditions.

The risks facing the Group in the second half of 2017 are detailed in the Management Report which accompanied the 2016 Consolidated Financial Statements. Hence, the information contained here should be read in conjunction with the description of the risk factors included in the 2016 Consolidated Management Report, together with Notes 16 “*Management of financial and capital risks*” and 22 “*Impairment of assets*” in the Consolidated Financial Statements for that year.

Below we summarize the risks that existed at December 31, 2016 and will remain in the second half of 2017, together with any new risk factor identified in the first half of 2017.

Strategic and operational risks

Uncertainty in the current economic context

In the current context of consolidating global growth, the short-term risks to financial stability have reduced considerably, but new risks have acquired importance, some in the longer term.

Thus, while some of the risks that have figured in recent years, such as deflation risk, have diminished, the change taking place in the political situations of some developed economies raises new questions. The UK vote in favor of leaving the European Union (Brexit) and Mr. Trump's victory reflect an increased polarization of society and the status quo in public policy over the last 30 years, particularly the consensus regarding the benefits of globalization and greater international integration, is being called into question. A possible swing towards protectionism in the advanced economies would reduce world growth by curbing international trade and cross-border investment flows. In any case, the election results in The Netherlands and France have slowed the anti-EU movement and reduced political risk in the eurozone.

However, major uncertainties, arising from the difficulties in managing various economic transitions that are taking place simultaneously, continue to hang over the global economy. The most important of these is the need for China to move to a new development model, which cannot proceed in as orderly a fashion as the authorities would like, especially given the country's high levels of indebtedness. Secondly, the normalization of monetary policy in the US, which has included unconventional policies for the first time. The third transition is the adjustment of the commodities cycle.

Beyond the economic risks, the threat of terrorist acts and geopolitical conflicts may create instability in the markets. The investigations into the Trump administration's connections to Russia threaten to become another destabilizing factor in the markets. In addition, tensions have increased around the Korean peninsula, and diplomatic relations between Saudi Arabia and Qatar have soured. At the same time, major social and political tensions persist in Venezuela, while in Brazil the reform timetable may be hindered by a possible corruption case affecting President Temer.

With regard to oil prices, the oversupply of the market, which has depressed prices since the second half of 2014, has reduced considerably and, according to the International Energy Agency (IEA), is likely to disappear in the second half of 2017; this points to a sustained fall in inventories during the rest of the year.

The uncertainty to this scenario arise from three factors. First, the health of demand; second, compliance with the production cuts; and third, the recovery in US supply. With regard to demand, both the economic trend and outlook and the leading indicators for consumption point to relatively healthy growth, with a

low risk of deterioration in the current outlook. The second source of uncertainty regarding the balance forecast by the IEA has to do with compliance with the production cuts. Up to May, the average compliance by the OPEC countries subject to cuts was 96%, much better than the historic average of 75-80%. It is difficult to envisage a scenario in which this compliance deteriorates significantly, mainly because the restriction of production is expected to lead to increased income. If this does not occur, they run the risk of prolonging the delicate economic situation and deepening social unease and political instability. Lastly, the point of greatest uncertainty in the global equilibrium is the recovery in the supply of US unconventional (shale) oil, which has shown unexpected strength in the current price environment.

Climate change

Repsol is exposed to possible changes in the regulatory framework for greenhouse gas emissions arising from either our industrial operations or the use of our products.

Repsol's assets are subject to risks arising from physical changes caused by climate change, such as rising sea levels, changes in precipitation patterns, changes in extreme temperatures or droughts, or even a more frequent occurrence of extreme meteorological phenomena (cyclones, hurricanes, etc.).

Further, a change in consumers' behavior in favor of less carbon-intensive products could also affect Repsol's competitiveness if it fails to adapt to these changes. Repsol, and the oil industry, are exposed to adverse currents of opinion that may affect the share price.

Fluctuations in international prices of crude and related products and in demand, owing to factors beyond Repsol's control

World oil prices have fluctuated widely in recent years, as well as being affected by international supply and demand factors over which Repsol has no control.

The international prices of products are influenced by the price of crude oil and by demand for such products. Also, international prices of crude oil and of products impact the refining margin. International oil prices and demand for crude oil may also fluctuate significantly during economic cycles.

Reductions in oil prices adversely affect the profitability of Repsol's activity, the value of its assets and its plans for investment, which may be altered as a result of delays, renegotiation or cancellation of projects. Similarly, a significant drop in capital investment could negatively affect Repsol's ability to replace its crude oil reserves.

Regulatory and tax framework of Repsol's operations

The oil industry is subject to extensive regulation and intervention by governments in upstream activities, in issues such as the award of exploration and production permits, the imposition of contractual obligations regarding drilling and exploration, restrictions on production, price controls, divestments of assets, foreign currency controls, and the nationalization, expropriation or cancellation of contractual rights.

Likewise, *downstream* activities (oil refining and petrochemicals), in general, are subject to extensive government regulation and intervention in matters such as safety and environmental controls.

Also, the energy sector, particularly the oil industry, is subject to a unique tax framework. In *upstream* activities there are often energy taxes on profit and production, while in downstream activities, taxes on consumption products are common.

Repsol is subject to extensive environmental and safety legislation and risks

Repsol is subject to a wide variety of environmental and safety legislation and regulations in every country where it operates. These regulations govern, among other matters, Repsol's operations, environmental quality standards for products, air emissions and climate change, energy efficiency, extractive technologies, water discharges, remediation of soil and groundwater and the generation, storage, transport, treatment and final disposal of waste materials and the safety thereof.

Lastly, following the acquisition of Repsol Oil & Gas Canada Inc., the Company increased its activity in non-conventional hydrocarbons. From an environmental and social standpoint, concern over the impact of exploring for and producing this type of resources could prompt governments and authorities to approve new regulations or impose new requirements on their development. If they do, it could have an adverse impact on the Company.

Operating risks of Repsol's activities

Hydrocarbon exploration and exploitation (Upstream): reliance on the cost-effective acquisition or discovery of, and, thereafter, development of, new oil and gas reserves

Oil and gas exploration and production activities are subject to particular risks, many of which are beyond the control of Repsol. These activities are exposed to production, equipment and transportation risks, errors or inefficiencies in operations' management and purchasing processes, natural hazards and other uncertainties relating to the physical characteristics of oil and natural gas fields and their dismantling.

Furthermore, exploration projects are complex in terms of their scale and are susceptible to delays in execution and cost overruns with respect to initially-approved budgets. In addition, some of the development projects are located in deep waters, mature areas and other difficult environments, such as the Gulf of Mexico, Alaska, the North Sea, Brazil and the Amazon rainforest, or in complex oilfields that could aggravate these risks further. Furthermore, all hydrocarbon transport methods imply inherent risks: during transport by road, rail, sea or through pipelines, spills of hydrocarbons or other hazardous substances may occur.

Moreover, Repsol must replace depleted oil and gas reserves with new proven reserves in a cost-effective manner for subsequent production to be economically viable.

Industrial businesses and marketing of oil products (Downstream)

Refining, Chemical, Trading, production, and distribution activities related to oil derivative products and LPG are exposed to the risk inherent to their activities, and are related to the products' specific characteristics (flammability and toxicity), their use (including that of clients), emissions resulting from the production process (such as greenhouse gas effects), as well as the materials and waste used (dangerous waste, as well as water and energy management), which might impact health, safety, and the environment. Repsol's industrial assets (refineries, regasification plants, warehouses, ports, pipelines, ships, tanker trucks, gas stations, etc.) are exposed to accidents such as fire, explosions, leaks of toxic products, as well as large-scale contaminating environmental incidents. Such accidents may cause death and injury to employees, contractors, residents in surrounding areas, as well as damage to the assets and property owned by Repsol as well as third parties.

On the other hand, industrial and marketing activities take place in a highly competitive environment.

Location of reserves

Part of Repsol's oil and gas reserves are located in countries that are or could be economically or politically unstable.

Estimations of oil and gas reserves

To estimate proven and unproven reserves and oil and gas resources, Repsol uses the criteria established by the SPE/WPC/AAPG/SPEE *Petroleum Resources Management System*, commonly referred to by its acronym SPE-PRMS (SPE standing for *Society of Petroleum Engineers*).

Measurements of reserves are not precise and are subject to revision. The estimate of proven and unproven reserves of oil and gas will also be subject to correction due to errors in the application of published standards and changes in such standards.

Projects and operations in joint ventures and partnerships

Many of the Repsol Group's projects and operations are conducted through joint ventures and partnerships. In those cases where Repsol does not act as the operator, its ability to control and influence the performance and management of the operations, and to identify and manage risks, is limited.

Additionally, there is a possibility that one of Repsol's partners or another member in a joint venture or associated company fails to comply with its financial obligations, or incurs in another breach that could affect a project's viability.

Acquisition, investments and disposals

As part of Repsol's strategy, the company may engage in acquisitions, investments and disposals of ownership interests. Acquisitions and investments involve a number of risks, including possible adverse effects on Repsol's operating income, risks associated with unanticipated events or liabilities relating to the acquired assets or businesses which may not have been disclosed during due diligence investigations, difficulties in the assimilation of the operations, technologies, systems, services and products acquired, and risks arising from provisions in contracts that are triggered by a change of control in an acquired company.

Any failure to successfully integrate such acquisitions could have a material adverse effect upon Repsol's business, results of operations or financial position. Any disposal of an ownership interest may also adversely affect Repsol's financial position, if such disposal results in a loss.

On May 8, 2015, Repsol completed the acquisition of 100% in ROGCI, a Canadian company devoted to oil and gas exploration and production activities. As in any business combination, Repsol's ability to reap the strategic benefits expected from the acquisition will depend on its ability to integrate equipment, processes and procedures, and to maintain existing relationships with its customers and partners.

Repsol's current insurance coverage may not be sufficient for all the operational risks

Repsol holds insurance coverage against certain risks inherent to the oil and gas industry, in line with industry practice. Insurance coverage is subject to deductibles and limits that, in certain cases, may be significantly lower than its losses and/or liabilities. In addition, Repsol's insurance policies contain exclusions that could leave the Group with limited coverage in certain circumstances, or indemnities may not be totally or partially collectible in case of insolvency of the insurers. Furthermore, Repsol may not be able to maintain adequate insurance at rates or on terms considered reasonable or acceptable, or be able to obtain insurance against certain risks that could materialize in the future. If the company experiences an

incident against which it is not insured, or the costs of which materially exceed its coverage, it could have a material adverse effect on its business, financial position and results of operations.

Repsol's natural gas operations are subject to particular operational and market risks

Natural gas prices tend to vary between the different regions in which Repsol operates, as a result of significantly different supply, demand and regulatory circumstances, and such prices may be lower than prevailing prices in other regions of the world.

In addition, Repsol has entered into long-term contracts to purchase and supply natural gas in various parts of the world. These contracts have different price formulas, which could result in higher purchase prices than the price at which such gas could be sold in increasingly liberalized markets. Furthermore, gas availability could be subject to the risk of counterparty breach of contractual obligations. Thus, it might be necessary to look for other sources of natural gas in the event of non-delivery from any of these sources, which could require payment of higher prices than those envisaged under the breached contracts.

Repsol also has long-term contracts to sell gas to customers and, if there should prove to be insufficient reserves in the countries to whose reserves the contracts are linked, Repsol might not be able to satisfy these obligations; some of these contracts include penalty clauses for breach of contract.

Cyclical nature of petrochemical activity

The petrochemicals industry is subject to wide fluctuations in supply and demand, arising from the various economic factors which are responsible for the cyclical nature of the petrochemicals market on a regional and global scale.

Repsol Group's strategy requires efficiency and innovation in a highly competitive market

The oil, gas and petrochemical industry operates in the context of a highly competitive energy sector. This competition influences the conditions for accessing markets or following new business leads, the costs of licenses and the pricing and marketing of products.

The implementation of the Group's strategy requires a significant ability to anticipate and adapt to the market and continuous investment in technological advances and innovation.

The Repsol Group is subject to the effects of administrative, judicial and arbitration proceedings

The Repsol Group is subject to the effects of administrative, judicial and arbitration proceedings that may arise from the performance of its activities. Likewise, Repsol could be involved in other potential future litigation, the scope, content or outcome of which Repsol cannot predict. Any present or future litigation involves a high degree of uncertainty and, therefore, the resolution of these disputes could affect the businesses, results or financial position of the Repsol Group.

Information technology and its reliability and robustness are a key factor in maintaining our operations

The reliability and security of the Group's information technology (IT) systems are critical to maintaining the availability of its business processes and the confidentiality and integrity of the data owned by the company and by third parties. Given that cyber-attacks are constantly increasing, the Repsol Group cannot guarantee that it will not suffer financial and/or material losses in the future as a result of such attacks.

Misconduct or violations of applicable legislation by our employees can damage the reputation of the Repsol Group

The Company's diverse compliance and control models include controls designed to detect and mitigate significant incidents of non-compliance. Management misconduct or breach of any applicable legislation could cause harm to the Company's reputation, in addition to incurring sanctions and legal liability.

Repsol is exposed to negative opinion trends which could have an adverse impact on its image and reputation, thereby affecting its business opportunities

The company carries on its operations in multiple environments with diverse stakeholders, which are mainly local communities in the areas of influence of its operations, as well as local and national civil, political, labor, and consumer organizations, among others.

Should the interests of the above groups be contrary to the Group's activities, and attempts to reach agreements be unsuccessful, Repsol could be affected by the publication of biased or manipulated information that generates opinion contrary to the company's activities.

Financial risks

Repsol has a risk management structure and systems that enable it to identify, measure and control the financial risks to which the Group is exposed. The main financial risks are described below:

Liquidity risk

Liquidity risk is associated to the ability of the Group to finance its obligations at reasonable market prices, as well as to carry out its business plans with stable financing sources.

Credit risk

Credit risk is defined as the possibility of a third party not complying with its contractual obligations, thus creating losses for the Group.

The Group's credit risk exposure mainly relates to trade accounts payable, which are measured and controlled by individual client or third party. The Group also has exposure to counterparty risk arising from non-trade contractual operations that may lead to defaults. In these cases, the Group also analyzes the solvency of counterparties with which it maintains or could maintain non-trade contractual relations.

Credit rating risk

Credit ratings affect the cost and other conditions under which the Repsol Group is able to obtain finance. Any downgrade in Repsol S.A.'s credit rating could restrict or limit the Group's access to financial markets, increase the cost of any new finance, and have a negative effect on its liquidity. See credit rating table in section 3.2 "*Credit rating*" in this document.

Market risks

Exchange rate fluctuation risk: Repsol is exposed to exchange rate risk because the revenues and cash flows generated by oil, natural gas, and refined product sales are generally denominated in dollars or otherwise affected by dollar exchange rates. Operating income is also exposed to fluctuations in currency exchange rates in the countries where Repsol conducts its activities. Repsol is also exposed to exchange rate risk in relation to the value of its financial assets and investments.

Commodity price risk: As a result of its trading operations and activities, the Repsol Group's results are exposed to volatility in the prices of oil, natural gas and their derivative products.

Interest rate risk: The market value of the Group's net financing and net interest expenses could therefore be affected by interest rate fluctuations.

6.2. RISK MANAGEMENT

During the first half of 2017, Repsol published a **revised version of the Group's Risk Management Policy**. The main change consists of a general declaration of risk tolerance, which establishes the principle that the company aspires to the maintenance of a risk profile aligned with a medium-low risk tolerance, appropriate to the business model of an integrated global energy company, present throughout the value chain and carrying on its activities in a diversified manner.

It also differentiates between those risks that the company wishes to maintain within its tolerance thresholds and targets, which are the majority of strategic, operational and financial risks typical of its activity, and those others that the Group wishes to avoid, transfer and/or mitigate, in any case minimizing by all means their probability of occurring and/or the associated impact, by means of the necessary procedures, resources and tools put in place for that purpose; the latter are health, safety, environmental, security, ethical and conduct, compliance (including tax), and reputation and image risks.

ABOUT THIS REPORT

This report should be read in conjunction with the Repsol Group's Interim Condensed Consolidated Financial Statements corresponding to the first half of 2017. Readers should bear in mind that the forward-looking information contained in the various sections of this document reflect the plans, forecasts and estimates of the Group's managers; these are based on assumptions that are considered reasonable, but cannot be considered to guarantee the company's future performance, inasmuch as such plans, forecasts and estimates are subject to numerous risks and uncertainties and do not imply that the Group's future development will coincide with that initially forecast. The main risks and uncertainties are described in section 6.1 "*Risk Factors*."

For the preparation of this report, consideration was given to the recommendations contained in the "*Guidelines for the preparation of listed company Management Reports*" of the National Security Markets Commission (Comisión Nacional del Mercado de Valores – CNMV), published in 2013.

APPENDIX I: ALTERNATIVE PERFORMANCE MEASURES

Repsol's financial information contains indicators and measures prepared in accordance with applicable financial information regulations, as well as other measures prepared in accordance with the Group's Reporting Model¹, defined as Alternative Performance Measures (APMs). APMs are measures which are "adjusted" compared to those presented as IFRS-EU or with Supplementary Information on Oil and Gas Exploration and Production Activities², and the reader should therefore consider them in addition to, but not instead of, the latter.

APMs are highly useful for users of financial information as they are the measures employed by Repsol's management to evaluate its financial performance, cash flows, or its financial position when making operational or strategic decisions for the Group.

For further information, see <https://www.repsol.es>

1. Financial performance measures

Adjusted net income

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

Repsol presents its segment results, including joint ventures or other companies which are jointly managed³, in accordance with the Group's investment percentage, considering its operational and economic indicators within the same perspective and degree of detail as those for companies consolidated under the full consolidation method. Thus, the Group considers that the nature of its businesses and the way in which results are analyzed for decision-making purposes are adequately reflected.

Adjusted net income is calculated as the **Result from continuing operations at Current Cost of Supply (CCS⁴)** net of taxes and minority interests. It does not include certain income and costs (*Special items*), or the *Inventory effect*. **Finance results** is allocated to the Adjusted Net Income/Loss in "Corporation and others".

Adjusted net income is a useful APM for investors when evaluating the performance of operating segments while permitting increased comparability with *Oil & Gas* sector companies using different inventory measurement methods (see the following section).

¹ See Note 2.6 "Information by segment" in the Interim Condensed Consolidated Financial Statements for the first half of 2017.

² The Hydrocarbon Exploration and Production information, which is compiled and disclosed by the Group annually, is prepared in accordance with the principles generally accepted in the oil and gas industry and, specifically, is based on the disclosure criteria outlined in *Topic 932* issued by the *Financial Accounting Standards Board* (FASB).

³ See Note 4.2 "Investments accounted for using the equity method" and Appendix I of the Interim Financial Statements for the first half of 2017, which identify the Group's main joint ventures.

⁴ The Current Cost of Supply (CCS) is commonly used in this industry to present the results of Downstream businesses which must work with huge inventories subject to continual price fluctuations is not a commonly-accepted European accounting regulation, yet does enable the comparability with other sector companies as well as monitoring businesses independently of the impact of price variations on their inventories. Due to the above, the Adjusted Net Income does not include the Inventory Effect.

Inventory Effect

This is the difference between the **Result from continuing operations at Current Cost of Supply (CCS)** and the result calculated as the *Average Weighted Cost* (AWC, which is an inventory valuation method used by the Company to determine its results in accordance with European accounting regulations). It only affects the *Downstream* segment, meaning that for the **Result from continuing operations at Current Cost of Supply**, the cost of volume sold during the period is determined in accordance with supply costs, and production during the year. Apart from the above effect, the ***Inventory Effect*** includes other adjustments to the valuation of inventories (write-offs, economic hedges) and is presented net of taxes and minority interests. Repsol Management considers that this measure is useful for investors, in view of the significant variations arising in the prices of inventory between periods.

AWC is a generally-accepted European accounting method which measures inventories, in that it contemplates purchase prices and historic production costs, valuing inventory at the lower of said cost and its market value.

Special Items

These are significant items which it is considered useful to present separately, in order to facilitate the monitoring of the ordinary management of business operations. It includes capital gains/losses arising from divestitures, restructuring costs, impairments, and provisions for risks and expenses. Special items are presented net of taxes and minority interests. Section 4.1 "*Results and cash flow*" includes the Special Items for the first half of 2017 and 2016. We present below the Special Items for the second quarter of 2016 and 2017.

<i>€ Million</i>	Second quarter							
	Upstream		Downstream		Corporation		TOTAL	
	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016
Divestments	3	(10)	1	201	1	-	5	191
Workforce restructuring charges	(9)	(37)	(4)	(129)	(21)	(150)	(34)	(316)
Impairment	2	(9)	-	-	-	-	2	(9)
Provisions and other	57	(116)	6	(12)	(21)	(37)	42	(165)
TOTAL	53	(172)	3	60	(41)	(187)	15	(299)

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

<i>€ Million</i>	First half											
	Adjusted Result		ADJUSTMENTS								Profit/loss under EU-IFRS	
			Joint Ventures Reclassifications		Special Items		Inventory Effect ⁽²⁾		Total Adjustments			
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Operating income	1,613 ⁽¹⁾	997 ⁽¹⁾	(221)	(108)	(49)	(219)	(86)	8	(356)	(319)	1,257	678
Financial result	(229)	(262)	39	84	5	(18)	-	-	44	66	(185)	(196)
Share of results of companies accounted using the equity method – net of taxes	135	206	88	6	-	-	-	-	88	6	223	212
Net income before tax	1,519	941	(94)	(18)	(44)	(237)	(86)	8	(224)	(247)	1,295	694
Income tax	(376)	(4)	94	18	34	(45)	22	(3)	150	(30)	(226)	(34)
Net income from continuing operations	1,143	937	-	-	(10)	(282)	(64)	5	(74)	(277)	1,069	660
Income attributed to minority interests	(17)	(20)	-	-	-	2	4	(3)	4	(1)	(13)	(21)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT COMPANY	1,126	917	-	-	(10)	(280)	(60)	2	(70)	(278)	1,056	639

⁽¹⁾ Result from continuing operations at current cost of supply (CCS).

⁽²⁾ The Inventory Effect represents an adjustment to "Consumption of raw materials and other consumables" and "Changes in inventory of finished goods and work in progress" on the income statement under EU-IFRS.

<i>€ Million</i>	Second quarter											
	Adjusted Result		ADJUSTMENTS								Profit/loss under EU-IFRS	
			Joint Ventures Reclassifications		Special Items		Inventory Effect ⁽²⁾		Total Adjustments			
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Operating income	671 ⁽¹⁾	437 ⁽¹⁾	(96)	(83)	37	(241)	(199)	223	(258)	(101)	413	336
Financial result	(74)	(185)	8	87	1	(40)	-	-	9	47	(65)	(138)
Share of results of companies accounted using the equity method – net of taxes	62	95	21	(42)	-	-	-	-	21	(42)	83	53
Net income before tax	659	347	(67)	(38)	38	(281)	(199)	223	(228)	(96)	431	251
Income tax	(154)	6	67	38	(23)	(20)	50	(56)	94	(38)	(60)	(32)
Net income from continuing operations	505	353	-	-	15	(301)	(149)	167	(134)	(134)	371	219
Income attributed to minority interests	(9)	(8)	-	-	-	2	5	(8)	5	(6)	(4)	(14)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT COMPANY	496	345	-	-	15	(299)	(144)	159	(129)	(140)	367	205

⁽¹⁾ Result from continuing operations at current cost of supply (CCS).

⁽²⁾ The Inventory Effect represents an adjustment to "Consumption of raw materials and other consumables" and "Changes in inventory of finished goods and work in progress" on the income statement under EU-IFRS.

EBITDA:

EBITDA ("Earnings Before Interest, Taxes, Depreciation, and Amortization") is a financial indicator which determines the operating margin of a company prior to deducting interest, taxes, impairments, restructuring costs, and amortization. Since it does not include financial and tax indicators or accounting expenses not involving cash outflow, it is used by Management to evaluate the Company's results over time, thereby making comparisons with other Oil & Gas sector companies a more straightforward exercise.

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

	First half							
	Group Reporting Model		Joint ventures Reclassifications and Others		Inventory Effect		Cash Flow Statement EU-IFRS ⁽¹⁾	
	2017	2016	2017	2016	2017	2016	2017	2016
Upstream	1,666	933	(642)	(420)	-	-	1,024	513
Downstream	1,518	1,585	(5)	(4)	-	-	1,513	1,581
Corporation and others	(76)	(101)	-	3	-	-	(76)	(98)
EBITDA	3,108	2,417	(647)	(421)	-	-	2,461	1,996
EBITDA CCS	3,194	2,409	(647)	(421)	(86)	8	2,461	1,996

	Second quarter							
	Group Reporting Model		Joint ventures Reclassifications and Others		Inventory Effect		Cash Flow Statement EU-IFRS ⁽¹⁾	
	2017	2016	2017	2016	2017	2016	2017	2016
Upstream	745	529	(251)	(238)	-	-	494	291
Downstream	557	914	(3)	(3)	-	-	554	911
Corporation and others	(38)	(53)	(8)	7	-	-	(46)	(46)
EBITDA	1,264	1,390	(262)	(234)	-	-	1,002	1,156
EBITDA CCS	1,463	1,167	(262)	(234)	(199)	223	1,002	1,156

⁽¹⁾ Corresponds to "Net income before tax" and "Result adjustments" on the Consolidated Cash Flow Statement prepared under EU-IFRS.

ROACE:

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

The **ROACE** (“Return on average capital employed”) is calculated as: (operating results adjusted for joint ventures outcomes excluding “*Special Items*” + Income taxes + Recurrent results from investees) / (Capital employed during the continuing operations period). **Capital employed** measures own and external capital invested in the company, and corresponds to Total Equity + *Net debt*. It includes that which corresponds to joint ventures or other companies whose operations are generated as such.

	<u>1H 17</u>	<u>1H 16</u>	
NUMERATOR (€Million)			
Operating income EU-IFRS	1,257	678	
Joint Ventures Reclassification	221	108	
Special Items	49	219	
Income tax ⁽¹⁾	(420)	(108)	
Share of results of companies accounted for using the equity method - net of taxes	135	206	
I. ROACE result at average weighted cost	1,242	2,486 ⁽²⁾	1,103
DENOMINATOR (€Million)			
Total equity		30,183	28,822
Net financial debt		7,477	11,709
Capital employed at year end		37,660	40,531
II. Average capital employed ⁽³⁾		38,458	40,617
ROACE (I/II)		6.5	5.3

⁽¹⁾ Does not include income tax on profits corresponding to financial results.

⁽²⁾ Figure annualized by extrapolating data for the year.

⁽³⁾ Corresponds to the average balance of capital employed at the beginning and end of the year.

2. Cash flow measures

Free Cash Flow, Cash Generated and Liquidity:

The two main measures used by the Group's Management to evaluate the generation of cash flow in the period are *Free cash flow* and *Cash generated*.

Free Cash Flow measures cash flow generation from operating and investment activities, and is used for evaluating the funds available for paying shareholder dividends, and debt service payments.

Cash flow generated corresponds to *Free cash flow* after deducting all payments for dividends, remuneration of other equity instruments such as net interest and payments for leasing and treasury shared. This APM measures the funds generated by the Company before financial transactions (mainly debt issuance and repayments).

The following is a reconciliation of **Free Cash Flow** and **Cash Generated** with the Consolidated Cash Flow Statements prepared under EU-IFRS:

	First half					
	Adjusted Cash Flow		Joint Ventures Reclassifications and Others		Cash Flow Statement EU- IFRS	
	2017	2016	2017	2016	2017	2016
I. Cash flows from / (used in) operating activities	2,175	1,772	(93)	(171)	2,082	1,601
II. Cash flows from / (used in) investing activities	(1,232)	(997)	114	255	(1,118)	(742)
Free cash flow (I+II)	943	775	21	84	964	859
Cash generated	272	57	25	86	297	143
III. Cash flows from / (used in) financing activities and others ⁽¹⁾	(919)	(1,099)	(15)	17	(934)	(1,082)
Net increase / (decrease) in cash and cash equivalents (I+II+III)	24	(324)	6	101	30	(223)
Cash and cash equivalents at the beginning of the period	4,918	2,769	(231)	(321)	4,687	2,448
Cash and cash equivalents at the end of the period	4,942	2,445	(225)	(220)	4,717	2,225

⁽¹⁾ Includes payments for dividends and payments on other equity instruments, interest payments, other proceeds from/ (payments for) financing activities, proceeds from / (payments for) equity instruments , proceeds from / (payments for) financial liabilities and the exchange rate fluctuations effect.

	Second quarter					
	Adjusted Cash Flow		Joint Ventures Reclassifications and Others		Cash Flow Statement EU- IFRS	
	2017	2016	2017	2016	2017	2016
I. Cash flows from / (used in) operating activities	1,458	829	(55)	(130)	1,403	699
II. Cash flows from / (used in) investing activities	(635)	(255)	57	128	(578)	(127)
Free cash flow (I+II)	823	574	2	(2)	825	572
Cash generated	688	421	5	-	693	421
III. Cash flows from / (used in) financing activities and others ⁽¹⁾	154	(894)	16	39	170	(855)
Net increase / (decrease) in cash and cash equivalents (I+II+III)	977	(320)	18	37	995	(283)
Cash and cash equivalents at the beginning of the period	3,965	2,765	(243)	(257)	3,722	2,508
Cash and cash equivalents at the end of the period	4,942	2,445	(225)	(220)	4,717	2,225

⁽¹⁾ Includes payments for dividends and payments on other equity instruments, interest payments, other proceeds from/ (payments for) financing activities, proceeds from / (payments for) equity instruments , proceeds from / (payments for) financial liabilities and the exchange rate fluctuations effect.

The Group measures **Liquidity** as the total of “Cash and cash equivalents” and undrawn long- and short-term committed credit lines at year end; these correspond to facilities granted by financial institutions which may be drawn down by the company in installments, the amount, and the remaining terms of the agreement.

	First half					
	Group Reporting Model		Joint Ventures Reclassifications and Others (1)		EU-IFRS	
	Jun-17	Dec-16	Jun-17	Dec-16	Jun-17	Dec-16
Cash and Cash equivalents	4,942	4,918	(225)	(231)	4,717	4,687
Undrawn credit lines	2,814	4,429	-	-	2,814	4,429
Liquidity	7,756	9,347	(225)	(231)	7,531	9,116

Net Operating Investments:

Group management uses this APM to measure each period’s investment effort, as well as its allocation by businesses segment, and corresponds to investments, net of divestments, in the exploitation of resources made by different Group businesses. It includes those which correspond to joint ventures or other companies whose operations are managed as such.

	First half					
	Net Operating Investments		Joint Ventures Reclassifications and Others		Cash flow statement EU-IFRS ⁽¹⁾	
	2017	2016	2017	2016	2017	2016
Upstream	921	1,281	(183)	(376)	738	905
Downstream	245	(258)	-	(1)	245	(259)
Corporation and others	8	15	8	(20)	16	(5)
TOTAL	1,174⁽²⁾	1,038	(175)	(397)	999	641

	Second quarter					
	Net Operating Investments		Joint Ventures Reclassifications and Others		Cash flow statement EU-IFRS ⁽¹⁾	
	2017	2016	2017	2016	2017	2016
Upstream	466	643	(82)	(198)	384	445
Downstream	154	(344)	-	1	154	(343)
Corporation and others	10	30	7	(11)	17	19
TOTAL	630⁽²⁾	329	(75)	(208)	555	121

⁽¹⁾ This corresponds to “Proceeds from divestments” and “Payments on investments” on the Consolidated Cash Flow Statement of cash flows prepared under EU-IFRS, and does not include items corresponding to “Other financial assets.”

⁽²⁾ Gross Operating Investments in the first half and second quarter of 2017 amounted to 1,201 and 664 million euros respectively.

3. Financial position indicators

Debt and financial position ratios

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

	Net Debt			Reclassifications Joint Ventures ⁽¹⁾			Figure according to EU-IFRS balance sheet		
	Jun-17	Dec-16	Jun-16	Jun-17	Dec-16	Jun-16	Jun-17	Dec-16	Jun-16
Non-current assets									
Non-current financial instruments ⁽²⁾	379	424	98	692	657	609	1,071	1,081	707
Current assets									
Other current financial assets	44	52	30	1,187	1,228	1,231	1,231	1,280	1,261
Cash and Cash equivalents	4,942	4,918	2,447	(225)	(231)	(222)	4,717	4,687	2,225
Non-current liabilities⁽³⁾									
Non-current financial debt	(8,831)	(9,540)	(10,688)	192	58	54	(8,639)	(9,482)	(10,634)
Non-current liabilities⁽³⁾									
Current financial liabilities	(4,090)	(4,085)	(3,719)	(2,719)	(2,824)	(2,707)	(6,809)	(6,909)	(6,426)
Items not included on the balance sheet									
Net mark to market valuation of financial derivatives (excl. exchange rate) ⁽⁴⁾	79	87	123	-	-	-	79	87	123
NET DEBT	(7,477)	(8,144)	(11,709)				(8,350)	(9,256)	(12,744)

⁽¹⁾ Mainly includes the net financing of the Repsol Sinopec Brasil Group, broken down in the following sections:

June 2016: (cash and cash equivalents of 16 million euros and current financial liabilities as a result of an intra-group loan of 2,780 million euros, less a 366 million euros third-party loan).

December 2016: (Cash and cash equivalents of 43 million euros and current financial liabilities as a result of an intra-group loan of 2,942 million euros, less 344 million euros in third-party loans)

June 2017: (Cash and cash equivalents of 17 million euros and current financial liabilities as a result of an intra-group loan of 2,724 million euros, less 368 million euros in third-party loans).

⁽²⁾ Corresponds to the Consolidated Balance Sheet heading, "Non-current financial assets" (but does not include available-for-sale financial assets).

⁽³⁾ Does not include finance lease obligations.

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

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

	Gross Debt			Joint Ventures Reclassifications and Others (1)			Figure according to EU-IFRS Balance Sheet		
	Jun-17	Dec-16	Jun-16	Jun-17	Dec-16	Jun-16	Jun-17	Dec-16	Jun-16
Current financial liabilities	(4,059)	(4,061)	(3,675)	(2,719)	(2,824)	(2,708)	(6,778)	(6,885)	(6,383)
Net market valuation of exchange rate derivatives	1	7	(22)	-	-	-	1	7	(22)
Current gross debt	(4,058)	(4,054)	(3,697)	(2,719)	(2,824)	(2,708)	(6,777)	(6,878)	(6,405)
Non-current financial liabilities	(8,752)	(9,452)	(10,567)	192	57	55	(8,560)	(9,395)	(10,512)
Non-current gross debt	(8,752)	(9,452)	(10,567)	192	57	55	(8,560)	(9,395)	(10,512)
TOTAL GROSS DEBT	(12,810)	(13,506)	(14,264)	(2,527)	(2,767)	(2,653)	(15,337)	(16,273)	(16,917)

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

The **Leverage Ratio** corresponds to **Net Debt** divided by **Capital employed** at year end. This ratio can be used to determine the financial structure and degree of indebtedness with regard to capital contributed by shareholders and entities which provide financing. It is the chief measure used to evaluate and compare the Company's financial position with others in the Oil & Gas sector.

Debt coverage corresponds to **Net debt** divided by **EBITDA** and makes it possible to evaluate the company's capacity for repaying external financing over a number of years (x times), as well as to compare it to similar companies in the sector.

The **Solvency Ratio** is calculated as **Liquidity** (section 2 of this Appendix) divided by **Current Gross Debt**, and is used to determine the number of times the Group may meet its current debt maturities using its existing liquidity.

Interest coverage is calculated as **debt interest** (which comprises finance income and expense) divided by **EBITDA**. This ratio is a measurement that determines the company's ability to cover interest payments with its **EBITDA**.

€ Millions	First half					
	Group Reporting Model		Reclassif. Joint Ventures		Figure according to EU-IFRS Balance Sheet	
	2017	2016	2017	2016	2017	2016
Interest	183	224	(34)	(35)	149	189
EBITDA	3,108	2,417	(647)	(421)	2,461	1,996
Interest cover	5.9%	9.3%			6.1%	9.5%

€ Millions	Second quarter					
	Group Reporting Model		Reclassif. Joint Ventures		Figure according to EU-IFRS Balance Sheet	
	2017	2016	2017	2016	2017	2016
Interest	89	109	(16)	(18)	73	91
EBITDA	1,264	1,390	(262)	(234)	1,002	1,156
Interest cover	7.0%	7.8%			7.2%	7.9%

APPENDIX II: TABLE OF CONVERSIONS AND ABBREVIATIONS

			OIL				GAS		ELECTRICITY
			Liters	Barrels	Cubic meters	toe	Cubic meters	Cubic feet	kWh
OIL	1 barrel ⁽¹⁾	bbl	158.99	1	0.16	0.14	162.60	5,615	1.7x10 ⁶
	1 cubic meter ⁽¹⁾	m ³	1,000	6.29	1	0.86	1,033	36,481	10,691.5
	1 ton of oil equivalent ⁽¹⁾	toe	1,160.49	7.30	1.16	1	1,187	41,911	12,407.4
GAS	1 cubic meter	m ³	0.98	0.01	0,001	0,001	1	35.32	10.35
	1,000 cubic feet=1.04x10 ⁶ Btu	ft ³	27.64	0.18	0.03	0.02	28.3	1,000	293.1
ELECTRICITY	1 megawatt hour	MWh	93.53	0.59	0.10	0.08	96.62	3,412.14	1,000

⁽¹⁾ Benchmark average: 32.35° API and relative density of 0.8636.

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

			Kilogram	Pound	Ton
MASS	Kilogram	kg	1	2.2046	0,001
	Pound	lb	0.45	1	0,00045
	Ton	t	1,000	2,2046	1

			Cubic feet	Barrel	Liter	Cubic meter
VOLUME	cubic foot	ft ³	1	0,1781	28.32	0,0283
	Barrel	bbl	5,615	1	158,984	0,1590
	Liter	l	0,0353	0,0063	1	0,001
	cubic meter	m ³	35,3147	6,2898	1,000	1

Term	Description	Term	Description	Term	Description
bbl / bbl/d	Barrel/ Barrel per day	kbbbl	Thousand barrels of oil	Mm³/d	Million cubic meters per day
bcf	Bcf Billion cubic feet	kbbbl/d	Thousand barrels per day	Mscf/d	Million standard cubic feet per day
Bm3	Billion cubic meters	kboe	Thousand barrels of oil equivalent	kscf/d	Thousand standard cubic feet per day
boe	Barrel of oil equivalent	kboe/d	Thousand barrels of oil equivalent per day	MW	Million watts
Btu/MBtu	British thermal unit/ Btu/millions of Btu	km²	Square kilometer	MWh	Megawatt hour
LPG	Liquefied petroleum gas	kt/Mt	Thousand tons/Million tons	Tcf	Trillion cubic feet
LNG	Liquid Natural Gas	Mbbl	Million barrels	toe	Tons of oil equivalent
GWh	Gigawatts per hour	Mboe	Million barrels of oil equivalent	USD / Dollar / \$	US dollar