



# Q3 2018 RESULTS

31 October, 2018

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## **BASIS OF PREPARATION OF THE FINANCIAL INFORMATION**

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

The Group's operating segments are:

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

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

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

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

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

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

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

<sup>2</sup> It corresponds to Petrocarabobo, S.A., (Venezuela), an associated entity of the Group.

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

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

Following the agreement reached on February 22, 2018 for the sale of the 20.072% stake in Naturgy Energy Group, S.A. —Naturgy— (formerly known as Gas Natural SDG, S.A.), its income prior to this date has been recognized as discontinued operations under "*Special items*", previously recognized under *Corporate and others*, restating the comparative figures in terms of those published in the Q3 2017 *Results Earnings Release*.

The way in which the results of exchange rate fluctuations on tax positions in currencies other than the functional currency are presented has changed during 2018, and these changes are reflected in the *Special items* to facilitate the monitoring of business results and align us with best practices in the industry. The comparative figures for the interim periods of 2017 have not been restated, given their immateriality (see Appendix IV "*Alternative Performance Measures*" of the *Interim consolidated financial statements* for the nine month period ended September 30, 2018).

All of the information presented in this Q3 2018 *Results Earnings Release* has been prepared in accordance with the abovementioned criteria, with the exception of the information provided in Appendix II "*Consolidated Financial Statements*" which has been prepared according to the *International Financial Reporting Standards adopted by the European Union (IFRS-EU)*.

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

Information and disclosures related to APM<sup>3</sup> used on the present Q3 2018 Results Earnings Release are included in Appendix IV "*Alternative Performance Measures*" of the *Interim consolidated financial statements* for the nine month period ended September 30, 2018 and Repsol's website.

Repsol will publish today the *Interim consolidated financial statements* for the nine month period ended September 30, 2018 available on Repsol's and the Spanish regulator CNMV's (*Comisión Nacional del Mercado de Valores*) websites.

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

**KEY METRICS FOR THE PERIOD**

(Unaudited figures)

Results (€ Million)	Q3 2017	Q2 2018	Q3 2018	% Change Q3 18/Q3 17	Jan - Sept 2017	Jan - Sept 2018	% Change 2018/2017
Upstream	148	360	368	148.6	487	1,015	108.4
Downstream	502	337	336	(33.1)	1,431	1,098	(23.3)
Corporate and others	(122)	(148)	(116)	4.9	(375)	(393)	(4.8)
<b>ADJUSTED NET INCOME</b>	<b>528</b>	<b>549</b>	<b>588</b>	<b>11.4</b>	<b>1,543</b>	<b>1,720</b>	<b>11.5</b>
Inventory effect	10	211	67	-	(50)	269	-
Special items	(11)	176	(30)	(172.7)	90	182	102.2
<b>NET INCOME</b>	<b>527</b>	<b>936</b>	<b>625</b>	<b>18.6</b>	<b>1,583</b>	<b>2,171</b>	<b>37.1</b>

Economic data (€ Million)	Q3 2017	Q2 2018	Q3 2018	% Change Q3 18/Q3 17	Jan - Sept 2017	Jan - Sept 2018	% Change 2018/2017
EBITDA	1,607	2,007	2,022	25.8	4,715	5,833	23.7
EBITDA CCS	1,587	1,713	1,930	21.6	4,781	5,459	14.2
INVESTMENTS	642	647	774	20.6	1,843	2,019	9.5
NET DEBT	6,972	2,706	2,304	(67.0)	6,972	2,304	(67.0)
NET DEBT / EBITDA CCS (x)	1.10	0.39	0.30	(72.8)	1.09	0.32	(71.1)

Operational data	Q3 2017	Q2 2018	Q3 2018	% Change Q3 18/Q3 17	Jan - Sept 2017	Jan - Sept 2018	% Change 2018/2017
LIQUIDS PRODUCTION (Thousand bbl/d)	252	263	250	(0.6)	254	261	2.4
GAS PRODUCTION <sup>(*)</sup> (Million scf/d)	2,477	2,577	2,476	(0.1)	2,433	2,541	4.4
<b>TOTAL PRODUCTION (Thousand boe/d)</b>	<b>693</b>	<b>722</b>	<b>691</b>	<b>(0.3)</b>	<b>688</b>	<b>713</b>	<b>3.7</b>
CRUDE OIL REALIZATION PRICE (\$/Bbl)	47.7	67.5	66.9	40.1	47.1	65.1	38.2
GAS REALIZATION PRICE (\$/Thousand scf)	2.7	3.1	3.3	23.0	2.9	3.3	15.6
DISTILLATION UTILIZATION Spanish Refining (%)	98.7	88.4	96.3	(2.4)	92.4	92.4	0.0
CONVERSION UTILIZATION Spanish Refining (%)	104.3	103.5	108.9	4.6	101.4	105.6	4.2
REFINING MARGIN INDICATOR IN SPAIN (\$/Bbl)	7.0	7.2	6.7	(4.3)	6.8	6.9	1.5

 (\*) 1,000 Mcf/d = 28.32 Mm<sup>3</sup>/d = 0.178 Mboe/d.

**KEY MILESTONES FOR THE THIRD QUARTER OF 2018**

- **Adjusted net income** in the third quarter was €588 million, 11% higher than in the third quarter of 2017. **Net income** amounted to €625 million, 19% higher year-on-year.
- Quarterly results for the business segments are summarized as follows:
  - In **Upstream**, adjusted net income was €368 million; €220 million higher than in the same period of 2017, mainly due to higher realized oil and gas prices and lower amortization rates. These effects were partially compensated by higher exploration expenses and higher taxes as a result of higher operating income.
  - In **Downstream**, adjusted net income was €336 million, €166 million lower year-on-year mainly due to a more challenging environment in Chemicals and Refining as well as lower results in LPG and Gas & Power.

- In **Corporate and others**, adjusted net income was €-116 million, broadly in line with the same period of 2017.
- Upstream **production** reached an average of 691 kboe/d in the third quarter of 2018 in line year-on-year. Higher production in Libya, the acquisition of Visund (Norway) and higher production associated with new developments practically compensated the lower gas demand in Cardon IV (Venezuela), the sale of the SK field (Russia), operational issues and the natural decline of fields.
- **EBITDA CCS** in the third quarter of 2018 was €1,930 million, 22% higher compared to that of the third quarter of 2017. **EBITDA CCS** in the first nine months of 2018 was € 5,459 million, 14% higher than the same period in 2017.
- The **Group's net debt** at the end of the quarter stood at €2,304 million, €402 million lower than at the end of the second quarter of 2018. **Strong cash flow generation from operating activities** more than covered investments, dividends, interest and the share buy-back programme during the period. The **net debt to capital employed ratio** at the end of the quarter was 6.8 %.

**NET INCOME PERFORMANCE BY BUSINESS SEGMENT**
**UPSTREAM**

(Unaudited figures)

Results (€ Million)	Q3 2017	Q2 2018	Q3 2018	% Change Q3 18/Q3 17	Jan - Sept 2017	Jan - Sept 2018	% Change 2018/2017
<b>ADJUSTED NET INCOME</b>	<b>148</b>	<b>360</b>	<b>368</b>	<b>148.6</b>	<b>487</b>	<b>1,015</b>	108.4
Operating income	180	681	640	255.6	683	1,876	174.7
Income tax	(41)	(323)	(281)	-	(217)	(875)	-
Income from equity affiliates and non-controlling interests	9	2	9	-	21	14	(33.3)
<b>EBITDA</b>	<b>755</b>	<b>1,188</b>	<b>1,288</b>	<b>70.6</b>	<b>2,421</b>	<b>3,577</b>	47.7
<b>INVESTMENTS</b>	<b>467</b>	<b>448</b>	<b>523</b>	<b>12.0</b>	<b>1,373</b>	<b>1,423</b>	3.6
<b>EFFECTIVE TAX RATE (%)</b>	<b>24</b>	<b>48</b>	<b>44</b>	<b>20.0</b>	<b>32</b>	<b>47</b>	15.0
<b>International prices</b>	<b>Q3 2017</b>	<b>Q2 2018</b>	<b>Q3 2018</b>	<b>% Change Q3 18/Q3 17</b>	<b>Jan - Sept 2017</b>	<b>Jan - Sept 2018</b>	<b>% Change 2018/2017</b>
Brent (\$/Bbl)	52.1	74.4	75.2	44.3	51.8	72.1	39.1
WTI (\$/Bbl)	48.2	67.9	69.4	44.1	49.4	66.8	35.3
Henry Hub (\$/MBtu)	3.0	2.8	2.9	(3.2)	3.2	2.9	(8.4)
Average exchange rate (\$/€)	1.17	1.19	1.16	(0.9)	1.11	1.19	7.2
<b>Realization prices</b>	<b>Q3 2017</b>	<b>Q2 2018</b>	<b>Q3 2018</b>	<b>% Change Q3 18/Q3 17</b>	<b>Jan - Sept 2017</b>	<b>Jan - Sept 2018</b>	<b>% Change 2018/2017</b>
CRUDE OIL (\$/Bbl)	47.7	67.5	66.9	40.1	47.1	65.1	38.2
GAS (\$/Thousand scf)	2.7	3.1	3.3	23.0	2.9	3.3	15.6
<b>Exploration <sup>(*)</sup></b>	<b>Q3 2017</b>	<b>Q2 2018</b>	<b>Q3 2018</b>	<b>% Change Q3 18/Q3 17</b>	<b>Jan - Sept 2017</b>	<b>Jan - Sept 2018</b>	<b>% Change 2018/2017</b>
G&A and Amortization of Bonus and Dry Wells	69	79	132	91.3	210	355	69.0
<b>Production</b>	<b>Q3 2017</b>	<b>Q2 2018</b>	<b>Q3 2018</b>	<b>% Change Q3 18/Q3 17</b>	<b>Jan - Sept 2017</b>	<b>Jan - Sept 2018</b>	<b>% Change 2018/2017</b>
LIQUIDS (Thousand bbl/d)	252	263	250	(0.6)	254	261	2.4
GAS <sup>(**)</sup> (Million scf/d)	2,477	2,577	2,476	(0.1)	2,433	2,541	4.4
<b>TOTAL (Thousand boe/d)</b>	<b>693</b>	<b>722</b>	<b>691</b>	<b>(0.3)</b>	<b>688</b>	<b>713</b>	3.7

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

**Adjusted net income** in the third quarter of was €368 million; €220 million higher than in the same period of 2017, mainly due to higher realized oil and gas prices and lower amortization rates. These effects were partially compensated by higher exploration expenses and higher taxes as a result of higher operating income.

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

- Higher crude oil and gas realization prices had a positive impact on the operating income of €470 million.

- The **volume effect** impacted positively the operating income by €9 million thanks to the higher contribution from Libya.
- **Higher royalties** contributed negatively to the operating income by €58 million.
- **Higher exploration expenses**, mainly related to the operations in Romania, contributed negatively to the operating income by €63 million.
- **Depreciation and amortization** charges were €101 million lower mainly due to the application of the new formula for the depreciation of productive assets in 2018.
- **Income tax** expense impacted the adjusted net income negatively by €237 million, as a result of higher operating income.
- **Income from equity affiliates and non-controlling interests, exchange rate and others** explain the remaining differences.

**Upstream production** reached an average of 691 kboe/d in the third quarter of 2018 in line year-on-year. Higher production in Libya, the acquisition of Visund (Norway) and higher production associated with new developments practically compensated the lower gas demand in Cardon IV (Venezuela), the sale of the SK field (Russia), operational issues and the natural decline of fields.

During the third quarter of 2018, five exploratory wells were concluded. Two of them are currently under evaluation, while the remaining three wells were deemed unsuccessful.

#### **January – September 2018 results**

The **adjusted net income** amounted to €1,015 million, €528 million higher than in the same period of 2017, mainly due higher realized oil and gas prices, higher volumes and lower amortization rates. These effects were partially offset by higher exploration expenses, negative exchange rate impact and higher taxes as a result of higher operating income.

**Average production** reached 713 kboe/d, 25 kboe/d higher year-on-year, mainly as a result of the startup of production in new projects throughout 2017: Reggane (Algeria), Monarb (UK), Kinabalu (Malaysia), Sagari (Peru) and Juniper and TROC (Trinidad and Tobago); as well as the ramp up of production in Libya, the startup of production at new wells in Marcellus and the acquisition of Visund (Norway). These effects were partially compensated by the sale of the SK field (Russia), the natural decline of fields, operational issues and lower gas demand in Cardon IV (Venezuela).



## Investments

**Investments** in Upstream in the third quarter of 2018 amounted to €523 million; €56 million higher than in the third quarter of 2017.

**Development investment** accounted for 82% of the total investment and was concentrated mainly in the U.S. (29%), Canada (18%), Trinidad and Tobago (10%), Peru (10%), Norway (8%) and Algeria (7%); and **Exploration investment** represented 16% of the total and was allocated primarily in Brazil (24%), Trinidad and Tobago (10%), Indonesia (9%), Bolivia (8%), the U.S. (6%), Norway (6%), Malaysia (5%), Russia (5%) and Romania (4%).

**Investment** in Upstream in the first nine months of 2018 amounted to €1,423 million, €50 million higher than in the same period of 2017.

**Development investment** accounted for 70% of the total investment and was concentrated mainly in the U.S. (29%), Canada (16%), Norway (10%), Trinidad and Tobago (10%), Peru (6%), Vietnam (6%) and Algeria (5%); and **Exploration investment** represented 20% of the total and was allocated primarily in Mexico (25%), Romania (8%), Indonesia (7%), Brazil (7%), Bolivia (7%), Trinidad and Tobago (7%), Gabon (6%) and Russia (6%).

Additionally, the remaining investment (10%) corresponds mainly to acquisition of new assets in Norway (Visund).

**DOWNSTREAM**

(Unaudited figures)

Results (€ Million)	Q3 2017	Q2 2018	Q3 2018	% Change Q3 18/Q3 17	Jan - Sept 2017	Jan - Sept 2018	% Change 2018/2017
<b>ADJUSTED NET INCOME</b>	<b>502</b>	<b>337</b>	<b>336</b>	<b>(33.1)</b>	<b>1,431</b>	<b>1,098</b>	<b>(23.3)</b>
Operating income	686	427	442	(35.6)	1,920	1,427	(25.7)
Income tax	(172)	(93)	(106)	38.4	(473)	(335)	29.2
Income from equity affiliates and non-controlling interests	(12)	3	0	-	(16)	6	-
<b>AVERAGE WEIGHTED COST ADJUSTED NET INCOME</b>	<b>512</b>	<b>548</b>	<b>403</b>	<b>(21.3)</b>	<b>1,381</b>	<b>1,367</b>	<b>(1.0)</b>
Inventory effect	10	211	67	-	(50)	269	-
EBITDA	904	916	741	(18.0)	2,422	2,390	(1.3)
EBITDA CCS	884	622	649	(26.6)	2,488	2,016	(19.0)
INVESTMENTS	166	187	235	41.6	445	560	25.8
EFFECTIVE TAX RATE (%)	25	21	23	(2.0)	25	23	(2.0)
<b>Operational data</b>	<b>Q3 2017</b>	<b>Q2 2018</b>	<b>Q3 2018</b>	<b>% Change Q3 18/Q3 17</b>	<b>Jan - Sept 2017</b>	<b>Jan - Sept 2018</b>	<b>% Change 2018/2017</b>
REFINING MARGIN INDICATOR IN SPAIN (\$/Bbl)	7.0	7.2	6.7	(4.3)	6.8	6.9	1.5
DISTILLATION UTILIZATION Spanish Refining (%)	98.7	88.4	96.3	(2.4)	92.4	92.4	0.0
CONVERSION UTILIZATION Spanish Refining (%)	104.3	103.5	108.9	4.6	101.4	105.6	4.2
OIL PRODUCT SALES (Thousand tons)	13,442	13,121	13,303	(1.0)	38,513	38,520	0.0
PETROCHEMICAL PRODUCT SALES (Thousand tons)	740	625	622	(16.0)	2,148	1,935	(9.9)
LPG SALES (Thousand tons)	247	303	241	(2.4)	997	980	(1.7)
NORTH AMERICA NATURAL GAS SALES (TBtu)	110.1	115.0	131.0	19.0	375.7	388.8	3.5
<b>International prices (\$/Mbtu)</b>	<b>Q3 2017</b>	<b>Q2 2018</b>	<b>Q3 2018</b>	<b>% Change Q3 18/Q3 17</b>	<b>Jan - Sept 2017</b>	<b>Jan - Sept 2018</b>	<b>% Change 2018/2017</b>
Henry Hub	3.0	2.8	2.9	(3.2)	3.2	2.9	(8.4)
Algonquin	2.3	3.3	3.0	30.4	3.2	4.8	50.0

**Adjusted net income** in the third quarter of 2018 amounted to €336 million, €166 million lower compared to the third quarter of 2017.

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

- In **Refining**, lower margins and higher costs impacted negatively the operating income in €71 million. Wider middle distillates and light-to-heavy crude oil spreads could not compensate higher energy costs, weaker fuel oil spreads and the effect of products not directly indexed to crude oil price.
- In **Chemicals**, a challenging environment as a result of higher naphtha prices together with the Sines shutdown completed in July had a negative impact on the operating income of €117 million.
- In the commercial businesses, **Marketing, Lubricants and LPG**, operating income was €26 million lower than in the third quarter of 2017 primarily as a consequence of lower contribution from the regulated LPG segment.

- In **Trading and Gas & Power**, operating income was €8 million lower than in the third quarter of 2017, mainly due to lower margins in the commercialization and trading of gas in North America, partially offset by higher results from Trading.
- The **appreciation of the dollar against the euro** had a positive impact on the operating income of €6 million.
- **Results in other activities, equity affiliates and non-controlling interests and taxes** cover the remaining difference.

### January – September 2018 results

**Adjusted net income** was €1,098 million, 23% lower year-on-year. Higher results in Gas & Power, Marketing and LPG could not compensate lower contribution from Refining and Chemicals.

### Investments

**Investments** in Downstream in the third quarter and the first nine months of 2018 amounted to €235 and €560 million respectively.

## CORPORATE AND OTHERS

(Unaudited figures)

Results (€ Million)	Q3 2017	Q2 2018	Q3 2018	% Change Q3 18/Q3 17	Jan - Sept 2017	Jan - Sept 2018	% Change 2018/2017
<b>ADJUSTED NET INCOME</b>	(122)	(148)	(116)	4.9	(375)	(393)	(4.8)
Corporate and adjustments	(72)	(122)	(29)	59.7	(196)	(207)	(5.6)
Financial result	(110)	(61)	(115)	(4.5)	(339)	(290)	14.5
Income tax	59	36	28	(52.5)	160	105	(34.4)
Income from equity affiliates and non-controlling interests	1	(1)	-	-	-	(1)	-
<b>EBITDA</b>	(52)	(97)	(7)	86.5	(128)	(134)	(4.7)
<b>NET INTERESTS</b>	(85)	(72)	(71)	16.5	(268)	(215)	19.8
<b>INVESTMENTS</b>	9	12	16	77.8	25	36	44.0
<b>EFFECTIVE TAX RATE (%)</b>	(33)	(20)	(20)	13.0	(30)	(21)	9.0

### Corporate and adjustments

**Corporate and adjustments** accounted for a net expense of €29 million in the third quarter of 2018 compared to a net expense of €72 million in the third quarter of 2017, mainly due to the positive consolidation adjustments due to intragroup operations, between the Upstream and Downstream segments, without realization to third parties in Q2 18.

In the first nine months of 2018, **Corporate and adjustments** accounted for a net expense of €207 million which compares to a net expense of €196 million in the same period of last year.

**Financial results**

The **financial result** in the third quarter of 2018 amounted to €-115 million compared to €-110 million in the third quarter of 2017. Lower net interest expense and higher results from management of exchange rate and interest rate positions were not able to compensate higher discounting of provisions expense and lower capitalized interests.

The **financial result** in the first nine months of 2018 was €-290 million, €49 million better than in the same period of last year mainly thanks to lower net interest expense and higher results from management of interest rate positions and treasury stock. These effects were partially compensated by higher discounting of provisions expense and lower capitalized interests.

**NET INCOME ANALYSIS: SPECIAL ITEMS**
**SPECIAL ITEMS**

[Unaudited figures]

Results (€ Million)	Q3 2017	Q2 2018	Q3 2018	% Change Q3 18/Q3 17	Jan - Sept 2017	Jan - Sept 2018	% Change 2018/2017
Divestments	(2)	5	52	-	21	59	181.0
Indemnities and workforce restructuring	(13)	(15)	(25)	(92.3)	(49)	(42)	14.3
Impairment of assets	1	(121)	(2)	-	(25)	(125)	-
Provisions and others	(45)	(37)	(55)	(22.2)	(16)	(122)	-
Discontinued operations	48	344	-	-	159	412	-
<b>SPECIAL ITEMS</b>	<b>(11)</b>	<b>176</b>	<b>(30)</b>	<b>(172.7)</b>	<b>90</b>	<b>182</b>	<b>102.2</b>

**Special items** in the third quarter of 2018 amounted to €-30 million compared to €-11 million in the third quarter of 2017 and correspond mainly to credit risk provisions, partially compensated by currency exchange rate effect related to the abandonment of exploratory assets.

**Special items** in the first nine months of 2018 resulted in a net gain of €182 million and correspond mainly to extraordinary results from exchange rate positions and the net capital gain from the sale of the stake in Naturgy, partially offset by the write-down of assets in Venezuela.

**CASH FLOW ANALYSIS: ADJUSTED CASH FLOW STATEMENT**

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

(Unaudited figures)

	JANUARY - SEPTEMBER	
	2017	2018
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
EBITDA CCS	4,781	5,459
Changes in working capital <sup>1</sup>	(602)	(1,101)
Dividends received	203	20
Income taxes received/ (paid)	(507)	(756)
Other proceeds from/ (payments for) operating activities	(298)	(271)
	<b>3,577</b>	<b>3,351</b>
<b>II. CASH FLOWS USED IN INVESTMENT ACTIVITIES</b>		
Payments for investment activities	(1,931)	(2,005)
Proceeds from divestments	30	3,854
	<b>(1,901)</b>	<b>1,849</b>
<b>FREE CASH FLOW (I. + II.)</b>	<b>1,676</b>	<b>5,200</b>
Payments for dividends and payments on other equity instruments	(332)	(297)
Net interest payments and leases	(414)	(336)
Treasury shares	(222)	(844)
<b>CASH GENERATED IN THE PERIOD</b>	<b>708</b>	<b>3,723</b>
Financing activities and others	(796)	(3,046)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(88)</b>	<b>677</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>4,918</b>	<b>4,820</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>4,830</b>	<b>5,497</b>

(1) It includes an inventory effect pretax of €374 million and €-67 million for 2018 and 2017 respectively.

**NET DEBT ANALYSIS: NET DEBT EVOLUTION**

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

[Unaudited figures]

NET DEBT EVOLUTION (€ Million)	Q3 2018	Jan - Sept 2018
<b>NET DEBT AT THE START OF THE PERIOD</b>	<b>2,706</b>	<b>6,267</b>
EBITDA CCS	(1,930)	(5,459)
CHANGE IN WORKING CAPITAL <sup>(1)</sup>	(31)	1,101
INCOME TAX RECEIVED /PAID	266	756
NET INVESTMENT	731	(1,849)
DIVIDENDS PAID AND OTHER EQUITY INSTRUMENTS PAYOUTS	101	297
FOREIGN EXCHANGE RATE EFFECT	(18)	(7)
INTEREST AND OTHER MOVEMENTS <sup>(2)</sup>	479	1,198
<b>NET DEBT AT THE END OF THE PERIOD</b>	<b>2,304</b>	<b>2,304</b>
		<b>2018</b>
CAPITAL EMPLOYED CONTINUED OPERATIONS (€ Million)		33,827
NET DEBT / CAPITAL EMPLOYED (%)		6.8
ROACE (%)		8.2
NET DEBT / EBITDA CCS (x)		0.32

(1) It includes an inventory effect pretax of €92 million and €374 million in the third quarter and first nine months of 2018 respectively.

(2) Principally includes the market operations relating to own shares, interest expense, financial leases, dividends received, provisions used and companies' acquisition/sale effect.

The **Group's net debt** at the end of the quarter stood at €2,304 million, €402 million lower than at the end of the second quarter of 2018. **Strong cash flow generation from operating activities** more than covered investments, dividends, interest and share buy-back programme during the period. The **net debt to capital employed ratio** at the end of the quarter was 6.8 %.

The Group's **liquidity** at the end of the third quarter of 2018 was approximately €9.3 billion (including undrawn committed credit lines); representing 2.88 times gross debt maturities in the short term.

## RELEVANT EVENTS

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

In **Upstream**, on 19 July, Petrobras presented to the Brazilian National Agency of Petroleum (ANP) the Declaration of Commerciality for the "Entorno de Sapinhoá", which the consortium comprising Petrobras (45% WI and operator), Shell (30%), Repsol Sinopec (25%) has been awarded in the second pre-salt round on 27<sup>th</sup> October, 2017 as part of the 2nd PSC Bidding Round; having Pre-salt Petroleo Brasileiro (PPSA) as Manager of the Contract. The area is adjacent to the Sapinhoá block, which is currently in production and exploited by the same consortium. The "Entorno de Sapinhoá" is comprised of three fields, and the Declaration of Commerciality proposes the names "Nordeste de Sapinhoá", "Noroeste de Sapinhoá" and "Sudoeste de Sapinhoá" for each of them. The Declaration of Commerciality was required by ANP in July 2018 as one of the requirements that must be met prior to the unitization of both areas, with the purpose of facilitating joint exploitation.

On August 1, the Bolivian Parliament approved the bill that authorized the signing of contracts for the exploration and exploitation of hydrocarbons in the Iñiguazú field. Repsol owns a total of 37.5% working interest in Iñiguazú (15% directly and the rest through its YPFB Andina S.A. participation). Repsol is the operator company.

On August 2, the non-operated production platform Angelin arrived in the waters of Trinidad and Tobago and was installed in the West Block field, 60 km off the southeastern coast of Trinidad. The Angelin facility will be a Normally Unmanned Installation (NUI) and gas from Angelin will flow to the Serrette platform via a new 25-km pipeline. First gas is expected in the first half of 2019.

In August, the consortium comprising Equinor (36% WI and operator), Neptune Energy (25%), OMV (24%), and Repsol (15%), which exploits the PL 025 licence in the North Sea, has finished drilling well 15/03-11 (Sigrun). The consortium is currently assessing the discovery's profitability, with a possible development connected to the Gudrun field. Sigrun is located 10km SE of the Gudrun field and 225km W of the port of Stavanger. It reached depths of 3,991m in a 109m water depth.

In **Downstream**, on September 7, it was announced that Repsol and Venture Global LNG entered into an agreement for the supply of 1 million tons per year of LNG, for 20 years, from Venture Capital's Calcasieu Pass plant (Louisiana) on the Gulf of Mexico coast.

In September, Repsol announced that it took control of Valdesolar Hive, a company that develops a photovoltaic project in Valdecaballeros (Badajoz) with a capacity of 264 MW.

In October, the 100th service station in Mexico was put into operation, marking an important milestone since the first opening in March 2018 and spreading over 12 states in the country.

In **Corporation**, on September 3, Repsol resolved to start implementing the buy-back program of the Company's own shares (the "Buy-back Programme") authorized by the Annual Shareholders' Meeting held on May 11, 2018, under item six of the agenda (the "Shareholders' Meeting Resolution").

The Buy-back Programme is implemented with the objective of reducing the share capital of Repsol through the cancellation of own shares, contributing to the Company's shareholder remuneration by increasing the profit per share.

The maximum number of shares (the “MNS”) to be acquired under the Buy-back Programme was set at 62,705,079<sup>4</sup> Repsol’s shares, representing approximately 3.93% of Repsol’s share capital as of today. In accordance with the formula provided for in the Shareholders’ Meeting Resolution, the Maximum Investment of the Buy-back Programme will be 1,255,857,322 euros.

The Buy-back Programme commenced on 4 September 2018 and will remain in force until 21 December 2018. Notwithstanding the above, Repsol reserves the right to terminate earlier the Buy-back Programme if, prior to the last effective date (i.e., 21 December 2018), its purpose has been fulfilled.

On September 20, CaixaBank, S.A. announced the agreement adopted by its Board of Directors to sell its current shareholding in Repsol, S.A.

On September 20, Mr. Gonzalo Gortázar Rotaeché and Mr. Jordi Gual Solé notified Repsol, S.A. their resignations as members of the Company’s Board of Directors.

On 10 October, Repsol’s “Trading Statement” was published; it provided provisional information for the third quarter of 2018, including data on the economic environment as well as company performance during the period.

Moreover, it is worth mentioning that one of the three pillars of the Strategic Plan 2018-2020 published on June 6, 2018 was the development of new businesses related to the energy transition, with a particular focus on the gas business, the generation of low emissions and the marketing of gas and electricity. In this framework, on June 27 the Board of Directors approved the purchase of Viesgo's unregulated generation of low-emissions power business, as well as its gas and electricity commercialization business for the sum of €750 million, this transaction is expected to be completed at the beginning of November.

**Madrid, 31 October, 2018**

A conference call has been scheduled for research analysts and institutional investors for today, 31 October 2018 at 13.00 (CET) to report on the Repsol Group’s third quarter 2018 results. Shareholders and other interested parties can follow the call live through Repsol’s corporate website ([www.repsol.com](http://www.repsol.com)). A full recording of the event will also be available to shareholders and investors and any other interested party at [www.repsol.com](http://www.repsol.com) for a period of no less than one month from the date of the live broadcast.

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<sup>4</sup> Number according to the Joint Limit, as it is defined in the Shareholders’ Meeting Resolution.



**APPENDIX I – FINANCIAL METRICS AND  
OPERATING INDICATORS BY SEGMENT**

**Q3 2018**

**ADJUSTED NET INCOME BY BUSINESS SEGMENTS**

(Unaudited figures)

Q3 2017								
€ Million	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Special Items	Net Income
Upstream	180	-	(41)	9	148	-	(19)	129
Downstream	686	-	(172)	(12)	502	10	(1)	511
Corporate & Others	(72)	(110)	59	1	(122)	-	9	(113)
<b>TOTAL</b>	<b>794</b>	<b>(110)</b>	<b>(154)</b>	<b>(2)</b>	<b>528</b>	<b>10</b>	<b>(11)</b>	<b>527</b>
<b>NET INCOME</b>							<b>(11)</b>	<b>527</b>

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

Q3 2018								
€ Million	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Special Items	Net Income
Upstream	640	-	(281)	9	368	-	(4)	364
Downstream	442	-	(106)	-	336	67	3	406
Corporate & Others	(29)	(115)	28	-	(116)	-	(29)	(145)
<b>TOTAL</b>	<b>1,053</b>	<b>(115)</b>	<b>(359)</b>	<b>9</b>	<b>588</b>	<b>67</b>	<b>(30)</b>	<b>625</b>
<b>NET INCOME</b>							<b>(30)</b>	<b>625</b>

January - September 2017								
€ Million	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Special Items	Net Income
Upstream	683	-	(217)	21	487	-	(8)	479
Downstream	1,920	-	(473)	(16)	1,431	(50)	21	1,402
Corporate & Others	(196)	(339)	160	-	(375)	-	77	(298)
<b>TOTAL</b>	<b>2,407</b>	<b>(339)</b>	<b>(530)</b>	<b>5</b>	<b>1,543</b>	<b>(50)</b>	<b>90</b>	<b>1,583</b>
<b>NET INCOME</b>							<b>90</b>	<b>1,583</b>

January - September 2018								
€ Million	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Special Items	Net Income
Upstream	1,876	-	(875)	14	1,015	-	(136)	879
Downstream	1,427	-	(335)	6	1,098	269	(15)	1,352
Corporate & Others	(207)	(290)	105	(1)	(393)	-	333	(60)
<b>TOTAL</b>	<b>3,096</b>	<b>(290)</b>	<b>(1,105)</b>	<b>19</b>	<b>1,720</b>	<b>269</b>	<b>182</b>	<b>2,171</b>
<b>NET INCOME</b>							<b>182</b>	<b>2,171</b>

**OPERATING RESULT BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS**

[Unaudited figures]

€ Million	QUARTERLY DATA			JANUARY - SEPTEMBER	
	Q3 17	Q2 18	Q3 18	2017	2018
<b>UPSTREAM</b>	<b>180</b>	<b>681</b>	<b>640</b>	<b>683</b>	<b>1,876</b>
Europe, Africa & Brazil	123	431	395	434	1,198
Latin America & Caribbean	122	144	179	405	520
North America	(36)	70	76	(70)	223
Asia & Russia	54	138	145	186	377
Exploration & Others	(83)	(102)	(155)	(272)	(442)
<b>DOWNSTREAM</b>	<b>686</b>	<b>427</b>	<b>442</b>	<b>1,920</b>	<b>1,427</b>
Europe	676	467	476	1,835	1,418
Rest of the World	10	(40)	(34)	85	9
<b>CORPORATE AND OTHERS</b>	<b>(72)</b>	<b>(122)</b>	<b>(29)</b>	<b>(196)</b>	<b>(207)</b>
<b>TOTAL</b>	<b>794</b>	<b>986</b>	<b>1,053</b>	<b>2,407</b>	<b>3,096</b>

**ADJUSTED NET INCOME BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS**

(Unaudited figures)

€ Million	QUARTERLY DATA			JANUARY - SEPTEMBER	
	Q3 17	Q2 18	Q3 18	2017	2018
<b>UPSTREAM</b>	<b>148</b>	<b>360</b>	<b>368</b>	<b>487</b>	<b>1,015</b>
Europe, Africa & Brazil	79	202	231	220	589
Latin America & Caribbean	107	101	113	266	373
North America	(25)	55	57	(50)	172
Asia & Russia	38	79	84	112	216
Exploration & Others	(51)	(77)	(117)	(61)	(335)
<b>DOWNSTREAM</b>	<b>502</b>	<b>337</b>	<b>336</b>	<b>1,431</b>	<b>1,098</b>
Europe	498	362	359	1,381	1,082
Rest of the World	4	(25)	(23)	50	16
<b>CORPORATE AND OTHERS</b>	<b>(122)</b>	<b>(148)</b>	<b>(116)</b>	<b>(375)</b>	<b>(393)</b>
<b>TOTAL</b>	<b>528</b>	<b>549</b>	<b>588</b>	<b>1,543</b>	<b>1,720</b>

**EBITDA BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS**

(Unaudited figures)

€ Million	QUARTERLY DATA			JANUARY - SEPTEMBER	
	Q3 17	Q2 18	Q3 18	2017	2018
<b>UPSTREAM</b>	<b>755</b>	<b>1,188</b>	<b>1,288</b>	<b>2,421</b>	<b>3,577</b>
Europe, Africa & Brazil	243	544	583	780	1,611
Latin America & Caribbean	270	297	317	805	937
North America	142	162	183	488	510
Asia & Russia	142	219	245	472	647
Exploration & Others	(42)	(34)	(40)	(124)	(128)
<b>DOWNSTREAM <sup>(1)</sup></b>	<b>904</b>	<b>916</b>	<b>741</b>	<b>2,422</b>	<b>2,390</b>
Europe	863	918	754	2,266	2,298
Rest of the World	41	(2)	(13)	156	92
<b>CORPORATE AND OTHERS</b>	<b>(52)</b>	<b>(97)</b>	<b>(7)</b>	<b>(128)</b>	<b>(134)</b>
<b>TOTAL <sup>(1)</sup></b>	<b>1,607</b>	<b>2,007</b>	<b>2,022</b>	<b>4,715</b>	<b>5,833</b>
<b>(1) EBITDA CCS M€</b>					
<b>DOWNSTREAM</b>	<b>884</b>	<b>622</b>	<b>649</b>	<b>2,488</b>	<b>2,016</b>
<b>TOTAL</b>	<b>1,587</b>	<b>1,713</b>	<b>1,930</b>	<b>4,781</b>	<b>5,459</b>

**INVESTMENTS BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS**

[Unaudited figures]

€ Million	QUARTERLY DATA			JANUARY - SEPTEMBER	
	Q3 17	Q2 18	Q3 18	2017	2018
<b>UPSTREAM</b>	<b>467</b>	<b>448</b>	<b>523</b>	<b>1,373</b>	<b>1,423</b>
Europe, Africa & Brazil	87	78	85	269	316
Latin America & Caribbean	85	54	121	376	219
North America	154	126	204	368	471
Asia & Russia	57	44	32	148	142
Exploration and Others	84	146	81	212	275
<b>DOWNSTREAM</b>	<b>166</b>	<b>187</b>	<b>235</b>	<b>445</b>	<b>560</b>
Europe	122	171	185	341	457
Rest of the World	44	16	50	104	103
<b>CORPORATE AND OTHERS</b>	<b>9</b>	<b>12</b>	<b>16</b>	<b>25</b>	<b>36</b>
<b>TOTAL</b>	<b>642</b>	<b>647</b>	<b>774</b>	<b>1,843</b>	<b>2,019</b>

**CAPITAL EMPLOYED BY BUSINESS SEGMENTS**

[Unaudited figures]

€ Million	CUMULATIVE DATA	
	Q4 17	Q3 18
Upstream	21,612	21,503
Downstream	9,749	10,927
Corporate and others	1,745	1,397
<b>TOTAL Capital employed in continued operations</b>	<b>33,106</b>	<b>33,827</b>
Capital employed in discontinued operations	3,224	
<b>TOTAL</b>	<b>36,330</b>	<b>33,827</b>
		2018
ROACE (%)		8.2
ROACE at CCS (%)		7.1

**OPERATING INDICATORS**

**Q3 2018**



**UPSTREAM OPERATING INDICATORS**

	Unit	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Jan - Dec 2017	Q1 2018	Q2 2018	Q3 2018	Jan - Sept 2018	% Variation YTD2018/ YTD2017
<b>HYDROCARBON PRODUCTION</b>	<b>kboe/d</b>	<b>693</b>	<b>677</b>	<b>693</b>	<b>715</b>	<b>695</b>	<b>727</b>	<b>722</b>	<b>691</b>	<b>713</b>	<b>3.7</b>
<b>Liquids production</b>	<b>kboe/d</b>	<b>258</b>	<b>253</b>	<b>252</b>	<b>257</b>	<b>255</b>	<b>269</b>	<b>263</b>	<b>250</b>	<b>261</b>	<b>2.4</b>
Europe, Africa & Brazil	kboe/d	121	120	123	127	123	139	134	129	134	10.7
Latin America & Caribbean	kboe/d	60	59	58	56	58	52	53	51	52	(11.7)
North America	kboe/d	51	49	48	49	49	50	47	44	47	(4.0)
Asia & Russia	kboe/d	27	25	24	26	25	28	28	26	27	8.5
<b>Natural gas production</b>	<b>kboe/d</b>	<b>435</b>	<b>424</b>	<b>441</b>	<b>458</b>	<b>440</b>	<b>458</b>	<b>459</b>	<b>441</b>	<b>452</b>	<b>4.4</b>
Europe, Africa & Brazil	kboe/d	15	15	16	18	16	28	28	28	28	81.5
Latin America & Caribbean	kboe/d	229	229	243	254	239	249	252	234	245	4.8
North America	kboe/d	125	123	123	129	125	128	127	125	127	2.4
Asia & Russia	kboe/d	65	57	59	57	60	53	51	54	53	(12.8)
<b>Natural gas production</b>	<b>(Million scf/d)</b>	<b>2,442</b>	<b>2,381</b>	<b>2,477</b>	<b>2,572</b>	<b>2,468</b>	<b>2,571</b>	<b>2,577</b>	<b>2,476</b>	<b>2,541</b>	<b>4.4</b>

**DOWNSTREAM OPERATING INDICATORS**

	Unit	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Jan - Dec 2017	Q1 2018	Q2 2018	Q3 2018	Jan - Sept 2018	% Variation YTD 2018/ YTD 2017
<b>PROCESSED CRUDE OIL</b>	Mtoe	10.9	11.6	12.4	12.3	47.4	11.6	10.9	12.1	34.6	(1.3)
Europe	Mtoe	9.6	10.2	11.1	11.0	41.9	10.2	9.9	10.9	31.0	0.0
Rest of the world	Mtoe	1.3	1.4	1.3	1.4	5.4	1.3	1.0	1.3	3.6	(11.2)
<b>SALES OF OIL PRODUCTS</b>	kt	12,064	13,007	13,442	13,323	51,836	12,096	13,121	13,303	38,520	0.0
Europe Sales	kt	10,473	11,321	11,711	11,576	45,081	10,434	11,602	11,844	33,880	1.1
Own network	kt	5,042	5,287	5,543	5,314	21,186	5,250	5,596	5,615	16,461	3.7
Light products	kt	4,280	4,478	4,632	4,478	17,868	4,397	4,591	4,622	13,610	1.6
Other Products	kt	762	809	911	836	3,318	853	1,005	993	2,851	14.9
Other Sales to Domestic Market	kt	2,081	2,044	2,227	2,119	8,471	2,259	2,364	2,433	7,056	11.1
Light products	kt	2,035	1,996	2,162	2,064	8,257	2,216	2,325	2,404	6,945	12.1
Other Products	kt	46	48	65	55	214	43	39	29	111	(30.2)
Exports	kt	3,350	3,990	3,941	4,143	15,424	2,925	3,642	3,796	10,363	(8.1)
Light products	kt	1,172	1,580	1,734	1,947	6,433	1,147	1,394	1,689	4,230	(5.7)
Other Products	kt	2,178	2,410	2,207	2,196	8,991	1,778	2,248	2,107	6,133	(9.7)
Rest of the world sales	kt	1,591	1,686	1,731	1,747	6,755	1,662	1,519	1,459	4,640	(7.3)
Own network	kt	523	566	605	594	2,288	599	695	635	1,929	13.9
Light products	kt	481	502	543	551	2,077	550	637	594	1,781	16.7
Other Products	kt	42	64	62	43	211	49	58	41	148	(11.9)
Other Sales to Domestic Market	kt	353	327	356	357	1,393	331	325	327	983	(5.1)
Light products	kt	288	273	291	291	1,143	256	241	249	746	(12.4)
Other Products	kt	65	54	65	66	250	75	84	78	237	28.8
Exports	kt	715	793	770	796	3,074	732	499	497	1,728	(24.1)
Light products	kt	215	147	214	164	740	158	96	117	371	(35.6)
Other Products	kt	500	646	556	632	2,334	574	403	380	1,357	(20.3)
<b>CHEMICALS</b>											
Sales of petrochemical products	kt	712	695	740	708	2,855	688	625	622	1,935	(9.9)
Europe	kt	609	581	640	583	2,412	581	504	520	1,606	(12.2)
Base	kt	215	206	245	226	893	238	145	165	548	(17.8)
Derivative	kt	393	374	395	357	1,519	343	360	356	1,058	(9.0)
Rest of the world	kt	104	114	100	125	443	108	120	102	329	3.5
Base	kt	19	17	22	27	85	30	11	15	57	(3.0)
Derivative	kt	85	98	78	98	358	77	109	87	273	4.9
<b>LPG</b>											
LPG sales	kt	436	315	247	378	1,375	437	303	241	980	(1.7)
Europe	kt	430	310	242	373	1,356	431	296	235	962	(2.1)
Rest of the world	kt	5	5	4	4	19	6	6	6	19	26.7

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

Exports: expressed from the country of origin

**APPENDIX II – CONSOLIDATED FINANCIAL  
STATEMENTS**

**Q3 2018**

**STATEMENT OF FINANCIAL POSITION**

[€ millions]

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

	DECEMBER	SEPTEMBER
	2017	2018
<b>NON-CURRENT ASSETS</b>		
Goodwill	2,764	2,934
Other intangible assets	1,820	1,936
Property, plant and equipment	24,600	25,297
Investment property	67	67
Investments accounted for using the equity method	9,268	6,420
Non-current financial assets :		
Non-current financial instruments	1,920	1,504
Others	118	126
Deferred tax assets	4,057	3,637
Other non-current assets	472	429
<b>CURRENT ASSETS</b>		
Non-current assets held for sale	22	53
Inventories	3,797	4,841
Trade and other receivables	5,912	6,280
Other current assets	182	309
Other current financial assets	257	1,662
Cash and cash equivalents	4,601	5,301
<b>TOTAL ASSETS</b>	<b>59,857</b>	<b>60,796</b>
<b>TOTAL EQUITY</b>		
Attributable to equity holders of the parent company	29,793	31,223
Attributable to minority interests	270	300
<b>NON-CURRENT LIABILITIES</b>		
Grants	4	3
Non-current provisions	4,829	5,165
Non-current financial debt	10,080	9,261
Deferred tax liabilities	1,051	1,067
Other non-current liabilities		
Non-current debt for finance leases	1,347	1,401
Other	448	455
<b>CURRENT LIABILITIES</b>		
Liabilities related to non-current assets held for sale	1	9
Current provisions	518	538
Current financial liabilities	4,206	3,598
Trade payables and other payables:		
Current debt for finance leases	195	200
Other payables	7,115	7,576
<b>TOTAL LIABILITIES</b>	<b>59,857</b>	<b>60,796</b>

**INCOME STATEMENT**

(€ millions)

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

	QUARTERLY DATA			JANUARY - SEPTEMBER	
	Q3 17	Q2 18	Q3 18	2017	2018
<b>Operating income</b>	<b>653</b>	<b>1,001</b>	<b>934</b>	<b>1,910</b>	<b>2,731</b>
Financial result	(83)	112	(95)	(268)	(64)
Income from equity affiliates	130	55	201	242	394
<b>Net income before tax</b>	<b>700</b>	<b>1,168</b>	<b>1,040</b>	<b>1,884</b>	<b>3,061</b>
Income tax	(203)	(562)	(406)	(429)	(1,274)
<b>Net income from continuing operations</b>	<b>497</b>	<b>606</b>	<b>634</b>	<b>1,455</b>	<b>1,787</b>
Net income from non-controlling interest	(18)	(14)	(9)	(31)	(28)
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>479</b>	<b>592</b>	<b>625</b>	<b>1,424</b>	<b>1,759</b>
Net income for the year from discontinuing operations	48	344	-	159	412
<b>NET INCOME</b>	<b>527</b>	<b>936</b>	<b>625</b>	<b>1,583</b>	<b>2,171</b>
<b>Earning per share attributable to the parent company (*)</b>					
Euros/share (*)	0.33	0.59	0.39	0.98	1.36
USD/ADR	0.39	0.69	0.47	1.14	1.63
Average number of shares (**)	1,591,239,036	1,569,789,944	1,578,033,257	1,589,520,523	1,574,600,612
Exchange rates USD/EUR at the end of each quarter	1.18	1.17	1.19	1.17	1.19

(\*) To calculate EPS the interest expense from the perpetual obligations (€7 million after taxes in Q3 17, Q2 18 and Q3 18) has been adjusted.

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

**CASH FLOW STATEMENT**

[€ millions]

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

	JANUARY - SEPTEMBER	
	2017	2018
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES (*)</b>		
Net income before taxes	1,884	3,061
Adjustments to net income		
Depreciation and amortisation of non current assets	1,965	1,581
Other adjustments to results (net)	(107)	(90)
<b>EBITDA</b>	<b>3,742</b>	<b>4,552</b>
Changes in working capital	(115)	(1,193)
Dividends received	334	341
Income taxes received/ (paid)	(470)	(702)
Other proceeds from/ ( payments for) operating activities	(223)	(179)
<b>OTHER CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES</b>	<b>(359)</b>	<b>(540)</b>
	<b>3,268</b>	<b>2,819</b>
<b>II. CASH FLOWS USED IN INVESTMENT ACTIVITIES (*)</b>		
Payments for investment activities		
Companies of the Group, equity affiliates and business units	(152)	(28)
Fixed assets, intangible assets and real estate investments	(1,391)	(1,728)
Other financial assets	(375)	(1,790)
Payments for investment activities	<b>(1,918)</b>	<b>(3,546)</b>
Proceeds from divestments	21	4,232
Other cashflow	(4)	23
	<b>(1,901)</b>	<b>709</b>
<b>III. CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES (*)</b>		
Issuance of own capital instruments	0	0
Proceeds from/(payments for) equity instruments	(222)	(844)
Proceeds from issue of financial liabilities	7,930	14,047
Payments for financial liabilities	(8,469)	(15,468)
Payments for dividends and payments on other equity instruments	(332)	(297)
Interest payments	(412)	(333)
Other proceeds from/(payments for) financing activities	71	63
	<b>(1,434)</b>	<b>(2,832)</b>
<b>Effect of changes in exchange rates from continued operations</b>	<b>(32)</b>	<b>4</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUED OPERATIONS</b>	<b>(99)</b>	<b>700</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>4,687</b>	<b>4,601</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>4,588</b>	<b>5,301</b>

(\*) Cash flows from continued operations

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

**Q3 2018**

**RECONCILIATION OF ADJUSTED RESULTS AND THE CORRESPONDING CONSOLIDATED FINANCIAL STATEMENT HEADINGS**

(Unaudited figures)

Q3 2017						
€ Million	Adjusted result	ADJUSTMENTS			Total adjustments	Total consolidated
		Joint arrangements reclassification	Special Items	Inventory Effect		
Operating income	794	(132)	(29)	20	(141)	653
Financial result	(110)	11	16	-	27	(83)
Income from equity affiliates	12	116	2	-	118	130
<b>Net income before tax</b>	<b>696</b>	<b>(5)</b>	<b>(11)</b>	<b>20</b>	<b>4</b>	<b>700</b>
Income tax	(154)	5	(48)	(6)	(49)	(203)
<b>Net income from continued operations</b>	<b>542</b>	<b>-</b>	<b>(59)</b>	<b>14</b>	<b>(45)</b>	<b>497</b>
Income attributed to minority interests	(14)	-	-	(4)	(4)	(18)
<b>NET INCOME FROM CONTINUED OPERATIONS</b>	<b>528</b>	<b>-</b>	<b>(59)</b>	<b>10</b>	<b>(49)</b>	<b>479</b>
Income from discontinued operations	-	-	48	-	48	48
<b>NET INCOME</b>	<b>528</b>	<b>-</b>	<b>(11)</b>	<b>10</b>	<b>(1)</b>	<b>527</b>

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

Q3 2018						
€ Million	Adjusted result	ADJUSTMENTS			Total adjustments	Total consolidated
		Joint arrangements reclassification	Special Items	Inventory Effect		
Operating income	1,053	(307)	96	92	(119)	934
Financial result	(115)	31	(11)	-	20	(95)
Income from equity affiliates	18	183	-	-	183	201
<b>Net income before tax</b>	<b>956</b>	<b>(93)</b>	<b>85</b>	<b>92</b>	<b>84</b>	<b>1,040</b>
Income tax	(359)	93	(116)	(24)	(47)	(406)
<b>Net income from continued operations</b>	<b>597</b>	<b>-</b>	<b>(31)</b>	<b>68</b>	<b>37</b>	<b>634</b>
Income attributed to minority interests	(9)	-	1	(1)	-	(9)
<b>NET INCOME FROM CONTINUED OPERATIONS</b>	<b>588</b>	<b>-</b>	<b>(30)</b>	<b>67</b>	<b>37</b>	<b>625</b>
Income from discontinued operations	-	-	-	-	-	-
<b>NET INCOME</b>	<b>588</b>	<b>-</b>	<b>(30)</b>	<b>67</b>	<b>37</b>	<b>625</b>



January - September 2017						
€ Million	Adjusted result	ADJUSTMENTS			Total adjustments	Total consolidated
		Joint arrangements reclassification	Special Items	Inventory Effect		
Operating income	2,407	(353)	(78)	(66)	(497)	1,910
Financial result	(339)	50	21	-	71	(268)
Income from equity affiliates	36	204	2	-	206	242
<b>Net income before tax</b>	<b>2,104</b>	<b>(99)</b>	<b>(55)</b>	<b>(66)</b>	<b>(220)</b>	<b>1,884</b>
Income tax	(530)	99	(14)	16	101	(429)
<b>Net income from continued operations</b>	<b>1,574</b>	<b>-</b>	<b>(69)</b>	<b>(50)</b>	<b>(119)</b>	<b>1,455</b>
Income attributed to minority interests	(31)	-	-	-	-	(31)
<b>NET INCOME FROM CONTINUED OPERATIONS</b>	<b>1,543</b>	<b>-</b>	<b>(69)</b>	<b>(50)</b>	<b>(119)</b>	<b>1,424</b>
Income from discontinued operations	-	-	159	-	159	159
<b>ADJUSTED NET INCOME</b>	<b>1,543</b>	<b>-</b>	<b>90</b>	<b>(50)</b>	<b>40</b>	<b>1,583</b>

January - September 2018						
€ Million	Adjusted result	ADJUSTMENTS			Total adjustments	Total consolidated
		Joint arrangements reclassification	Special Items	Inventory Effect		
Operating income	3,096	(593)	(146)	374	(365)	2,731
Financial result	(290)	91	135	-	226	(64)
Income from equity affiliates	39	355	-	-	355	394
<b>Net income before tax</b>	<b>2,845</b>	<b>(147)</b>	<b>(11)</b>	<b>374</b>	<b>216</b>	<b>3,061</b>
Income tax	(1,105)	147	(220)	(96)	(169)	(1,274)
<b>Net income from continued operations</b>	<b>1,740</b>	<b>-</b>	<b>(231)</b>	<b>278</b>	<b>47</b>	<b>1,787</b>
Income attributed to minority interests	(20)	-	1	(9)	(8)	(28)
<b>NET INCOME FROM CONTINUED OPERATIONS</b>	<b>1,720</b>	<b>-</b>	<b>(230)</b>	<b>269</b>	<b>39</b>	<b>1,759</b>
Income from discontinued operations	-	-	412	-	412	412
<b>ADJUSTED NET INCOME</b>	<b>1,720</b>	<b>-</b>	<b>182</b>	<b>269</b>	<b>451</b>	<b>2,171</b>

**RECONCILIATION OF OTHER ECONOMIC DATA AND THE CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited figures)

	DECEMBER 2017			SEPTEMBER 2018		
	Adjusted Net Debt	Reclasification of JV <sup>(1)</sup>	IFRS-EU	Adjusted Net Debt	Reclasification of JV <sup>(1)</sup>	IFRS-EU
<b>NON-CURRENT ASSETS</b>						
Non-current financial instruments	360	1,560	1,920	34	1,470	1,504
<b>CURRENT ASSETS</b>						
Other current financial assets	254	3	257	1,725	(63)	1,662
Cash and cash equivalents	4,820	(219)	4,601	5,497	(196)	5,301
<b>NON-CURRENT LIABILITIES</b>						
Non-current financial debt	(7,611)	(2,469)	(10,080)	(6,511)	(2,750)	(9,261)
<b>CURRENT LIABILITIES</b>						
Current financial liabilities	(4,160)	(46)	(4,206)	(3,355)	(243)	(3,598)
<b>CAPTIONS NOT INCLUDED IN THE BALANCE SHEET</b>						
Net mark-to-market valuation of financial derivatives, excluding exchange rate and others <sup>(2)</sup>	70	0	70	306	(269)	37
<b>NET DEBT</b>	<b>(6,267)</b>		<b>(7,438)</b>	<b>(2,304)</b>		<b>(4,355)</b>

(1) Mainly corresponding to the financial contribution by Repsol Sinopec Brasil which is detailed in the following captions:

2017: "Cash and cash equivalents" amounting to €28 million; "non-current financial debt" for intragroup loans amounting to €2,624 million, reduced in €275 million in loans with third parties.

2018: "Cash and cash equivalents" amounting to €52 million and "Non-current financial debt" for intragroup loans amounting to €2,772 million, reduced in €145 million due to loans with third parties.

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

	January - September					
	2017			2018		
	Adjusted Cash flow	Reclasification of JV & Others	IFRS-EU	Adjusted Cash flow	Reclasification of JV & Others	IFRS-EU
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>3,577</b>	<b>(309)</b>	<b>3,268</b>	<b>3,351</b>	<b>(532)</b>	<b>2,819</b>
<b>II. CASH FLOWS USED IN INVESTMENT ACTIVITIES</b>	<b>(1,901)</b>	<b>0</b>	<b>(1,901)</b>	<b>1,849</b>	<b>(1,140)</b>	<b>709</b>
<b>FREE CASH FLOW (I. + II.)</b>	<b>1,676</b>	<b>(309)</b>	<b>1,367</b>	<b>5,200</b>	<b>(1,672)</b>	<b>3,528</b>
<b>III. CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES AND OTHERS <sup>(1)</sup></b>	<b>(1,764)</b>	<b>298</b>	<b>(1,466)</b>	<b>(4,523)</b>	<b>1,695</b>	<b>(2,828)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(88)</b>	<b>(11)</b>	<b>(99)</b>	<b>677</b>	<b>23</b>	<b>700</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>4,918</b>	<b>(231)</b>	<b>4,687</b>	<b>4,820</b>	<b>(219)</b>	<b>4,601</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>4,830</b>	<b>(242)</b>	<b>4,588</b>	<b>5,497</b>	<b>(196)</b>	<b>5,301</b>

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

This document contains statements that Repsol believes constitute forward-looking statements which may include statements regarding the intent, belief, or current expectations of Repsol and its management, including statements with respect to trends affecting Repsol's financial condition, financial ratios, results of operations, business, strategy, geographic concentration, production volume and reserves, capital expenditures, costs savings, investments and dividend payout policies. These forward-looking statements may also include assumptions regarding future economic and other conditions, such as future crude oil and other prices, refining and marketing margins and exchange rates and are generally identified by the words "expects", "anticipates", "forecasts", "believes", "estimates", "notices" and similar expressions. These statements are not guarantees of future performance, prices, margins, exchange rates or other events and are subject to material risks, uncertainties, changes and other factors which may be beyond Repsol's control or may be difficult to predict. Within those risks are those factors described in the filings made by Repsol and its affiliates with the Comisión Nacional del Mercado de Valores in Spain and with any other supervisory authority of those markets where the securities issued by Repsol and/or its affiliates are listed.

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In October 2015, the European Securities Markets Authority (ESMA) published its Guidelines on Alternative Performance Measures (APMs). The guidelines apply to regulated information published on or after 3 July 2016. The information and breakdowns relative to the APMs used in this release are included in Annex IV "Alternative Performance Measures" in the Interim Consolidated Financial Statements corresponding to the nine months period ended at 30<sup>th</sup> of September, 2018 and Repsol's [website](#).

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