INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the first half of 2017

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

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

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

		Million euros	
ASSETS	Note	**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**

		Million euros	
LIABILITIES AND EQUITY	Note	**06/30/2017**	**12/31/2016**
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.

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

	Note	Million euros 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.

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 comprenhesive 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 comprenhesive 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.

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

	Equity attributable to equity holders of the parent company								
	Capital and reserves								
Million euros	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.

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 propert	(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 propert	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 begginng 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 ventures[2] and other companies managed as such[3] 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.

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 RESULTS[1]

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 €823 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

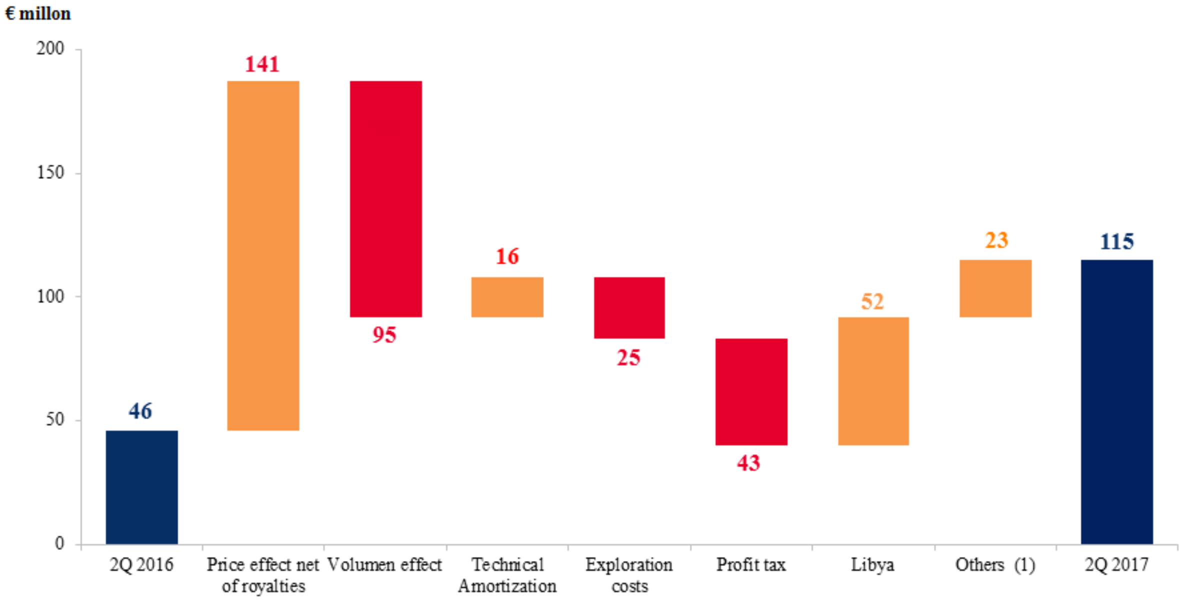
[1] All the information presented in this Note has been prepared using the Group's reporting model (see Note 2.6), unless expressly indicated otherwise, and is reconciled with IFRS-EU financial statements in Appendix IV. Some of these metrics are Alternative Performance Measures (APMs) in accordance 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 €115 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.

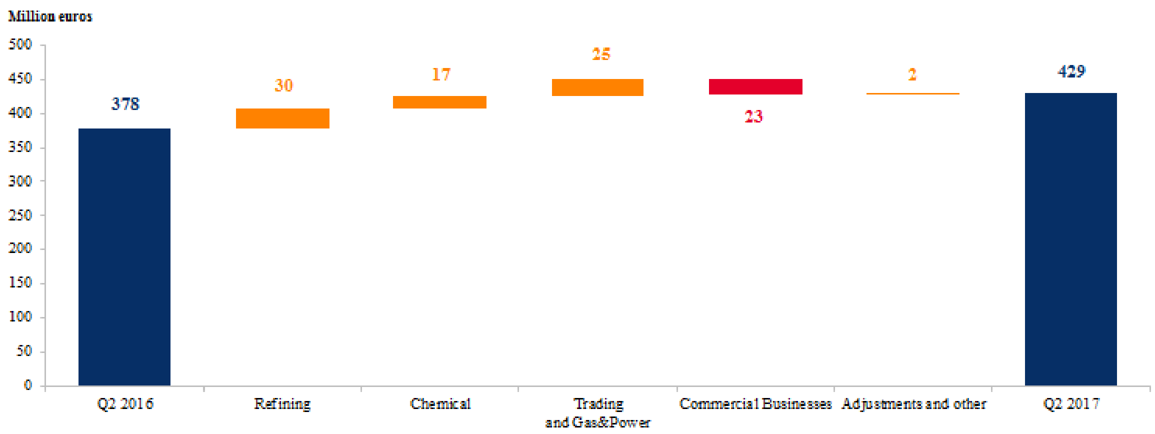
Upstream EBITDA amounted to €745 million, up 41% on the same period of the previous year, driven by the improvement in operating results.

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 €914 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.

	Upstream		**Downstream**		**Corporation**		**TOTAL**	
Million euros	**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 €823 million, up on the €574 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 €868 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.

3.2 Information by geographical area

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

	Second quarter 2017 and 2016					
	Revenue (1)		Adjusted net income (1)		Net operating investments (1)	
Million euros	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.

	First half 2017 and 2016							
	Revenue (1)		Adjusted net income (1)		Net operating investments (1)		Capital employed (1)	
Million euros	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 €57 million in 2016 (€56 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 bonds[1] 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.

[1]This 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/.

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) Fundación 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.

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

Revenue[1] by geographic area is disclosed below:

	Million euros	
Geographical area	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 2017[1]) 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 obligations[1]

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.

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

	Thousands of euros	
Directors [(1)]	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 €142 thousand (€133 thousand in the first half of the previous year); and the contributions to pension plans and long-service bonuses amount to €225 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 Landiríbar, 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.

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:

					06.30.2017		
Name	Country	Parent company	Description	Date	Method of consolidation (1)	% voting rights acquired	% total voting rights at the entity after the acquisition (2)
Repsol Exploración Aitoloakarnania, 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:

					06.30.2017			
Name	Country	Parent company	Description	Date	Method of consolidation (1)	% voting rights disposed of or derecognized	% total voting rights at the entity after disposal	Gain/(Loss) generated (Million euros) (2)
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.	Decr. 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:

	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	
Million euros	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, €323 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:

	June 30, 2017 and December 31, 2016									
	Financial liabilities held for trading [(2)]		Loans and payables		Hedging derivatives [(2)]		Total		Fair value	
Million euros	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	
Financial assets	2017	2016	2017	2016	2017	2016	2017	2016
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**

	Level 1		Level 2		Level 3		Total	
Financial liabilities	2017	2016	2017	2016	2017	2016	2017	2016
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: Fundación 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 Corporative 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.

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			
EXPENSES AND REVENUES	**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**
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			
OTHER TRANSACTIONS	**Significant shareholders**	**Directors and executives (1)**	**People, companies or entities within the Group**	**Total**	**Significant shareholders**	**Directors and executives (1)**	**People, companies or entities within the Group**	**Total**
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 €414 and €379 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 Guará B.V. It also includes €693 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).

(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.

APPENDIX IV: RECONCILIATION BETWEEN REPSOL'S REPORTING MODEL AND EU-IFRS[1]

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

	Adjusted Result		ADJUSTMENTS: Joint Venture reclassifications		ADJUSTMENTS: Special items		ADJUSTMENTS: Inventory Effect [(2)]		ADJUSTMENTS: Total Adjustments		EU-IFRS Result	
Million euros	**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

	Adjusted Result		ADJUSTMENTS: Joint Venture reclassifications		ADJUSTMENTS: Special items		ADJUSTMENTS: Inventory Effect [(2)]		ADJUSTMENTS: Total Adjustments		EU-IFRS Result	
Million euros	**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	
OTHER FIGURES	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
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.

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

	Million euros					
	Operating revenue from customers		**Operating revenue from inter-segment sales**		**Total operating revenue**	
Segments	**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**
Adjustment for joint ventures or othe companies managed as such:				
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**
Adjustment for joint ventures or othe companies managed as such:	-	-		
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.