REPSOL S.A.

2020 Interim Management Report First Half

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

REPSOL

ABOUT THIS REPORT

The **Interim Management Report** of the Repsol Group[1] must be read together with the 2019 Consolidated Management Report[2]. In conjunction with this report, Repsol publishes condensed interim consolidated financial statements[3] for the first half of 2020 (hereinafter, "interim financial statements for the first half of 2020"). The Board of Directors of Repsol, S.A. approved both reports at its meeting of July 22, 2020.

The **financial information** contained in this document, unless expressly indicated otherwise, was prepared in accordance with the Group's reporting model, which is described below:

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

Given the nature of its business and in order to make its disclosures more readily comparable with those of its peers, the Group relies on Adjusted Net Income when measuring the earnings of each business segment. Adjusted Net Income means the current cost of supply (CCS), net of taxes and minority interests and excluding certain specific items of income and expense ("Special items").

For current cost of supply (CCS) earnings, the cost of volumes sold is calculated on the basis of procurement and production costs incurred during the period in question and not based on weighted average cost, which is the accepted methodology under European accounting law and regulations. The difference between CCS earnings and earnings at weighted average cost is included in the so-called Inventory Effect, which also includes other adjustments to the valuation of inventories (write-offs, economic hedges, etc.) and is presented net of taxes and minority interests. This Inventory Effect largely affects the Industrial segment.

Furthermore, Adjusted Net Income does not include Special Items, i.e. certain material items that are presented separately to provide a more reliable view of the ordinary management of the businesses.

Our reporting model uses Alternative Performance Measures (APMs), meaning measures that are "adjusted" to those presented under IFRS-EU. The information, breakdowns and reconciliations are included in Appendix I — Alternative Performance Measures of the 2019 Management Report and are updated with the quarterly information available on the Repsol website (www.repsol.com).

Repsol has updated the **definitions of its operating and reporting segments** to bring them in line with the new strategic vision of the businesses. The following three business segments are therefore envisioned from 2020 onward: *Upstream*, *Industrial* and *Commercial and Renewables*. For more information, see section 2.3. The financial information presented for the first half of 2020 already reflects this new business and reporting structure. Information for the previous year has also been restated so as to provide more reliable monitoring and comparability of the information disclosed.

The **non-financial information** corresponding to sustainability indicators contained in this document was calculated according to corporate rules that specify the criteria and common methods to be applied to each topic.

[1] In this report, the names "Repsol," "Repsol Group" or "the Company" are used interchangeably to refer to the business group consisting of Repsol, S.A. and its subsidiaries, associates and joint arrangements.
[2] This Interim Management Report has been prepared solely for the purpose of updating the consolidated Management Report for 2019.
[3] The interim financial statements for the first half of the year have been subject to a limited independent review by the Group's auditor.

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1. SUMMARY OF MAIN EVENTS - FIRST HALF 2020

AN ENVIRONMENT MARRED BY THE COVID-19 CRISIS

The economic **environment**, largely shaped by the COVID-19 pandemic, has been exceptionally tough for the operations and Repsol's businesses. The social and economic impact of the pandemic significantly hurt demand for hydrocarbons and caused a sharp drop in oil and gas prices.

In this extremely challenging environment, Repsol has focused on its role as a supplier of essential and strategic products and services for society

Even in these extraordinary times, Repsol proved able to continue to operate and ensure the supply of essential energy products and services to society, while safeguarding the health and safety of its employees, clients and suppliers.

Moreover, Repsol has taken steps to protect cash flow generation and strengthen the balance sheet, thus enabling it to reduce its net debt over the period, despite the harshly adverse economic impact of the COVID-19 crisis on the profitability of its businesses.

In this context, the launch of the 2021-2025 Strategic Plan has been postponed until November 2020.

For more information, see sections 2.1. Impact of COVID-19 and 3. Environment.

2020 RESILIENCE PLAN

In the wake of the crisis triggered by the pandemic, Repsol reacted swiftly by creating and implementing a Resilience Plan that assures continuity of operations, financial robustness and the Company's investment-grade credit rating. The Plan envisions reductions of more than 350 million euros in operating expenses and more than 1,000 million euros in investments, along with optimizations of around 800 million euros in working capital, compared with the metrics in our initial budget.

The Plan maintains the Company's existing shareholder remuneration commitments for 2020 under the current Strategic Plan. Also, reaffirms its pledge to lead the energy transition, in line with the objectives of the climate change.

In line with the Plan, the Annual General Meeting held in May ratified the committed shareholder remuneration, the Company continued with its investments in renewable energies and in projects aligned with the energy transition, and the businesses and corporate areas achieved savings in operating costs and investments during the period that were even higher than those envisioned. Accordingly, the Company is confident of achieving reductions of 450 million and of more than 1,100 million euros, respectively, over the entire year.

For more information, see sections 2.2 2020 Resilience Plan and 7.2 Outlook by business.

PERFORMANCE AND FINANCIAL POSITION

The **prevailing** global economic recession, the fall in oil and gas prices, the dramatic decline in demand for products and the increased cost of operating safely amid the pandemic have all shaped the financial performance of our businesses.

Negative net income due to the COVID-19 crisis

RESULTS FOR THE PERIOD *(Millions of euros)*	1H 2020	1H 2019	Δ%
Upstream	(51)	646	-
Industrial	296	448	(-34%)
Commercial and Renewables	163	265	(-38%)
Corporate and others	(219)	(244)	10%
Adjusted net income	**189**	**1,115**	**(-83%)**
Inventory effect	(1,088)	63	-
Special items	(1,585)	(45)	-
Net income	**(2,484)**	**1,133**	**-**

Upstream results (-51 million euros) were hit by the dramatic decline in hydrocarbon prices, which has led to decreased production from some assets. Results at the **Industrial** segment (296 million euros) were a product of muted activity at refining and chemicals amid slumping demand and a gradual tightening of margins during the period. The results of the **Commercial and Renewables** segment (163 million euros) were affected by falling sales -especially at service stations and in aviation- due to the mobility restrictions put in place to combat COVID-19. At **Corporate**, results saw an improvement following a reduction in finance costs and corporate overheads, in line with the objectives set out in the Resilience Plan.

As a result, **adjusted net income**, which shows ordinary earnings obtained from managing the businesses, amounted to 189 million euros, 83% down on the same period last year. The Company's integrated business model, together with its flexibility and the resilience of its assets, was vital in enabling its businesses to achieve this positive result in such an adverse environment.

The prevailing volatility and the heavy decline in the prices of commodities and international products had an extraordinary adverse impact on Repsol inventories, giving an **inventory effect** of -1,088 million euros, versus 63 million euros in the first half of 2019.

Meanwhile, **special items** (-1,585 million euros) relate to the extraordinary accounting write-downs of Upstream assets due to the updating of assumptions on future oil and gas prices as a result of the COVID-19 crisis.

On balance, **net income** at the Group was negative (-2,484 million euros), versus 1,133 million euros earned in the first half of 2019. *For more information, see section 4.1 Results.*

Despite the reduction in EBITDA due to the impact of COVID-19, **cash flow from operations** in the first half amounted to 864 million euros, while **free cash flow** came to 172 million euros. F*or more information, see section 4.2 Cash flows.*

The measures put in place under the Resilience Plan to protect the balance sheet have been successful in reducing **net debt**[1] to 3,987 million euros, with a leverage ratio of 14.7%. The Group strengthened its **financial position** by issuing senior Eurobonds in the period (EUR 1.5 billion) and perpetual subordinated bonds (a further EUR 1.5 billion), while also extending its committed and undrawn credit facilities by a further 1,602 million euros. Group **liquidity** at the end of the period came to 9,762 million euros (including undrawn credit facilities).

€233 M

Reduction in Net Debt[1] vs Dec-19

During the period, rating agencies Standard & Poor's, Moody's and Fitch all confirmed Repsol's **investment grade**. *For more information, see section 4.3 Financial position.*

Shareholder remuneration in the first half of the year was equivalent to 0.424 euros per share[2] under the "Repsol Flexible Dividend" program, which replaces the interim dividend for 2019. Furthermore, and as a result of the resolutions carried at the Annual General Meeting held in May, shareholders received additional remuneration in July equivalent to 0.492 euros per share under the same scrip dividend program and in lieu of the customary final dividend for 2019. With the aim of offsetting the resulting dilutive effect, the General Meeting resolved to reduce capital through redemption of treasury shares, up to a maximum amount equivalent to the number of shares issued under the scrip dividend completed in 2020. *For more information, see section 4.4 Shareholder remuneration.*

[1] Net debt without leases, which amounted to 4,220 million euros at year-end 2019.

[2] As per Repsol's commitment to purchase from shareholders their right to receive free shares under the scrip dividend (see section 4.4.).

BUSINESS ACTIVITIES

At **Upstream**, against a backdrop of low crude oil and gas prices, the unit has prioritized value generation over production volume, in the form of cost reduction plans and by redefining asset operation plans in a bid to reduce the cash break-even. To help achieve this, facilities have been temporarily shut down in Canada, the United States and Colombia and pursued profitable growth, with highlights including the successful exploratory campaign with discoveries in Alaska, Gulf of Mexico and Colombia, the start-up of new development wells in Marcellus, Norway, Eagle Ford, Russia and Trinidad and Tobago, as well as new acreage obtained in Indonesia, Norway and Russia. *For more information, see section 5.1. Upstream*.

Successful exploratory campaign

At the **Industrial** segment, against the background of a deep and sharp reduction in demand, production, logistics and commercial patterns were adjusted to keep utilization levels above international averages. This effort did not blur our focus on innovation and digitalization. We launched new projects in line with the Group's strategy of decarbonization and the circular economy, and took steps to enhance energy efficiency, environmental impact and operational reliability. *For more information, see section 5.2. Industrial.*

Operations continue despite the testing conditions

At **Commercial and Renewables**, the mobility restrictions had a negative impact on demand for oil products and, more specifically, fuel. Nonetheless, Repsol kept up operation of its service stations. Over the first half, we continued to drive our client-centric multi-energy supply model by developing our Electricity and Gas businesses (1.07 million customers), launching a new 100% renewable self-consumption service ("Solmatch"), making further progress on renewable projects (acquisition of Delta 2 in Aragón and start of construction on Kappa in Ciudad Real and on Valdesolar in Badajoz). *For more information, see section 5.3. Commercial and Renewables.*

Enhanced range of multi-energy products and services

GOVERNANCE AND SUSTAINABILITY

The Company has made further progress toward the **Global Sustainability Plan** and released its first SDG 2019 report, which presents Repsol's contribution toward the 2030 Agenda of the United Nations and its sustainable development goals. As we witness the energy transition toward a future of low emissions to mitigate the effects of **climate change**, the Company remains firmly committed to reducing its Carbon Intensity Score by 3% in 2020 when compared with 2016. Meanwhile, improvement actions have been put in place at the Company's facilities, generating an effective reduction in CO_2 of 279 thousand tons over the first six months of the year. The Company has also delivered on its pledge to invest 500 million euros through the Green Bond issued in 2017 to support projects aimed at cutting greenhouse gas emissions.

Moving to the **personnel accident rate**, the Total Frequency Rate (TFR) has fallen when compared with annual figures for 2019, while the number of Tier 1 + Tier 2 process safety incidents (PSIR) has risen following an increase in incidents classified as Tier 2 in relation to non-conventional Upstream activity. In the context of COVID-19, numerous measures have been implemented to safeguard the **health and safety** of employees, without this affecting the Company's operations or the service offered.

Repsol has sought at all times to protect the **jobs of its workers**, especially in the wake of the COVID-19 health crisis.

Committed to protecting jobs

For more information, see Section 6 Sustainability.

Repsol is acutely aware of the impact that the health and social crisis resulting from COVID-19 has had on the **communities in which it operates**. It has therefore undertaken various actions and initiatives to mitigate the effects, such as adapting existing equipment and shifting its competition lubricant laboratory toward the production and free supply of much-needed hydroalcoholic gel for disinfecting hospitals and health workers. It has also made donations to institutions such as the Red Cross to aid the delivery of basic necessities and to provide housing for people at risk, support for low-income families, psychological assistance and telephone social support and guidance for people forced to cope with loneliness.

MAIN FIGURES AND INDICATORS

Financial indicators [1] [2]	1H 2020	1H 2019
Results		
EBITDA	589	3,712
Results from operations	494	2,002
Adjusted net income	189	1,115
Net income	(2,484)	1,133
Earnings per share (€/share)	(1.63)	0.68
ROACE (%)	(8.4)	3.8
ROACE with leases (%)	(7.3)	3.5
Investments	1,113	1,468
Cash and liquidity		
Cash flows from operations	864	2,530
Free cash flow	172	1,093
Cash generated	(359)	(124)
Liquidity	9,762	7,832
Debt and available capital		
Net Debt (ND)	3,987	3,662
Net Debt (ND) (with leases)	8,026	7,464
Capital employed	27,076	34,697
Capital employed (with leases)	30,966	38,391
ND / Capital employed (%)	14.7%	10.6%
ND / Capital employed with leases (%)	25.9%	19.4%
Shareholder remuneration		
Shareholder remuneration (€/share)	0.424	0.411

Sustainability indicators [3]	1H 2020	1H 2019
People		
Number of employees	24,373	25,228
New employees	664	3,800
Safety and the environment		
Process safety indicator rate (PSIR) [4]	0.82	0.55
Total recordable incident rate (TRIR) [4]	0.99	1.24
Reduction in CO_2 emissions (Mt)	0.279	0.171

Macroeconomic context	1H 2020	1H 2019
Average Brent price ($/bbl)	40.1	66.0
Average WTI price ($/bbl)	36.8	57.4
Average Henry Hub price ($/MBtu)	1.8	2.9
Electricity Pool - OMIE [5] (€/MWh)	29.0	51.8
Average exchange rate (€/$)	1.10	1.13
CO_2 (€/Tn)	21.7	24.0

Our businesses performance [1]	1H 2020	1H 2019
Upstream		
Net daily liquids production (kbbl/d)	229	251
Net daily gas production (kboe/d)	446	446
Net daily hydrocarbon production (kboe/d)	675	697
Average crude oil price ($/bbl)	35.8	59.6
Average gas price ($/kscf)	2.2	3.2
EBITDA	988	2,213
Adjusted net income	(51)	646
Cash flows from operations	684	1,605
Investments	603	961
Industrial		
Refining capacity (kbbl/d)	1,013	1,013
Crude oil processed	18.5	22.1
Conversion utilization Spanish refining (%)	91.4	102
Distillation utilization Spanish refining (%)	76.1	89.3
Refining margin indicator in Spain ($/Bbl)	3.9	4.4
Sales of petrochemical products (kt)	1,297	1,458
EBITDA	(670)	1,075
Adjusted net income	296	448
Cash flow from operations	90	723
Investments	227	306
Commercial and Renewables		
Service stations (number)	4,955	4,875
Own marketing sales	8,936	11,867
LPG sales (kt)	601	699
Installed capacity - low emissions (MW)	2,952	2,952
Electricity production (GWh)	2,293	2,186
EBITDA	360	502
Adjusted net income	163	265
Cash flow from operations	125	370
Investments	259	176
Sales of oil products (kt)	20,857	24,251

Stock market indicators	1H 2020	1H 2019
Share price at period-end (€/share)	7.79	13.79
Average share price (€/share)	9.79	14.81
Market capitalization at period-end (€ million)	12,193	21,489

[1] Where applicable, figures shown in million euros.
[2] More information in section 4 and Appendix I — *Alternative Performance Measures*.
[3] Figures and indicators calculated in accordance with the Group's management policies and guidelines. For more information, see section 6 of the 2019 Integrated Management Report.
[4] The figure for 2019 is at year-end.
[5] Iberian Energy Market Operator.

2. OUR COMPANY

2.1 IMPACT OF COVID-19

On March 11, 2020, the World Health Organization upgraded the public health crisis posed by the SARS-CoV-2 virus (widely known as coronavirus or COVID-19) to international pandemic status. COVID-19 spread rapidly to many countries and is remains a threat today. The sheer scale and speed of the events across the globe has sparked an unprecedented health, social and economic crisis.

Even in these difficult times, Repsol has managed to ensure the safe operation of its businesses, most of which are considered essential or strategic activities in the countries in which it operates. However, the widespread decline in global economic activity and indicators in the wake of the pandemic has affected the profitability of the company's main businesses.

In this context, COVID-19 has had a significant impact on several of the material risks[1] to our businesses:

- *Fluctuations in the reference price of hydrocarbons, derivative products and other commodities:*

  The economic impact of the COVID-19 pandemic, combined with other pre-existing complications on the supply and demand side, has resulted in an exceptionally challenging price environment. We have witnessed a dramatic decline in global consumption of oil, gas and other energy products as a result of the measures put in place around the world in a bid to halt the spread of the pandemic. Meanwhile, in early March 2020, OPEC+ members failed to reach an agreement to make further cuts in oil production to counteract the decline in demand. These events led to the largest collapse in oil prices in decades, which fell below $20/bbl by the end of March. We even witnessed negative prices for WTI [2] on 20 April, reaching -$37.63/bbl. In the first half, Brent averaged $40.1/bbl (down 39% on the first half of 2019). As for gas prices, the impact of COVID-19 has pushed down demand for gas in North America and for LNG in China, which has led to an increase in inventories of stored gas and from February onward gas prices converged within a very narrow range of below $2/MMBtu. *For more information, see section 3.2 Energy landscape and 7.1 General outlook*.

- *Drop in demand for our products*

  Demand for oil products in the first half of the year, and especially in the second quarter, saw a significant downturn in response to the decline in economic activity stemming from COVID-19, particularly as a result of the mobility restrictions put in place to stem the spread of the pandemic.

We have therefore seen a significant impact on the activity and profitability of our businesses.

- *Upstream:*

  The results and activities of Upstream have been heavily affected by the weak demand caused by the price environment for crude oil and gas (see section 4). To mitigate the negative impacts, we have throttled our business accordingly, prompting the segment to lower investment and adjusted operations to protect profitability and asset value.

  - The change in investment activity during the period has led to: (i) slower development work at *Akacías* in Colombia; (ii) start-up of YME in Norway put back to 2021; and (iii) minimal drilling activity at non-conventional sides in North America.

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[1] The information relating to the Group's main risks is set out in this section, which should be read in conjunction with Appendix II of the 2019 Management Report. Additionally, the information contained in this section is updated and complemented with the information provided in Note 5.1 —*Disputes*, Note 5.2 — *Administrative tax proceedings* and Note 5.3 — *Geopolitical risks* to the interim financial statements for the first half of 2020. The risks described in the 2019 Management Report and updated in this section are subject to change not only in the current financial year but also in future years. However, it is expected that these risks and uncertainties will persist throughout the second half of 2020.

[2] WTI futures with delivery in May 2020.

- Production has fallen by just over 22 kboe/d as a result of (i) shrinking demand for gas (Algeria, Venezuela, Bolivia, Peru and Indonesia); (ii) temporary closures due to low prices to preserve the value of certain assets (Colombia, Canada and the US Gulf of Mexico); and (iii) production cuts in certain countries (Algeria and Norway).

- *Industrial businesses:*

At Refining, the drop in global demand has prompted the temporary shut-down of refineries across the globe, including Europe. Repsol's refining system has managed to maintain reasonable levels of activity by balancing production, sales and storage capacity, despite a certain throttling of refinery use.

At Chemicals, the gradual recovery of the Chinese economy has been countered by the effective closure of other major markets. Margins have been solid and demand has remained at reasonable levels. The increased reliance on propylene oxide and styrene units was somewhat successful in compensating for the lack of any real market for polyols and polyurethanes destined for the automotive sector.

This price environment has also had a negative impact on the value of inventories, the effect of which is shown in the inventory effect.

- *Commercial businesses*:

Shrinking demand for fuel in the wake of the mobility restrictions and the general decline in economic activity has had a significant impact, especially at our network of service stations and aviation supplies.

In Spain, we witnessed an 85% reduction in demand for fuel at service stations at the height of the containment measures, before recovering to end the period at still 25% below the levels of demand seen in 2019. Demand for kerosene plummeted in the first six months due to lower domestic consumption and the absence of an international market for this product. Meanwhile, the confinement has pushed up demand for heating oil and LPG for domestic use due to increased consumption while people remained at home.

It is also difficult to predict to what extent and for how long the pandemic will continue to impact Repsol's businesses as we move forward. The reduced global demand for crude oil, gas and oil products in response to the slump in economic activity, especially the mobility restrictions in place, may adversely affect prices and the level of production and sales of our businesses. Meanwhile, the deterioration in global financial conditions may also affect the cost of financing, available liquidity or the solvency of our clients and partners under joint ventures, among other possible impacts. The course of the pandemic, the containment measures rolled out by the health authorities and the policies put in place to mitigate the social and economic impact of the crisis will all shape the scope and duration of both the crisis and the subsequent recovery.

2.2 2020 RESILIENCE PLAN

Reduced operating costs and investment

On March 25, Repsol's Board of Directors assessed the context and the evolution of the current economic situation, particularly the global impact of COVID-19, the downturn in oil and gas market prices and their impact on the Company's business and activities. This prompted the Company to make the following decisions:

- Guaranteeing the health and safety of its employees, clients and suppliers in their dealings with the Company, as well as continuing with its operations, maintaining the supply of essential energy products and services to society, both critical to sustain key services at the present time.

- Deploying a 2020 Resilience Plan in response to the hugely demanding macroeconomic environment expected for the rest of the year: factoring in an average price of Brent crude of $35/Bbl for the period April to December, and Henry Hub price of $1.8/MBtu.

  The Resilience Plan also envisions a number of initiatives that imply additional reductions of more than 350 million euros in operating expenses and more than 1 billion euros in investments, along with optimizations of around 800 million euros in working capital, compared with the metrics in our initial budget.

  The Company's financial objective will be to preserve the robustness of its balance sheet and its investment grade and, despite the current context, avoid any further increase in debt in 2020 with respect to the figure reported at the end of 2019.

- The Company will maintain its shareholder remuneration commitments in 2020 (charged to 2019 earnings) under the current Strategic Plan (see section 4.4) and it also plans to effect a capital reduction by redeeming treasury shares so as to counter the dilutive effect of its scrip dividend issues. Meanwhile, and in response to the current market situation and the COVID-19 crisis, the Board of Directors decided not to include on the agenda of the Annual General Meeting held on May 8 a further reduction of 5% of the Company's share capital at December 31, 2018, as initially agreed upon in July 2019.

- Repsol has reaffirmed its commitment to lead the energy transition, in line with the objectives of the Paris objectives and the United Nations´ Sustainable Development Goals, maintaining its objective of reducing the Carbon Intensity Index by 3% in 2020 compared to 2016, while significantly increasing renewable generation capacity and reducing CO_2 emissions across all businesses.

Given the extraordinary levels of volatility and market uncertainty, Repsol has decided to postpone the presentation of its 2021-2025 Strategic Plan until November 2020.

During the first half of the year, the Company aligned its actions with the objectives set out in the Resilience Plan, as evidenced by the following:

- We guaranteed the continuing supply of our products and services, while keeping our operations safe. In Spain, for instance, our service stations, direct fuel sales and LPG distribution networks remained operational even at the peak of the lock-down and production continued at our refining and chemical industrial complexes.

- We achieved savings in operating costs and investment over and above the level expected, prompting us to review our annual targets and now estimate that the reductions could reach 450 million euros in operating costs and over 1,100 million euros in investment.

- The main rating agencies all upheld Repsol's investment grade, which has made its balance sheet stronger by enhancing its equity (issue of 1.5 billion euros of perpetual subordinated bonds), reducing its net debt and increasing its liquidity.

- Committed levels of shareholder remuneration in 2020 have been honored through the payment, in January and July, of 0.424 and 0.492 euros per share, under the scrip dividend program to replace the traditional dividend charged to 2019 earnings.

For more information, see section 7.2 Outlook by business.

2.3 OPERATING AND REPORTING SEGMENTS

New definition for the operating and reporting segments

Repsol has revised the definition of its operating and reporting segments, attending both to our commitment to become CO_2 emissions neutral by 2050 and to our renewed strategic vision for the business divisions. In particular, the Company will enhance its commercial businesses with a new multi energy and customer centric approach, as well as the development of new low carbon electricity generation businesses, from which a new business segment was created under the "Commercial and Renewables" nomenclature. Consequently, Repsol's operating and reporting segments will be defined as follows:

- Upstream: corresponding to exploration, development and production of crude oil and natural gas reserves;
- Industrial: corresponding, mainly, to the following activities: (i) refining; (ii) petrochemistry; (iii) trading and transportation of crude oil and oil products; (iii) commercialization, transportation and regasification of natural gas and liquefied natural gas (LNG);
- Commercial and Renewables: corresponding, mainly, to the following businesses: (i) low-carbon electricity generation and renewable sources; (ii) gas and electricity commercialization; (iii) mobility and commercialization of oil products; and (iv) LPG.

Corporate and others includes (i) corporation running expenses and, specifically, those expenses related to managing the Group that have not been invoiced to the business divisions as a service, (ii) the financial result and (iii) consolidation intersegment adjustments.

2.4 CORPORATE GOVERNANCE

On May 8, Repsol held its Annual General Meeting remotely, without the physical attendance of shareholders, their proxies or guests. The 2020 Annual General Meeting was an absolute necessity for the Company to carry on its business normally and accomplish its objectives, in the interests of all its shareholders and other stakeholders. Even so, Repsol's Board of Directors made every effort to ensure strict compliance with the state of the alarm announced by the Spanish government, with the overriding priority being to protect the health of everyone involved in organizing and staging the meeting.

3. ENVIRONMENT

3.1 MACROECONOMIC ENVIRONMENT

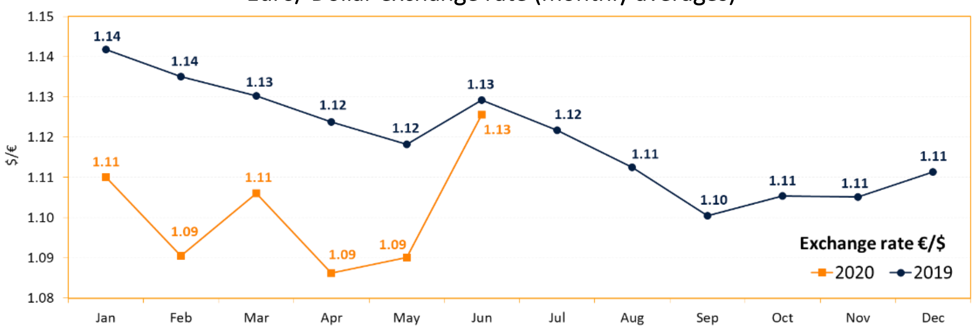
In 2020, the **global economy** has faced a massive scare in the form of the COVID-19 pandemic, forcing the authorities to resort to confinement measures to protect public health. The sheer scale and speed of the collapse in economic activity seen between mid-March and the end of April across many countries has been unprecedented. It is estimated that most countries will have seen a slump in economic activity of between 20% and 30% during the confinement, and in some sectors the impact has been even greater.

-4.9%
Forecast global growth in 2020

According to the latest forecasts of the International Monetary Fund (IMF, World Economic Outlook June 2020), the world economy will shrink considerably in 2020 (-4.9%), after gaining 2.9% in 2019. Yet there is much uncertainty surrounding these forecasts. For instance, 75% of countries have been reopening their economies in late June and in most countries economic activity is recovering faster than expected, and financial conditions are now relaxing in response to the rapid change in monetary policy. Yet at the same time the pandemic is intensifying in other countries and the risk of further outbreaks and renewed financial tensions will persist for as long as there is no treatment or vaccine.

Given this widespread uncertainty and huge demand for liquidity, the **dollar strengthened** in early 2020 to reach 1.078 euros/dollar at the start of April. However, since then the reduction in risk aversion has made interest rate spreads and fundamentals more relevant in shaping the exchange rate. Since the FED has more room to implement further stimulus measures than the ECB, and because financing needs are greater in the United States due to its high fiscal and external deficit, the dollar has retreated and the exchange rate has now stabilized within the range of 1.12-1.13 euros/dollar.

Euro/ Dollar exchange rate (monthly averages)



Source: Bloomberg and Repsol´s Division of Business Studies & Analysis

3.2 ENERGY LANDSCAPE

Brent crude

Brent crude averaged $40.1/bbl in the first half of 2020. Brent crude began the year at around $68/bbl, before dropping to below $20/bbl in April and then recovering to around $40/bbl by the end of June.

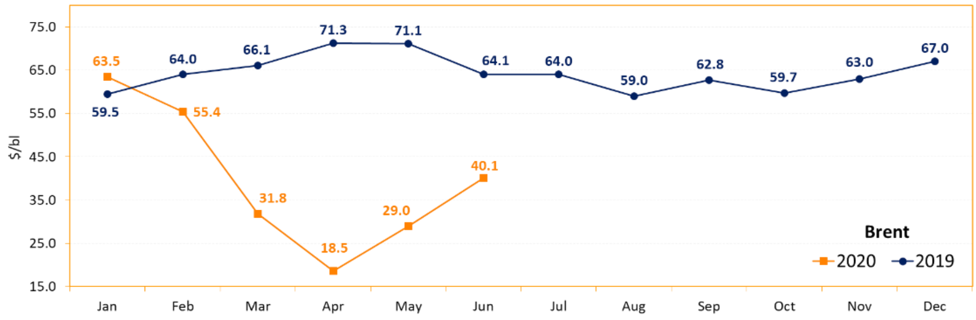
40.1 $/bbl
Average Brent price in 1H

Crude oil prices have been heavily affected by the pandemic. The COVID-19 crisis has caused an unprecedented contraction in oil consumption. The drastic measures rolled out by governments to control the spread of the virus by limiting social interaction, imposing significant mobility restrictions and closing borders and non-essential sectors, have directly impacted the consumption of oil products. The estimated contraction in global oil consumption for the second quarter of 2020 is around 20 million bbl/d, bringing demand back to the levels reported in 2002-2003.

On the supply side, the response has fallen short of the mark in rebalancing the market, despite the actions undertaken by both OPEC and non-OPEC countries. OPEC+ has agreed on the largest and longest production cut in its history, while in the rest of the countries we have witnessed the natural dynamic whereby falling prices have triggered a decline in investment and consequently a fall in production; the main difference being that in the current climate this dynamic has been a more rapid affair than on previous occasions.

As a result, the balance in the first half of 2020 has been one of oversupply, with an unprecedented build-up of inventories that has forced prices down.

Average Brent price over time



Source: Bloomberg and Repsol´s Division of Business Studies & Analysis.

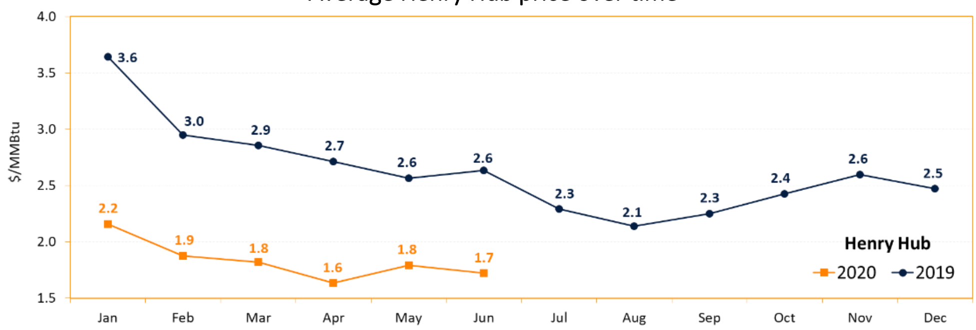
Natural Gas - Henry Hub

The price of U.S. Henry Hub natural gas averaged $1.8/MBtu in the first half of 2020, trading 40% below the same period in 2019. Persistently high production levels and mild winter temperatures continued to apply pressure on gas prices during the early months of the year. This situation was then aggravated by the emergence of COVID-19 and the containment measures put in place to stop it from spreading, which have dampened demand and caused an even greater reduction in prices. Turning to U.S. exports of liquefied natural gas, loads have been cancelled in the wake of the pandemic, which has placed further pressure on prices. Coupled with low Henry Hub prices, production has also been affected, showing a 4% year-on-year drop through to April when compared with 2019.

1.8 $/MBtu
Average Henry Hub price in 1H

According to the latest figures released in the United States, and assuming this downward trend in production continues and demand recovers due to the seasonal effect, a gradual recovery in prices next winter and throughout 2021 as a result of this improved balance between supply and demand could be expected.

Average Henry Hub price over time



Source: Bloomberg and Repsol´s Division of Business Studies & Analysis.

For more information on the expected performance of prices in the second half of the year, see section 7.1 General outlook.

4. FINANCIAL PERFORMANCE AND SHAREHOLDER REMUNERATION

Despite the impact of the COVID-19 crisis on the Group's income, the measures rolled out under the Resilience Plan to maximize cash flow and protect the balance sheet enabled us to end the period with net debt lower than at December 31, 2019.

Lower debt and increased liquidity in response to the challenging environment

4.1 RESULTS

Results for the first half of 2020 (1H 2020) arose within a **context** of a global economic recession, largely caused by the emergence of the COVID-19 pandemic, with low crude oil prices (Brent 40.1 vs 66.0 in 1H 2019) and gas prices (Henry Hub 1.8 vs 2.9 in 1H 2019) and plummeting demand for oil and gas products.

Millions of euros	1H 2020	1H 2019	Δ
Upstream	(51)	646	-
Industrial	296	448	(-34%)
Commercial and Renewables	163	265	(-38%)
Corporate and others	(219)	(244)	10%
Adjusted net income	**189**	**1,115**	**(-83%)**
Inventory effect	(1,088)	63	-
Special items	(1,585)	(45)	-
Net income	**(2,484)**	**1,133**	**-**

In this extremely challenging environment, there was a significant reduction in **EBITDA** (589 million euros vs 3,712 million euros in 1H 2019):

	TOTAL	
EBITDA (Millions of euros)	1H 2020	1H 2019
Upstream	988	2,213
Industrial	(670)	1,075
Commercial and Renewables	360	502
Corporate and others	(89)	(78)
TOTAL	589	3,712

<u>Adjusted net income:</u>

Adjusted net income, which is intended to reflect the financial result of the ordinary course of the businesses, was 189 million euros, 83% lower than in the same period of the previous year.

Upstream

Average **production** in period came to 675 kboe/d, down 3% on the same period of 2019. This decline was largely a result of production stoppages in Libya and the shutdown or reduction of operations at other assets owing to slacker demand and prices.

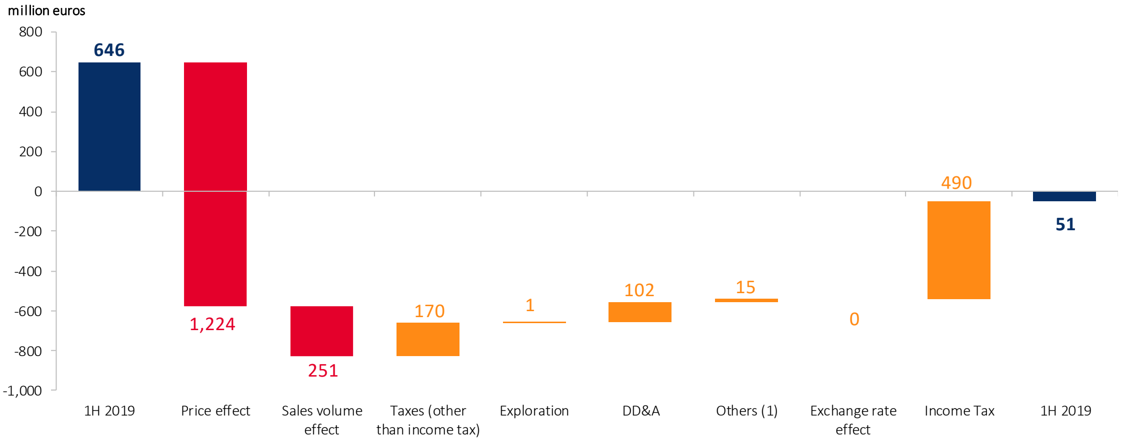
Greater exploration success with less investment

Moving to **exploration activity**, the drilling of seven exploration wells and one appraisal well were completed in the first half of the year. Six of them with positive results.

For further information on the activities of the Upstream segment, see section 5.1.

Adjusted net income at *Upstream* amounted to -51 million euros, down 697 million euros on 1H 2019. Lower crude oil and gas prices (-40% and -33%, respectively), coupled with lower volumes produced and sold, had a negative impact, which was partially offset by the reduction in amortization expenses and taxes.

Change in adjusted net income at *Upstream*



(1) Includes costs related to production and the results of investees and non-controlling interests.

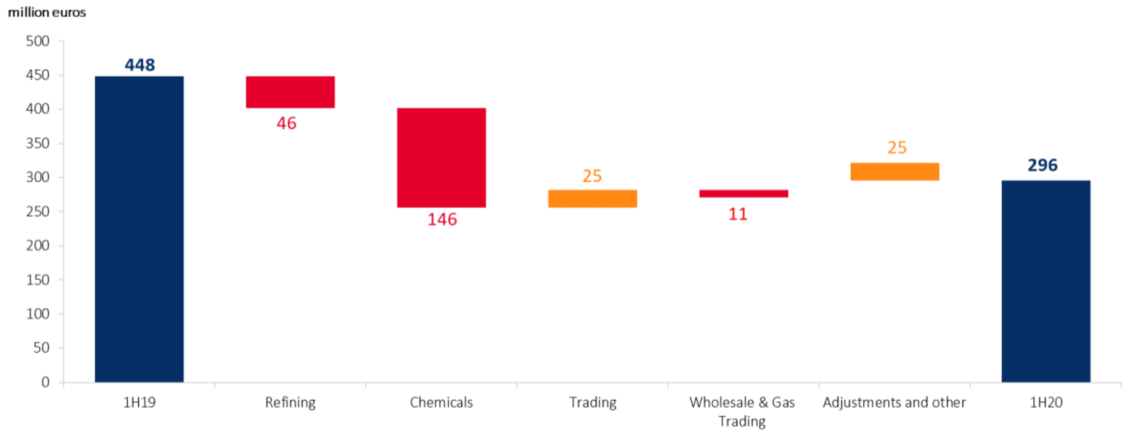
Investment in the first half of the year (603 million euros) was down on 1H 2019 (961 million euros) in response to the Resilience Plan. Investment activity focused on assets in production and/or under development, mainly in Norway, the United States, Trinidad and Tobago, Brazil and Malaysia. Exploratory investment took place mainly in the United States (Alaska and Gulf of Mexico) and Mexico (Gulf of Mexico), and to a lesser extent in Russia, Indonesia and Colombia.

Industrial

Adjusted net income in the first half of 2020 was 296 million euros, compared to 448 million euros in the first half of 2019.

€296 M
Adjusted net income at *Industrial*

Change in adjusted net income at *Industrial*



The change in income is mainly due to the following factors:

- At **Refining**, the lower result arising from lower margins and decreased sales due to the worsening international environment were mitigated by production adjustment and plant logistics measures and by improved margins in Peru through operational optimization.
- At **Chemicals**, the drop in income was largely down to lower margins and sales, a rise in operating incidents and maintenance stoppages at the Tarragona and Sines facilities.
- At **Trading**, improved results across all lines, especially in crudes and light products.
- At **Wholesale & Gas Trading**, margins fell at the LNG commercialization business, despite improved margins at the trading gas business in North America.

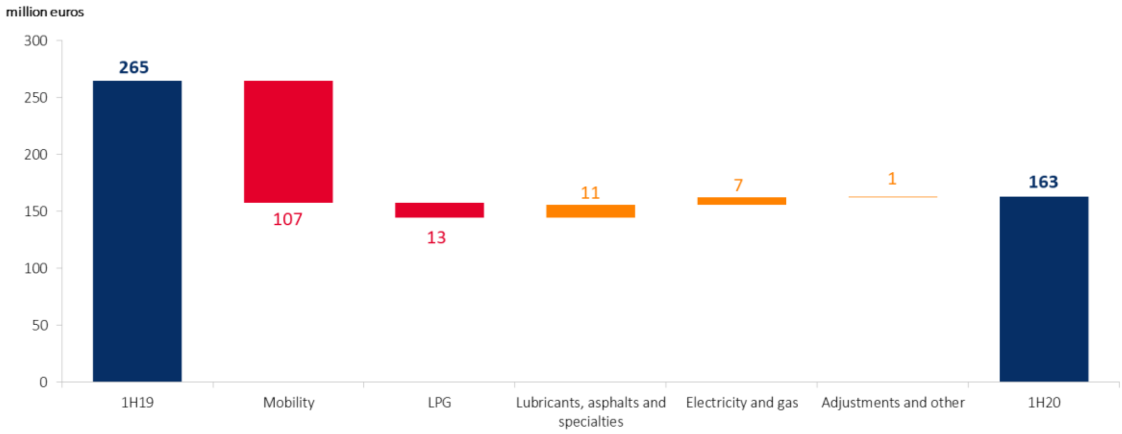
Operating **investment** at *Industrial* in the first half of 2020 came to 227 million euros (down 26% on 1H 2019). The investments were aimed at maintaining levels of activity at industrial complexes.

See section 5.2 for more information on the activities of the Industrial segment.

Commercial and Renewables

Adjusted net income in the first half of 2020 was 163 million euros, compared to 265 million euros in the first half of 2019.

Change in adjusted net income at *Commercial and Renewables*



The change in income is mainly due to the following factors:

- At **Mobility**, the decrease in result was largely due to lower demand at Service Stations, Direct Sales and International Aviation by the COVID-19 impact.
- At **LPG**, weaker performance reflected lower margins on operations subject to regulated prices and lower sales due to a relatively mild winter in Spain.
- At **Lubricants**, the improved performance was due to the increased margins at Asphalts and the contribution made by the international lubricants businesses (Mexico and Southeast Asia).
- At **Electricity and Gas**, result was higher than in the first half of 2019, largely due to an improved performance at the generation business, where higher margins were achieved and production increased, despite the falling electricity pool prices in Spain. A further highlight was the increase in the number of customers for electricity and gas commercialization compared with the first half of 2019.

Operating **investment** in the first half of 2020 amounted to 259 million euros (up 47% on 1H 2019). The investments were largely aimed at the development/start-up of new renewable energy businesses for Electricity and Gas.

Investment in new renewable projects

See section 5.3 for more information on the activities of the Commercial and Renewables segment.

Corporate and others

Results for the first six months amounted to -219 million euros (1H 2019: -244 million euros). Corporation cost reduction efforts were increased in line with Resilience Plan goals, but kept up our momentum in digitalization and technology initiatives. The financial result improved in response to higher results from exchange rate positions and lower net interest expenses.

Net income:

Adjusted net income was shaped by the following impacts:

- The **inventory effect**, which was a negative 1,088 million euros, versus a positive 63 million euros in the first half of 2019, due to the collapse of prices through to April as a consequence of the rapid progression of the COVID-19 and its subsequent impact on demand, as well as the excess of crude supply.
- **Special items** for the first half of 2020 totaled -1,585 million euros. These items corresponds to accounting recognition of impairments and valuation adjustments to Upstream assets reflecting the change in economic expectations due to the COVID-19 crisis (see following section), the adverse impact of exchange rate fluctuations on tax positions in countries where the local currency is not the Company's functional currency (mainly Brazil) and credit risk provisions in Venezuela, all of which were partially offset by the capital gain generated on the sale of assets in Papua New Guinea.

Millions of euros	1H 2020	1H 2019
Divestments	72	31
Workforce restructuring	(41)	(29)
Impairment	(1,296)	(3)
Provisions and others	(320)	(44)
TOTAL	**(1,585)**	**(45)**

Therefore, the Group's **net income** in the first half of 2020 amounted to -2,484 million euros (1,133 million euros in 1H 2019).

Profitability indicators	1H 2020	1H 2019
ROACE - Return on average capital employed (%) [1]	-8.4	3.8
Earnings per share (€/share)	-1.63	0.68

[1] ROACE with leases: -7.3%

Asset impairment and write-downs

Write-downs in response to the new market conditions

The COVID-19 pandemic has worsened the environment in which some of our businesses are expected to operate. The scale and depth of the crisis, and a lack of historical benchmarks, cast a cloud of uncertainty on forecasts. However, at this time, a strong recovery of the economy and gradual stabilization of oil and gas markets are already in sight. It can be reasonably expected that the recovery will continue and allow a return to pre-crisis scenarios in the medium term (see section 7.1).

In this context, Repsol has revised downward its expectations related to the future prices of crude oil and gas, which has prompted the Company to recognize impairments and write-downs on the carrying amount of certain Upstream assets, as described below (before taxes):

Millions of euros	1H 2020
Productive assets	(956)
Americas	(297)
Southeast Asia	(234)
Europe and North Africa	(419)
Exploration assets	(70)
Goodwill	(368)
TOTAL	**(1,388)**

For more information on the impairment recognized in the period, see Note 4.2.2 to the interim financial statements for the first half of 2020.

4.2 CASH FLOW

Free cash flow in 1H 2020 came to 172 million euros, compared to 1,093 million euros in 1H 2019.

CASH FLOWS *(Millions of euros)*	1H 2020	1H 2019
EBITDA	**589**	**3,712**
Changes in working capital	459	(659)
Dividends received	19	17
Income tax receipts/(payments)	(10)	(463)
Other receipts/(payments)	(193)	(77)
I. Cash flow from operations	**864**	**2,530**
Payments for investments	(1,207)	(1,503)
Receipts from investments	515	66
II. Cash flow from investing activities	**(692)**	**(1,437)**
FREE CASH FLOW (I + II)	**172**	**1,093**
Dividends and other equity instruments	(128)	(201)
Net interest and leases	(253)	(287)
Treasury shares	(150)	(729)
CASH GENERATED [1]	**(359)**	**(124)**

[1] Does not include derivatives on shares of Repsol, S.A. arranged/settled with financial institutions, out of a total notional amount of 21.9 million shares, which form part of "cash flows from financing activities and other items" (-199 million euros).

Cash flow from operations (864 million euros) was lower on 1H 2019, although the reduction in EBITDA of the businesses due to the impact of COVID-19 was mitigated by the effect of lower inventory costs on working capital (price of inventories at the industrial businesses) and a reduction in taxes payable.

Positive free cash flow, but affected by the difficult environment

Cash flow from investing activities (-692 million euros) was down on the first half of 2019, in line with the Resilience Plan (Upstream investment down 28% and Industrial investment 24%), although investment in the new electricity and renewables businesses was maintained. The refund of tax paid in previous years following the sale of Naturgy is included in Proceeds from divestments.

Free cash flow amounted to 172 million euros, versus 1,093 million euros in the first half of 2019.

As a result of the foregoing, after satisfying financing costs (-253 million euros), shareholder remuneration (-128 million euros) and acquisition of treasury shares (see section 4.4), **cash generated** amounted to -359 million euros.

4.3 FINANCIAL POSITION

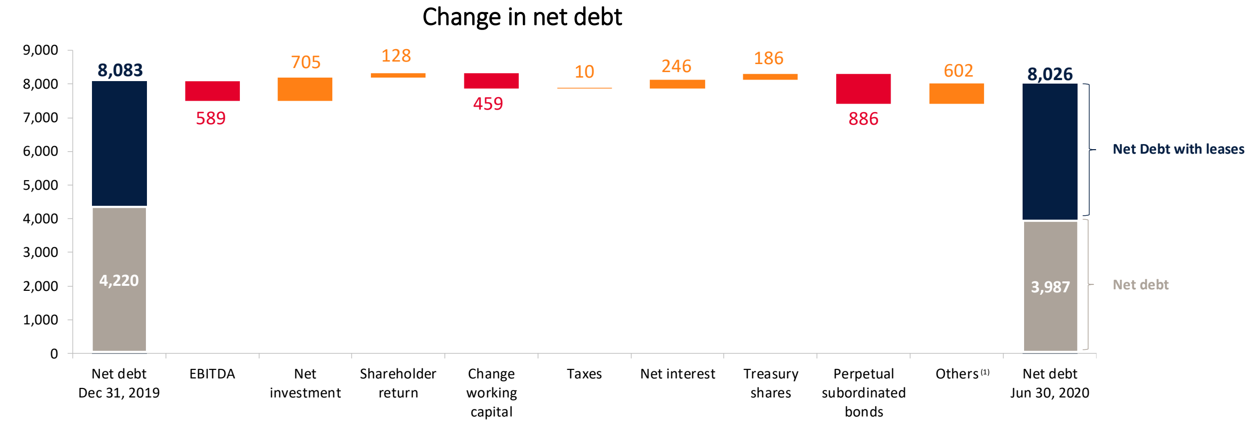
The financial objective envisioned in the 2020 Resilience Plan is to preserve the strength of our balance sheet and maintain an investment grade credit rating. With this in mind, there will be no increase in debt in 2020 when compared to the end of 2019.

€3,987 M
Net Debt

In line with the policy of financial prudence and commitment to maintaining a high degree of liquidity, the funds held in cash by the Group at the end of June and available credit facilities were comfortably enough to meet debt maturities in the short term and beyond, through to 2029, without the need to refinance.

Indebtedness

Net debt (3,987 million euros) with leases (8,026 million euros) is down on 2019. The lower cash flow from operations as a result of COVID-19 have been offset by a total of 886 million euros in net funds obtained from issuances and repurchases of equity instruments (perpetual subordinated bonds).



(1) Net impact of the issuance and partial repurchase described in the section titled "*Main funding operations*".

(2) Includes, inter alia, new leases contracts in the period, other receipts/payments from operating activities and the exchange rate effect.

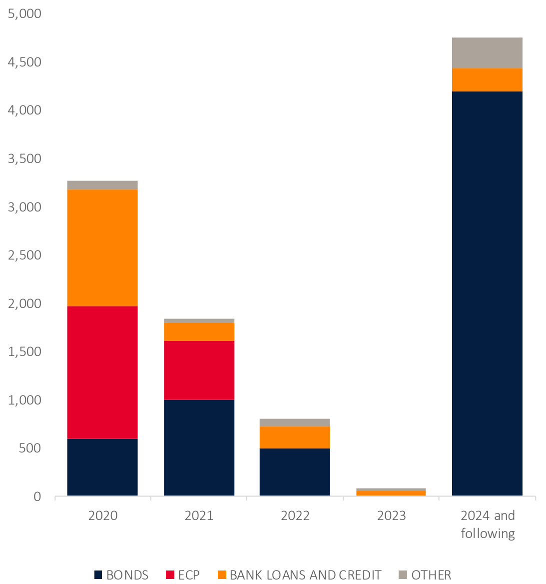
The **leverage ratio** (14.7% without leases) remains unchanged on December 2019.

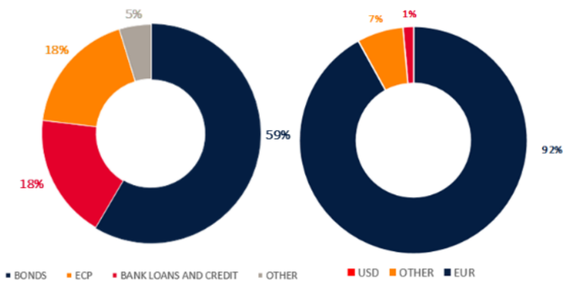
Leverage ratio:

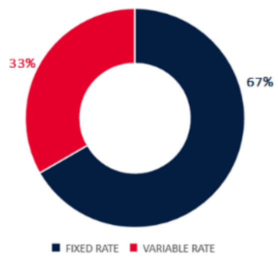
14.7%

Solid financial structure

The **breakdown and maturity of gross debt** *ex* leases (10,756 million euros) at June 30, 2020 is as follows:







Main funding operations

On April 15, Repsol International Finance, B.V. (RIF) issued two series of Eurobonds (secured by Repsol, S.A.) worth 1,500 million euros, which are admitted to trading on the Luxembourg Stock Exchange:

(i) 750 million euros at an issue price of 99.967%, paying a fixed annual coupon of 2% and maturing in December 2025; and

(ii) 750 million euros at an issue price of 99.896%, paying a fixed annual coupon of 2.625% and maturing in April 2030.

On May 28, a bond issued by RIF in May 2013 under the EMTN Program, which had been paying a fixed annual coupon of 2.625%, was redeemed at maturity for the nominal amount of 1,200 million euros.

On June 11, RIF issued two series of perpetual subordinated bonds (secured by Repsol, S.A.) worth 1,500 million euros, which are admitted to trading on the Luxembourg Stock Exchange:

(i) 750 million euros, paying a fixed coupon of 3.750% through to the first redemption option in March 2026; and

(ii) 750 million euros, paying a fixed coupon of 4.247% through to the first redemption option in September 2028.

On June 12, the Repurchase Offer announced by RIF in relation to the perpetual subordinated bonds issued in March 2015, as described in Note 4.1.4 to the interim financial statements for the first half of 2020, was settled, with RIF paying the nominal sum of 594 million euros (59.4% uptake).

Additionally, RIF runs a Euro Commercial Paper (ECP) Program guaranteed by Repsol, S.A., capped at 2,000 million euros; the outstanding balance at June 30, 2020 was 1,989 million euros.

For further information, see Note 4.1.5 to the interim financial statements for the first half of 2020.

Liquidity

Group liquidity at June 30, 2020, including committed and undrawn credit facilities, stood at 9,762 million euros, which is enough to cover its short-term debt maturities by a multiple of 2.4. Repsol had undrawn credit facilities amounting to 3,420 million and 1,818 million euros at June 30, 2020 and December 31, 2019, respectively.

€9,762 M
Liquidity

Credit rating

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

	STANDARD & POOR'S	MOODY'S	FITCH
TERM	Repsol, S.A.	Repsol, S.A.	Repsol, S.A.
Long-term	BBB	Baa2	BBB
Short-term	A-2	P-2	F-2
Outlook	stable	negative	stable
Most recent change	25/03/2020	02/04/2020	02/04/2020

Credit rating maintained

Treasury shares and own equity investments

At June 30, 2020, the balance of treasury shares stood at 93.4 million shares (including 92.0 million shares as the underlying of derivative contracts entered into by Repsol, S.A. with financial institutions) representing 75% of share capital as at that date. For further information, see Note 4.1.4 to the interim financial statements for the first half of 2020.

4.4 SHAREHOLDER REMUNERATION

Remuneration received by shareholders in the first half of 2020 as part of the "*Repsol Flexible Dividend*" program includes the amount of the irrevocable commitment to purchase free allocation rights undertaken by Repsol as part of the paid-up capital increase closed in January 2020 (0.424 euros, gross, per right). Thus, in the first half of 2020, Repsol paid out a gross total of 107 million euros to shareholders and distributed 38,647,825 new shares, equivalent to 541 million euros, to shareholders opting to receive new shares of the Company.

In addition, in July 2020, under the "*Repsol Flexible Dividend*" program, replacing what would have been the final dividend of 2019, Repsol paid out 236 million euros in cash (0.492 euros, gross, per right) to shareholders opting to sell their free allocation rights to the Company and delivered 60,335,140 shares, equivalent to 534 million euros, to shareholders opting to receive new shares of Repsol, S.A. (holders of the 69.35% of the free allocation rights).

At the 2020 Annual General Meeting, the shareholders resolved to reduce capital through redemption of treasury shares[1], up to a maximum amount equivalent to the number of shares issued under the scrip dividend completed in 2020, as described above, with the aim of offsetting the resulting dilutive effect.

For additional information on the total remuneration received by shareholders and the scrip dividend made under the "*Repsol Flexible Dividend*" program, see Note 4.1.4 to the interim financial statements for the first half of 2020.

Our share price

The Repsol share ended June at well below the price reported at the start of the year, largely as a result of the impact that COVID-19 has had on the markets since March.

The Group's main stock market indicators in 2020 and 2019 are detailed below:

MAIN STOCK MARKET INDICATORS	1H 2020	1H 2019
Shareholder remuneration (€/share) (1)	0.424	0.411
Share price at period-end (2) (euros)	7.79	13.79
Period average share price (€)	9.79	14.81
High (€)	14.36	15.52
Low (€)	6.03	13.64
Number of shares outstanding at end of the period (million)	1,566	1,559
Market capitalization at the end of the period (€ millions) (1)	12,193	21,489

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

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

(3) Period-end closing market price per share, times the number of shares outstanding.

[1] Through the redemption of 1,400,000 existing treasury shares, as well as the shares acquired under a share repurchase program and, as the case may be, through the settlement of derivatives arranged prior to March 25, 2020 (the maximum number of shares that may be acquired through the settlement of derivatives shall not exceed 96,950,000).

5. OUR BUSINESS PERFORMANCE

5.1 UPSTREAM

Main operating figures

	1H 2020	1H 2019
Net production of liquids (kbbl/d)	229	251
Net production of gas (kboe/d)	446	446
Net production of hydrocarbons (Kboe/d)	675	697
Average crude oil price ($/bbl)	35.8	59.6
Average gas price ($/kscf)	2.2	3.2

Our performance in 1H 2020

Millions of euros	1H 2020	1H 2019	Δ
Operating income	(4)	1,174	-
Income tax	(57)	(547)	90%
Investees and non-controlling interests	10	19	(-47%)
Adjusted net income	**(51)**	**646**	**-**
Special items	(1,489)	75	-
Net income	**(1,540)**	**721**	**-**
Effective tax rate (%)	[1]	47	-
EBITDA	**988**	**2,213**	**(-55%)**
Investments	**603**	**961**	**(-37%)**

(1) N/A. Although profit from operations is negative, there is a tax expense due to the mix of results at different effective rates in each jurisdiction (income at high rates and losses at low rates or not capitalized).

Main events in the first half of the year (1/3):

Average production:

Average production in the first half of 2020 came to 675 kboe/d, down 3% on the same period of 2019. This decline was largely a result of production stoppages (Libya); natural decline at fields (Canada); as well as temporarily shutdowns in Akacias (Colombia) and Chauvin (Canada) and the reduction of production in Duvernay (Canada) due to low prices; lower demand for gas (Bolivia, Peru and Indonesia); and the Piedemonte license expiration (Colombia), which has been partially offset by the acquisition of an additional 63% in Eagle Ford (United States) at the end of 2019, the connection of new wells, mainly at Marcellus (United States) and the first oil in Buckskin (United States) in June 2019.

Exploration campaign:

Over the first six months of 2020, drilling was completed on seven exploration wells and one appraisal well, six of which yielded a positive result (three exploration wells in the United States -two in Alaska and one in Gulf of Mexico-, two in Mexico -Gulf of Mexico- and one in Colombia), one with a negative result in Mexico (Gulf of Mexico) and one under evaluation (appraisal well in Colombia). At June 30, one exploration well in Bolivia was in progress.

Acreage:

In the first half of 2020, several exploration blocks were acquired in Indonesia (Aru, with a stake of 100%) and Russia (Sablerskiy, as part of the AROG Joint Venture, with a stake of 49%). In Norway, the Company was awarded development block PL-055E (Brage field), with a stake of 33.84%.

Impact of COVID-19 and price review:

The COVID-19 pandemic and prevailing prices have had a significant impact on operations at Upstream. Activity has been reduced, investment limited and operations throttled accordingly (with the resulting drop in production) to protect profitability and asset value (see section 2.1).

Future price patterns have been reviewed accordingly, as have production schedules for certain assets, prompting extraordinary write-downs for some of these assets as described in section 4.1 of this report and in Note 4.2.2 to the interim financial statements for the first half of the year.

Main events in the first half of the year (2/3):

NORTH AMERICA

United States: discoveries in the Gulf of Mexico and Alaska and new production wells at Marcellus and Eagle Ford

- In January, eight new wells were put into production at the Marcellus non-conventional gas production asset, located between the states of Pennsylvania and New York.
- Between January and February, seven new wells were put into production at the Eagle Ford non-conventional production asset.
- In April, the discovery of oil in the US part of the Gulf of Mexico was announced at the Monument exploration well, where Repsol holds a 20% stake alongside Equinor (operator) with a 50% stake, and Progress Resources USA Ltd, with the remaining 30%.
- Also in April, two additional exploration discoveries were made at the North Slope project in Alaska, where Repsol holds a 49% stake, namely the Mitquq-1 and Stirrup-1 wells.

Mexico: significant deepwater discoveries

- In May, Repsol announced two important deepwater oil discoveries at two high quality fields with excellent properties in block 29. Repsol holds a 30% stake in this block and is the operator. The Polok-1 and Chinwol-1 exploration wells are located in the Salina basin and have a net oil pay thickness of 200 meters and 150 meters, respectively.

LATIN AMERICA - CARIBBEAN

Trinidad and Tobago: new production well at bpTT

- In March, the Amherstia well was put into production in the assets of bpTT, where Repsol holds a 30% stake.

Colombia: discovery of an exploration well in the Llanos basin

- In March, the Lorito Este-1 exploration well was discovered at the CPO-9 production block in the Llanos basin, where Repsol holds a 45% stake.

Brazil: resumption of production at two wells in Albacora Leste

- In January and February, production was resumed at two wells in the Albacora Leste offshore asset.

Venezuela: complex environment

- Political instability and economic recession continued to threaten during the period, as did a raft of new international sanctions. For further information, see Note 5.3 to the interim financial statements for the first half of 2020.

Main events in the first half of the year (3/3):

ASIA AND OCEANIA

Vietnam: Agreement with PetroVietnam

- On June 12, Repsol signed an agreement with PetroVietnam whereby Repsol would transfer its stakes of 51.75% in Block 07/03 PSC and of 40% in Blocks 135-136/03 PSC to the other company. The deal is subject to administrative clearance and is expected to be completed in 2020. For further information, see Note 5.3 to the interim financial statements for the first half of 2020.

Indonesia: sale of 27% of the South East Jambi block and new acreage

- In February, the Company announced the sale of 27% of the South East Jambi onshore block to Pertamina Hulu Energy (subsidiary of state-owned company Pertamina). Following the deal, Repsol will remain the operator of the block, with a 40% stake.
- Repsol has acquired the new Aru exploration block in the Biak offshore basin, with a stake of 100%.

Papua New Guinea: no further activity in the country

- Repsol has sold the stake it held in seven onshore blocks in Papua New Guinea to Australian company Arran Energy Pty Ltd. Following the deal, Repsol has no further activity in the country.

Russia: new production wells at TNO and new acreage

- In March and May, two new wells were brought into production at the TNO asset.
- The Sablerskiy exploration block has been obtained as part of the AROG Joint Venture, with a 49% stake.

EUROPE

Norway: New production wells in Brage and Gudrun and new acreage

- In February and May, two new wells were put into production in Brage, while a further well was commissioned in April at the Gudrun asset.
- In June, the Norwegian authorities granted an extension of production at the Rev field operated by Repsol through to the end of 2023.
- The Company has also been awarded development block PL-055E (Brage field), with a 33.84% stake.

Bulgaria: transfer of the stake in block 1-21 Han Asparuh

- In June, it was announced that Repsol had obtained permission to transfer its 30% stake in block 1-21 Han Asparuh, located on the Bulgarian Black Sea Coast, to its partners Total and OMV.

AFRICA

Libya: complex environment

- As a result of existing security threats in Libya, production was halted throughout virtually all of the first half of 2020. For further information, see Note 5.3 to the interim financial statements for the first half of 2020.

5.2 INDUSTRIAL

Main figures

	1H 2020	1H 2019
Refining capacity (kbbl/d)	1,013	1,013
Europe	896	896
Rest of the world	117	117
Conversion rate in Spain (%)	63	63
Conversion utilization Spanish refining (%)	91	102
Distillation utilization Spanish refining (%)	76.1	89.3
Crude oil processed (millions of t)	18.5	22.1
Europe	17.0	19.8
Rest of the world	1.5	2.3
Refining margin indicator ($/Bbl)		
Spain	3.9	4.4
Peru	12.1	6
Petrochemical production capacity (kt)		
Basic petrochemicals	2,603	2,603
Derivative petrochemicals	2,235	2,235
Sales of petrochemical products (kt)	1,297	1,458
Gas sales in North America (Tbtu)	351	287

Our performance in 1H 2020

Millions of euros	1H 2020	1H 2019	Δ
Operating income	409	590	(-31%)
Income tax	(109)	(140)	22%
Investees and non-controlling interests	(4)	(2)	(-100%)
Adjusted net income	296	448	(-34%)
Inventory effect	(1,066)	68	-
Special items	(32)	(67)	52%
Net income	(802)	449	-
Effective tax rate (%)	27	24	3
EBITDA	(670)	1,075	-
Investments	227	306	(-26%)

Main events in the first half of the year (1/2):

Refining: lower activity, but maintaining the supply and developing state-of-the-art decarbonization projects.

- Amid the COVID-19 crisis, utilization of the refining system has fallen short of the levels reported in 2019 but is above the world and European average, illustrating its competitive strength. The Company's refineries have been effective at throttling production to prevailing market needs and have shown great flexibility in terms of logistics and storage, allowing the continuous supply of essential products to the market.
- The slump in demand and low production margins toward the end of the first half prompted the shut-down of the distillation units at the Tarragona industrial complex, although the refinery's main conversion unit, the hydrocracker, continued to produce fuel from intermediate products (vacuum gas oil), as did certain other auxiliary units.
- Shut-downs at the A Coruña and Puertollano refineries for maintenance work:
  - A Coruña shut down its Fluid Catalytic Cracking (FCC) block and the FCC Hydrotreatment unit and projects were implemented to improve energy efficiency and reduce CO_2 emissions.
  - At Puertollano, maintenance work was carried out on the FCC block and on the Alkylation and Lubricants units.
- Repsol has announced the development of two major greenhouse gas emission reduction projects in Spain. The first project will involve the construction of one of the world's largest net-zero emissions fuel production plants, which will utilize CO_2 and green hydrogen to generate renewable energy. The second project is a plant for generating gas from urban waste, which will replace a part of the traditional fuels used in Petronor's production process.

Chemicals: Certification for the production of circular polyolefins and further product differentiation.

- All of the Group's petrochemical complexes have been certified to produce circular polyolefins, which are obtained from the chemical recycling of plastic waste. All the facilities have now earned ISCC PLUS certification in 2020, following the lead of the Puertollano facility, which obtained its certification in 2019. This makes Repsol the first petrochemical company to have all its complexes certified.
- The Repsol's product range has been extended by developing new materials for 3D printing and further improvements have been made to our range of polyolefins with high recycling content. Plan 2030 has now been launched in line with the Company's pledge to achieve a reduction in its carbon intensity score.

Main events in the first half of the year (2/2):

Wholesale and Gas & Trading: increase in volume sold and competitive provisioning to profit from low market prices

- Increase in gas sold in North America to reach 351 TBtu in the first half of the year, up 22% year on year.
- Provisioning ahead of the 2020/2021 winter period through six shipments acquired on the spot market to profit from competitive market prices, for subsequent sale in North America.
- Amid the COVID-19 crisis, Wholesale and Gas & Trading has sought to offset the drop in demand from Industrial Complexes in Spain by optimizing the value of its gas and LNG portfolio through swap operations arranged with third parties, volume cancellations, logistical optimizations and trading in the gas system and in the international market to expand the portfolio of customers and destinations. A new long-term contract (2034) has also been signed for the supply of LNG for delivery in Spain.

5.3 COMMERCIAL AND RENEWABLES

Main figures

	1H 2020	1H 2019
Sales of petrochemical products (kt) [1]	**20,857**	**24,251**
Europe	19,006	21,332
Rest of the world	1,851	2,919
Number of service stations [2]	**4,955**	**4,875**
Europe	4,125	4,113
Rest of the world	830	762
Own marketing sales (kt)	**936**	**11,867**
LPG sales (kt)	**601**	**699**
Europe	593	684
Rest of the world	8	15
Electricity generation (GWh) [3]	**2,293**	**2,186**
Electricity installed capacity (MW)	**2,952**	**2,952**

[1] Includes also sales at the Industrial segment reported by Refining Spain (to operators of oil and bunker fuel products and exports) and by Repsol Peru.
[2] Includes controlled and licensed service stations.
[3] Electricity generation by Repsol Electricidad y Gas. Does not include energy produced at cogeneration plants (which is included in installed capacity), which relates to the assets of the Industrial segment, where virtually all production is used to supply the complexes (self-consumption).

Our performance in 1H 2020

Millions of euros	1H 2020	1H 2019	Δ
Operating income	218	362	(-40%)
Income tax	(52)	(90)	42%
Investees and non-cont. interests	(3)	(7)	57%
Adjusted net income	**163**	**265**	**(-38%)**
Inventory effect	(22)	(5)	(-340%)
Special items	(12)	(21)	43%
Net income	**129**	**239**	**(-46%)**
Effective tax rate (%)	24	25	(1)
EBITDA	**360**	**502**	**(-28%)**
Investments	**259**	**176**	**47%**

Main events in the first half of the year (1/2):

Mobility: lower activity, but maintaining supply and initiatives to help citizens.

- Repsol has maintained steady activity and operations by providing an essential service through the following initiatives:
  - Since the onset of the crisis, most Repsol Service Stations have remained operational to ensure supply, while adapting safety and customer service protocols accordingly. Meanwhile, the Direct Sales network, fishing ports and airport facilities have remained fully operational.
  - A special service for transporters has been set up at the Service Stations to give them everything they need to rest, eat, wash and continue their onward journey in optimum safety conditions. Service Stations in Spain have also been offering free coffee and buns for transporters, emergency services, health care workers, armed forces and the police force.
  - A Call & Collect service has been set up so that orders can be placed over the phone and then collected in store. The service is available at over 800 Service Stations, with a 5% discount if payment is made through Waylet.
  - Repsol and Deliveroo (food delivery company) have reached an agreement to facilitate and speed up the supply of basic products during the crisis through Service Stations in 19 Spanish cities, thus allowing us to deliver our products to your home in just 30 minutes.

Lubricants, asphalts and specialized products: international expansion.

- Following the acquisition of a 40% stake in United Oil Company in 2019, the Group has begun to manufacture and distribute its first Repsol brand projects through this new Joint Venture, designed under the Repsol formula but adapted to meet local base and additive requirements and subject to higher standards of quality. More precisely, batches of a product from the Heavy Diesel range have been manufactured at the Singapore plant for the Malaysian market, while batches of an industrial hydraulic oil have been produced at the Indonesia plant, in this case for the local market.

  These milestones are fully aligned with the development plan in place for the Joint Venture and have allowed us to continue growing our Lubricants business in Southeast Asia.

Main events in the first half of the year (2/2):

LPG: maintenance of supply, integrated solutions and entry into the Canary Islands market.

- The following initiatives have been undertaken in the wake of the health crisis:
  - Thousands of customers have now enjoyed the benefits of buying butane gas bottles online and new forms of payment have been introduced (Bizum, as well as conventional cards) to provide a more agile and flexible relationship.
  - The 13 LPG facilities in Spain and Portugal have remained operational with 100% uptime and have even opened on public holidays to guarantee supply. The Company has also guaranteed home delivery and the availability of bottled gas at points of sale.
  - Both Spain and Portugal have intervened in bottled gas prices. Portugal has decreed a maximum price (between April 20 and May 2) for traditional bottles of butane (22 euros for the 13 kg bottle) and propane, except for bottles K-6 and K-11. In Spain, prices for regulated LPG have been limited for three two-month periods.
- In May, the sale of butane cylinders in Tenerife and Gran Canaria became subject to new safety and tracking requirements.

Electricity and gas: new renewable projects and growing the customer portfolio.

- To enhance the customer experience and provide integrated energy solutions, customers have been offered a solution that combines the supply of electricity, a basic energy management service, the supply of LPG and the option to install a photovoltaic self-consumption solution. Thanks to these initiatives, the number of customers has risen even though Repsol Service Stations have reported quieter levels of business from the public.
- In February, the Company acquired the Delta 2 renewable energy project with a total installed capacity of 859 megawatts (MW), which will be operated and built by Repsol over the next three years. The new farms will be located in Aragon, in the provinces of Huesca, Zaragoza and Teruel, where Repsol is also developing its 335 MW Delta wind farm.
- In April, Repsol launched Solmatch, Spain's first large solar community. With this new service, which is based on a 100% renewable energy model, the Company is championing distributed generation in Spain by bringing energy generation closer to the point of consumption through the design of solar communities in towns and cities.
- In April, Repsol began construction of its first photovoltaic farm, known as Kappa, in Ciudad Real, which will have a total installed capacity of 126 MW once built. Meanwhile in July, the company began construction of the Valdesolar photovoltaic farm in Badajoz, with 264 MW.
- In May, Repsol earned the "A" badge for low emissions, making it the first of the big electricity and gas marketing companies to earn this accolade and demonstrating Repsol's commitment to leading the energy transition and becoming a net-zero emissions company by 2050.
- In May, the last platform of the WindFloat project (the world's first semi-submersible floating wind farm) left the port of Ferrol. The two previous platforms are now fully installed at the wind farm and provide energy to the Portuguese electricity grid. Once all three platforms have been installed, the wind farm, with its 25 MW of installed capacity, will be able to generate enough energy to supply the equivalent of 60,000 users per year. WindFloat Atlantic could save some 1.1 million tons of CO_2.
- In June, the Environmental Impact Statement (DIA) was obtained, subject to conditions, to increase the total installed capacity of the existing 340 MW Aguayo hydro facility located in San Miguel de Aguayo (Cantabria). The project would involve the construction, lasting four to five years, of a second reversible plant (Aguayo II) to harness the already existing lower and upper reservoirs, with the aim of adding a further four generators, each of 250 MW, to bring the total installed capacity to 1,340 MW.
- The Board of Directors of Repsol, S.A. approved in July the creation of a joint venture with the Ibereólica Group, which has extensive experience in the renewable energy sector in Chile, to develop a portfolio of projects in that country, both wind and solar, at various stages of progress, totaling 2.6 GW. The investment initially planned by Repsol comes to around 192 million US dollars. The arrangement will help to implement Repsol's objective in low-carbon generation of reaching 7.5 GW in 2025.

5.4 CORPORATE AND OTHERS

Our financial performance

Millions of euros	1H 2020	1H 2019	Δ
Corporation and adjustments	(129)	(124)	(-4%)
Financial result	(136)	(228)	40%
Income tax	46	109	(-58%)
Result at investees and non-controlling interests	-	(1)	-
Adjusted net income	**(219)**	**(244)**	**10%**
Special items	(52)	(32)	(-63%)
Net income	**(271)**	**(276)**	**2%**
Effective tax rate (%)	18	31	(13)
EBITDA	**(89)**	**(78)**	**(-14%)**
Net investment	**24**	**25**	**(-4%)**

Main events in the first half of the year:

- In April, the Group carried out **two Eurobond issuances** for a combined total of 1,500 million euros. Meanwhile, a Eurobond worth 1,200 million euros was redeemed at maturity.

- In June, the Group issued **perpetual subordinated bonds** totaling 1,500 million euros and effected the partial redemption of the perpetual subordinated bond issued in 2015 in the amount of 594 million euros.

- In the first half of the year, Standard & Poor's, Moody's and Fitch all confirmed Repsol's **investment grade** status at BBB/Baa2/BBB, respectively.

  For more information, see Section 4.3.

- In January and July, **shareholders received remuneration** under the *Repsol Flexible Dividend* program (0.424 and 0.492 euros, gross, per right, respectively).

- In May, **shareholders at the Annual General Meeting** approved a capital reduction through the redemption of treasury shares, up to a maximum amount equivalent to the number of shares to be issued under the scrip issues to be carried out in 2020, with the aim of compensating the resulting dilutive effect.

  For more information, see section 4.4.

6. SUSTAINABILITY

With regard to the information published in section 6 of the 2019 Management Report, the following updates on the subject of sustainability deserve to be highlighted:

- Global Sustainability Plan. The Executive Committee approved the Global Sustainability Plan 2020 (GSP), which sets out 39 medium-term objectives built around the six axes of the Sustainability Model, aimed at the businesses, supply chain, employees and society. These objectives are fully aligned with the 2030 Agenda of the United Nations and its 17 Sustainable Development Goals (SDGs) and include, most notably, Repsol's commitment to become a net-zero emissions Company by 2050.

  The GSP is then used to devise and launch Local Sustainability Plans, with annual initiatives that pursue the Company's objectives and respond to the needs of local stakeholders. Over 20 local plans have now been deployed in different countries and industrial complexes. Further information on global and local sustainability plans can be found at www.repsol.com.

- Sustainable Development Goals (SDGs). The first SDG report has been published for 2019, presenting Repsol's contribution to the 2030 Agenda through more than 30 different indicators, as well as different challenges and objectives showing the efforts made by the Company at both global and local level (for more information, see www.repsol.com). This makes Repsol one of the few companies worldwide to publish this specific type of report.

  In June, online training was set up to enable employees to discover what the 2030 Agenda is all about and to find out how the Company is contributing through different initiatives and projects in the countries in which it operates. The course has the double objective of raising awareness of the Agenda and raising the Company's contribution through its employees.

- Climate change. As happens every year, verifications of greenhouse gas (GHG) inventories have been carried out under ISO14064 at the various industrial centers and assets operated by Repsol. Given the confinement in response to COVID-19, certain audits have been carried out remotely, though all verifications have been completed in spite of the restrictions.

  €500 M invested in projects to curb GHG emissions

  In June, the third follow-up report on the green bond issued in May 2017 was released, thus delivering on the Company's pledge to invest 500 million euros over the first three years in projects aimed at preventing and reducing GHG emissions across all activities carried out by the Company.

  Repsol has released a report that analyses the Company's involvement in industry associations and initiatives to ensure that the commitments of Repsol and the companies it supports are in line with the climate change policy. The report reveals that only two associations out of the 28 evaluated were partially aligned, namely the American Petroleum Institute (API) and the Canadian Society for

Unconventional Resources (CSUR). Constructive dialog will be enabled with both associations on those points where differences were found to exist.

- **Digitization:** 40% of Repsol's digital portfolio contributes directly to sustainable development objectives. New cases with a direct impact on sustainability were launched in the first half of the year, especially in reducing energy consumption and emissions through initiatives such as the monitoring of Upstream operations in real time, the transport of raw materials and products at industrial facilities to bring about a reduction in CO_2 emissions, or the launch of a solution for the creation of renewable energy consumption networks across distributed generation environments (Solmatch). Repsol has also continued to migrate its applications from data processing centers to the cloud, with the consequent positive impact on energy efficiency. It has also enhanced technologies to allow for remote and distributed work, making it possible to relocate during the lock-down period.

- **Circular economy.** In the first half of the year, the Company continued to expand its alliances with strategic partners, as well as its portfolio of circular economy projects, which a key to accomplishing the Company's objectives and to deliver on its pledge that 20% of total polyolefin production will come from recycled content by 2030, while doubling production of high-quality biofuel from hydrotreated vegetable oil (HVO) to reach 600,000 tons a year by 2030, half of which will be produced from waste by 2025. In Spain, Repsol will rely on the recently approved Spanish Circular Economy Strategy.

- **People.** Given the exceptional state of affairs resulting from the COVID-19 crisis, Repsol has rolled out a series of measures to safeguard the health of its employees, without this affecting the continuity of its operations or levels of service. The COVID-19 Coordination and Monitoring Committee has promoted various initiatives, notably: (i) adopting new approaches to organizing shift work in industrial activities; (ii) maintaining service at service stations in strict accordance with the safety and service requirements prescribed by the competent authorities; (iii) enabling agile teleworking for a large number of employees, with no impact on their productivity; or (iv) enabling a safe and orderly return to the new normality at the different work centers, guaranteeing the necessary biocapacity and individual protection measures.

  Priority: protecting jobs

  Protecting the jobs of its workers has remained a key priority for Repsol. In June, the number of employees with permanent contracts remained stable at 22,698, compared with 22,802 at December 2019. The total number of employees in June 2020 was 24,373.

- **Respect for Human Rights and Community Relations.** In the first half of the year, the new Human Rights and Community Relations Policy was delivered to employees, contractors and communities (for more information, see www.repsol.com), and an in-house and external training campaign in human rights was launched.

- **Safe operation.** Repsol has been working for years on the development of a crisis and emergency response system, involving working practices, regulations, management tools and specific training, all of which has helped to ensure a swift response to the COVID-19 health crisis. Major changes have been made to our approach to work, without this generating any significant operating incidents as we continue to meet demand for essential products while protecting the health of our workers.

  The Total recordable incident rate (TRIR) for accidents was down on the end of 2019, while the number of Tier 1 + Tier 2 process safety incident rate (PSIR) rose following an increase in incidents classified as Tier 2 in relation to non-conventional Upstream activity.

- **Innovation and technology.** During the first half of the year, the Company continued to work toward new sustainable solutions, with highlights including the eco-design of materials so that recycled material can re-enter the production cycle. Repsol has also been working alongside the company TactoTek through the Corporate Venturing fund in developing a material printing technology to make vehicles lighter. The Company has made further progress in developing new materials that incorporate CO_2 as a raw material.

- **Responsible tax policy.** In the first half of 2020, Repsol paid more than 4,433 million euros in taxes and similar public charges, having filed more than 24,000 tax returns.

  As a further show of its commitment to earning public recognition for its integrity and tax transparency, Repsol has renewed the Responsible Taxation section of the website to include numerous relevant reports for its stakeholders. The customary report on Repsol' tax contribution is now joined by the voluntary publication of the latest Country by Country Report presented to the tax authorities and a report which discusses any possible presence in tax havens or other territories considered controversial.

  For further information, see the Responsible tax policy section at (www.repsol.com).

- **Ethics and compliance.** The Company has continued its internal plan to raise awareness of the Code of Ethics and Conduct and its compliance communication campaign, thus helping to consolidate and strengthen a global culture of compliance, specifically on actions related to personal data protection, crime prevention, anti-corruption, sanctions and embargoes. Meanwhile, courses have been given on new law and regulations to provide a better understanding of various aspects enshrined in the Code, such as the treatment of gifts and favors, conflicts of interest and due diligence with third parties.

7. OUTLOOK

7.1 GENERAL OUTLOOK

Macroeconomic outlook

The world economy will experience an unprecedented decline in 2020 as a result of the COVID-19 crisis. The impact on economic activity was at its most severe between March and April, and the subsequent economic recovery could fall into two distinct phases. The first stage we have already seen, in the form of a strong though partial rebound from very depressed levels. The subsequent stage will see a slower return to normality due to the scars that the crisis has inflicted on the business fabric and the impact on confidence of lingering fears of a possible resurgence of the virus until we are able to come up with a vaccine.

Against this backdrop, forecasts and projections will be fraught with uncertainty. Yet there are some positives; the policy response, both monetary and fiscal, has been very strong and borrowing conditions have eased since April, which is essential for avoiding structural damage to the economy.

Macroeconomic outlook - key figures

	Real GDP growth (%)		Average inflation (%)	
	2020	2019	2020	2019
Global economy	-4.9	2.9	2.8	3.6
Advanced countries	-8.0	1.7	0.3	1.4
Spain	-12.9	2.0	-0.3	0.7
Emerging countries	-3.0	3.7	4.4	5.1

Source: IMF (*World Economic Outlook* June 2020) and Repsol´s Division of Business Studies & Analysis.

As a baseline scenario, the IMF projects that global economic activity bottomed out in the second quarter of 2020 and that after losing 4.9% in 2020, global growth should reach 5.4% in 2021. The recovery could be particularly strong in certain developed regions, which together would report 4.8% growth in 2021, and in emerging countries such as China (+8.2%), although less so in other emerging areas such as Latin America (+3.7%).

Economic activity is expected to decline (increased probability of growth falling short of the baseline scenario). The risks include a possible resurgence of the pandemic and, perhaps linked to this, a reappraisal of the valuation of financial assets and tighter borrowing conditions. Other risks include a possible escalation of trade protectionism and reconfigurations of international supply chains, leading to production disruption and/or productivity issues.

Energy sector outlook

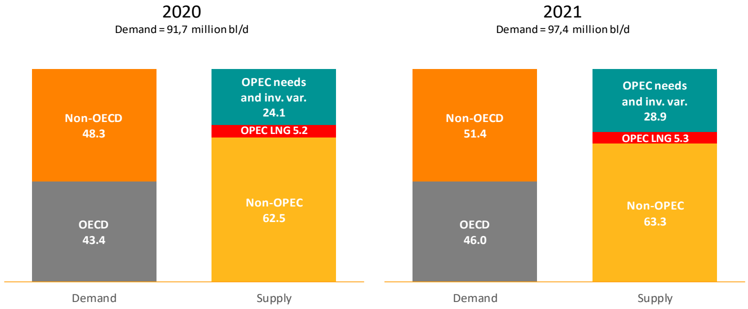
Short-term energy sector outlook

At the beginning of the year, an oil market with a tighter balance between supply and demand than in 2019 was expected. However, COVID-19 forced to rethink this outlook.

The International Energy Agency (IEA), following its January estimate of an increase in global demand of +960,000 bbl/d in 2020, downgraded this in June to a decline of -8.11 million bbl/d, thus bringing the average level of demand in 2020 to 91.72 million bbl/d. Consumption among non-OECD and OECD countries looks set to shrink by -3.9 million bbl/d and -4.21 million bbl/d, respectively. The IEA expects non-OPEC countries to report a production drop of -3.09 million barrels per day in 2020, with a sharp decline in non-conventional US supply. On the OPEC+ side, the market will be watching closely to see if the historic new production cuts are effectively honored in order to combat the impact of COVID-19 on demand.

Looking ahead to 2021, the IEA expects to see a recovery in global demand of +5.7 million bbl/d to reach a total of 97.42 million bbl/d, with an increase across both the OECD (+2.67 million bbl/d) and non-OECD regions (+3.03 million bbl/d). As for the supply side, the IEA estimates that the non-OPEC region will increase its production by only +800,000 bbl/d, while OPEC crude oil demand is likely to increase by 4.9 million bbl/d in 2021.

Global supply/demand balance - 2020 and 2021



Source: International Energy Agency (IEA) and Repsol´s Division of Business Studies & Analysis.

Turning to the Henry Hub natural gas market, oversupply and a warm winter have generated exceedingly high inventory levels in the United States since early 2020. This situation, coupled with the spread of the pandemic and the impact it has had on gas demand, has weighed heavily on Henry Hub prices. The social distancing and lock-down measures put in place in response to COVID-19 have dramatically impacted domestic demand for gas in the United States. Meanwhile, falling demand and concerns in Asia about a possible second wave have triggered a decline in exports, as well as cancellations of LNG tanker loads. In spite of all this, low prices have opened the door to market adjustments that can help counter the fall in production and possibly bring about a turnaround in gas prices.

In 2021, the Henry Hub price is expected to recover. On the supply side, the decline (already observable) in gas production in the United States, particularly associated gas, will shore up prices by helping to re-establish a proper balance more quickly. On the demand side, the expected recovery of domestic demand linked to seasonal winter factors and the progressive recovery of Asian demand should help exports to recover.

Long-term energy sector outlook

In a scenario in which the effects of COVID-19 are expected to be concentrated in the short term, the long-term outlook for the energy sector is unchanged, as described in section 7.1 of the 2019 Management Report. However, there is a high degree of uncertainty as to how possible surges in demand for oil and gas might affect global demand, as well as the policies that the various governments might implement to drive the economic recovery and compliance with the commitments made on the subject of the energy transition.

7.2 OUTLOOK BY BUSINESS

The Group's business plans for the second half of 2020 are as envisioned in the Resilience Plan described in section 2.2, which ultimately pursues the objective of ending the year with debt at below the level reported at year-end 2019.

At today's date, Repsol expect to exceed the objectives initially set out in the Resilience Plan by cutting operating costs by 450 million and investment by upward of 1,100 million euros, while also improving working capital by some 800 million euros with respect to the initially budgeted metrics.

It is difficult to predict to what extent and for how long the impact of the pandemic will persist. The course of the pandemic, the control measures rolled out by the health authorities and the policies put in place to mitigate the social and economic impact of the crisis will all play a part in shaping the scope and duration of both the crisis and the subsequent recovery. Weaker global demand for oil, gas and petroleum products in response to the slump in economic activity and, in particular, the mobility restrictions, may adversely affect prices, along with levels of production and sales.

However, the Company plans to update the scenarios in which it will continue to operate and will prepare a new Strategic Plan for the 2021-2025 horizon, to be published in November 2020.

APPENDIX I: ALTERNATIVE PERFORMANCE MEASURES

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

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

For historical quarterly APM information, see www.repsol.com.

1. Financial performance measures

Adjusted net income

Adjusted net income is the key financial performance measure that Management (the Executive Committee) consults when making decisions.

Repsol presents its segment[1] results including joint ventures or other companies which are jointly managed in accordance with the Group's investment percentage, considering its operational and economic indicators within the same perspective and degree of detail as those for companies consolidated under the full consolidation method. Thus, the Group considers that the nature of its businesses and the way in which results are analyzed for decision-making purposes is adequately reflected.

Adjusted net income is calculated as ***Net income from continuing operations at Current Cost of Supply*** (or CCS) net of taxes and non-controlling interests. It excludes certain income and expenses (***Special items***) and the ***Inventory effect***. ***Financial income*** is allocated to the adjusted net income of the "*Corporate and others*" segment.

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

Inventory effect

For current cost of supply (CCS) earnings, the cost of volumes sold is calculated on the basis of procurement and production costs[2] incurred during the period in question and not based on weighted average cost (WAC), which is the accepted methodology under European accounting law and regulations. The difference between CCS earnings and WAC earnings is included in the so-called Inventory Effect, which also includes other adjustments to the valuation of inventories (write-offs, economic hedges, etc.) and is presented net of taxes and minority interests. This Inventory Effect largely affects the Industrial segment. Repsol management considers that this measurement is useful for investors, considering the significant variations arising in the prices of inventories between periods.

WAC is a generally accepted European accounting method for measuring inventories. It factors in purchase prices and historic production costs, valuing inventory at the lower between this cost and its market value.

[1] In the first quarter of 2020, Repsol updated the definition of its segments as described in section 2.3.

[2] Cost of supplies is calculated on the basis of international quoted prices in the reference markets in which the Company operates. The relevant average monthly price is applied to each quality of distilled crude. Quoted prices are obtained from daily crude oil publications according to Platts, while freight rates are estimated by Worldscale (which publishes global reference prices for freight costs from one port to another). All other production costs (fixed and variable costs) are valued at the cost recognized in the accounts.

Special items

Significant items for which separate presentation is considered desirable to facilitate the task of monitoring the ordinary management of business operations. This heading includes capital gains/losses arising from divestment, restructuring costs, impairments, provisions for risks and expenses and other major income or expense items outside the ordinary management of the businesses. Special items are presented net of taxes and minority interests.

Special items for the first half and second quarter of 2020 and 2019 are presented below:

	1H		2Q	
Million euros	**2020**	**2019**	**2020**	**2019**
Divestments	72	31	3	1
Workforce restructuring	(41)	(29)	(35)	(24)
Impairment	(1,296)	(3)	(1,296)	(1)
Provisions and other	(320)	(44)	(113)	(8)
TOTAL	**(1,585)**	**(45)**	**(1,441)**	**(32)**

The following is a reconciliation of **Adjusted net income** under the Group's reporting model to income as stated under IFRS-EU:

	First half											
			ADJUSTMENTS									
	Adjusted net income		Joint venture reclassification		Special items		Inventory effect[2]		Total adjustments		IFRS-EU income	
Million euros	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Operating income	494 [1]	2,002 [1]	843	(478)	(1,500)	18	(1,507)	90	(2,164)	(370)	(1,670)	1,632
Financial income	(136)	(228)	22	68	(51)	(9)	-	-	(29)	59	(165)	(169)
Net income from entities accounted for using the equity method	7	17	(986)	220	1	-	-	-	(985)	220	(978)	237
Net Income before tax	**365**	**1,791**	**(121)**	**(190)**	**(1,550)**	**9**	**(1,507)**	**90**	**(3,178)**	**(91)**	**(2,813)**	**1,700**
Income tax	(172)	(668)	121	190	(36)	(54)	383	(23)	468	113	296	(555)
Consolidated net income for the year	**193**	**1,123**	**-**	**-**	**(1,586)**	**(45)**	**(1,124)**	**67**	**(2,710)**	**22**	**(2,517)**	**1,145**
Net income attributed to non-controlling interests	(4)	(8)	-	-	1	-	36	(4)	37	(4)	33	(12)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT COMPANY	**189**	**1,115**	**-**	**-**	**(1,585)**	**(45)**	**(1,088)**	**63**	**(2,673)**	**18**	**(2,484)**	**1,133**

(1) Net income from continuing operations at current cost of supply (CCS).
(2) The inventory effect represents an adjustment to "*Supplies*" and "*Changes in inventory of finished goods*" in the income statement under IFRS-EU.

	Second quarter											
			ADJUSTMENTS									
	Adjusted net income		Joint venture reclassification		Special items		Inventory effect[(2)]		Total adjustments		IFRS-EU income	
Million euros	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Operating income	(169) [(1)]	977 [(1)]	947	(238)	(1,550)	20	(401)	83	(1,004)	(135)	(1,173)	842
Financial income	(125)	(131)	28	37	(38)	6	-	-	10	43	(135)	(88)
Net income from entities accounted for using the equity method	2	11	(944)	94	1	-	-	-	(943)	94	(941)	105
Net Income before tax	(292)	857	31	(107)	(1,587)	26	(401)	83	(1,957)	2	(2,249)	859
Income tax	34	(359)	(31)	107	146	(58)	100	(21)	215	28	249	(331)
Consolidated net income for the year	(258)	498	-	-	(1,441)	(32)	(301)	62	(1,742)	30	(2,000)	528
Net income attributed to non-controlling interests	-	(1)	-	-		-	3	(2)	3	(2)	3	(3)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT COMPANY	(258)	497	-	-	(1,441)	(32)	(298)	60	(1,739)	28	(1,997)	525

(1) Net income from continuing operations at current cost of supply (CCS)

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

EBITDA:

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

EBITDA is calculated as Operating Income + Amortization + Impairment as well as other items which do not represent cash inflows or outflows from transactions (restructuring, capital gains/losses from divestment, provisions etc.). Operating income corresponds to the result from continuing operations at weighted average cost (WAC). Where ***Net income from continuing operations*** at ***Current Cost of Supply*** (CCS) is used, it is known as ***CCS EBITDA.***

	First half					
	Group Reporting Model		Joint venture reclassification and others		IFRS-EU [(1)]	
	2020	2019	2020	2019	2020	2019
Upstream	988	2,213	(488)	(918)	500	1,295
Industrial	(670)	1,075	(15)	(18)	(685)	1,057
Commercial and Renewables	360	502	(2)	(6)	358	496
Corporate and others	(89)	(78)	7	(2)	(82)	(80)
EBITDA	589	3,712	(498)	(944)	91	2,768
Inventory effect	1,507	(90)	-	-	-	-
CCS EBITDA	2,096	3,622	(498)	(944)	91	2,768

(1) Corresponds to "*Net income before tax*" and "*Adjustments to income*" in the consolidated Statement of Cash Flows prepared under IFRS-EU.

	First half					
	Group Reporting Model		Joint venture reclassification and others		IFRS-EU [1]	
	2020	2019	2020	2019	2020	2019
Net income before tax	(2,692)	1,890	(121)	(190)	(2,813)	1,700
Adjusted result:						
Depreciation of property, plant and equipment	1,547	1,580	(401)	(434)	1,146	1,146
Operating provisions	1,614	213	(939)	(37)	675	176
Other items	120	29	963	(283)	1,083	(254)
EBITDA	**589**	**3,712**	**(498)**	**(944)**	**91**	**2,768**

[1] Corresponds to “Net income before tax” and “Adjustments to income” in the consolidated Statement of Cash Flows prepared under IFRS-EU.

	Second quarter					
	Group Reporting Model		Joint venture reclassification and others		IFRS-EU [1]	
	2020	2019	2020	2019	2020	2019
Upstream	331	1,150	(186)	(460)	145	690
Industrial	(156)	521	(6)	(10)	(162)	511
Commercial and Renewables	118	250	-	(3)	118	247
Corporate and others	(53)	(19)	4	(21)	(49)	(40)
EBITDA	240	1,902	(188)	(494)	52	1,408
Inventory effect	401	(83)	-	-	-	-
CCS EBITDA	641	1,819	(188)	(494)	52	1,408

[1] Corresponds to “Net income before tax” and “Adjustments to income” in the consolidated Statement of Cash Flows prepared under IFRS-EU.

	Second quarter					
	Group Reporting Model		Joint venture reclassification and others		IFRS-EU [1]	
	2020	2019	2020	2019	2020	2019
Net income before tax	(2,280)	966	31	(107)	(2,249)	859
Adjusted result:						
Depreciation of property, plant and equipment	762	807	(198)	(212)	564	595
Operating provisions	1,591	117	(937)	(45)	654	72
Other items	167	12	916	(130)	1,083	(118)
EBITDA	**240**	**1,902**	**(188)**	**(494)**	**52**	**1,408**

[1] Corresponds to “Net income before tax” and “Adjustments to income” in the consolidated Statement of Cash Flows prepared under IFRS-EU.

ROACE:

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

ROACE (*Return on average capital employed*) is calculated as: (Adjusted Net Income —taking the expense for operating leases as the instalments specified in the contracts, instead of the amortization of the right of use recognized under IFRS 16— excluding Finance Income + Inventory Effect + Special Items) / (**Average capital employed** for the period in continuing operations, which measures own and external capital employed by the company, and comprises Total Equity + ***Net debt***). This includes capital employed in joint ventures or other companies managed operationally as joint ventures. **If the Inventory Effect is not used in the calculation process, it is known as *CCS ROACE***.

NUMERATOR (*Million euros*)	1H 2020	1H 2019
Operating income IFRS-EU	**(1,670)**	**1,632**
Joint ventures reclassification	(843)	478
Income tax [(1)]	150	(802)
Net income from entities accounted for using the equity method, net of taxes	8	17
IFRS 16 impact	(21)	(27)
I. ROACE result at weighted average cost	**(2,376)**	**1,298**

DENOMINATOR (*Million euros*)	1H 2020	1H 2019
Total equity	23,089	31,035
Net debt	3,987	3,662
Capital employed at period-end	**27,076**	**34,697**
II. Average capital employed [(2)]	**28,316**	**34,525**
ROACE (I/II) [(3)] [(4)]	**(8.4)%**	**3.8%**

(1) Does not include income tax corresponding to financial income.
(2) This is the average balance of capital employed in continuing operations at the beginning and end of the period.
(3) ROACE for the six-month period. In previous periods this magnitude was annualized by simply extrapolating the results (with the exception of special results and earnings).
(4) ROACE on CCS (without taking into account the Inventory Effect) amounts to (3.9)%.

ROACE* with leases** is calculated as: (Adjusted Net Income, excluding Financial income + Inventory Effect + Special Items) / (Average capital employed in continuing operations during the period, which equals Total Equity + ***Net Debt with leases). It includes the return pertaining to joint ventures or other companies operationally managed as such.

NUMERATOR (*Million euros)*	1H 2020	1H 2019
Operating income IFRS-EU	**(1,670)**	**1,632**
Joint Venture reclassification	(843)	478
Income tax [(1)]	150	(802)
Net income from entities accounted for using the equity method, net of taxes	8	17
I. ROACE result at weighted average cost	**(2,355)**	**1,325**

DENOMINATOR (*Million euros*)	1H 2020	
Total equity	22,940	30,927
Net debt with leases	8,026	7,464
Capital employed at period-end (with leases)	30,966	**38,391**
II. Average capital employed [(2)]	**32,128**	**38,158**
ROACE with leases (I/II) [(3)]	**(7.3)%**	**3.5%**

(1) Does not include income tax corresponding to financial results.
(2) This is the average balance of capital employed in continuing operations at the beginning and end of the period.
(3) ROACE for the six-month period. In previous periods this magnitude was annualized by simply extrapolating the results (with the exception of special results and earnings).

2. Cash flow measures

Cash flow from operations

Cash flow from operations measures the generation of cash flow corresponding to operations and is calculated as: EBITDA +/- Changes in working capital + Collection of dividends + Collection / - payment of income tax + Other collections / - payments relating to operating activities.

Free cash flow

Free cash flow measures cash flow generation from operating and investment activities, and is useful for evaluating the funds available for paying shareholder dividends and servicing debt.

Cash generated

Cash generated is ***free cash flow*** less dividend payments, payment of remuneration for other equity instruments, net interest payments, and payments for leases and treasury shares. This APM measures the funds generated by the Company before financial transactions (mainly debt issuance and repayments).

The following is a reconciliation of ***free cash flow*** and ***cash generated*** to the consolidated statements of cash flow prepared under IFRS-EU:

	First half					
	Adjusted cash flow		Joint venture reclassification and others		Statement of cash flows – IFRS-EU	
	2020	2019	2020	2019	2020	2019
I. Cash flows from / (used in) operating activities	864	2,530	(247)	(658)	617	1,872
II. Cash flows from / (used in) investing activities	(692)	(1,437)	1,808	372	1,116	(1,065)
Free cash flow (I+II)	**172**	**1,093**	**1,561**	**(286)**	**1,733**	**807**
Cash generated	**(359)**	**(124)**	**1,605**	**(266)**	**1,246**	**(390)**
III. Cash flows from / (used in) financing activities and others [(1)]	2,127	(1,560)	(1,554)	269	573	(1,291)
Net increase / (decrease) in cash and cash equivalents (I+II+III)	**2,299**	**(467)**	**7**	**(17)**	**2,306**	**(484)**
Cash and cash equivalents at the beginning of the period	3,218	5,021	(239)	(235)	2,979	4,786
Cash and cash equivalents at the end of the period	5,517	4,554	(232)	(252)	5,285	4,302

	Second quarter					
	Adjusted cash flow		Joint venture reclassification and others		Statement of cash flows – IFRS-EU	
	2020	2019	2020	2019	2020	2019
I. Cash flows from / (used in) operating activities	268	1,369	35	(258)	303	1,111
II. Cash flows from / (used in) investing activities	(485)	(869)	1,053	(105)	568	(974)
Free cash flow (I+II)	**(217)**	**500**	**1,088**	**(363)**	**871**	**137**
Cash generated	**(337)**	**111**	**1,121**	**(342)**	**784**	**(231)**
III. Cash flows from / (used in) financing activities and others [(1)]	2,300	(775)	(1,050)	467	1,250	(308)
Net increase / (decrease) in cash and cash equivalents (I+II+III)	**2,083**	**(275)**	**38**	**104**	**2,121**	**(171)**
Cash and cash equivalents at the beginning of the period	3,434	4,829	(270)	(356)	3,164	4,473
Cash and cash equivalents at the end of the period	5,517	4,554	(232)	(252)	5,285	4,302

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

The Group measures **liquidity** as the sum of "Cash and cash equivalents" on-demand cash deposits at financial institutions, and short and long-term credit facilities that remain undrawn at the end of the period, i.e., credit facilities granted by financial institutions that may be drawn on by the Company on the terms, in the amount and subject to the other conditions agreed in the contract.

	First half					
	Group Reporting Model		Joint venture reclassification		IFRS-EU	
	Jun - 2020	Dec - 2019	Jun - 2020	Dec - 2019	Jun - 2020	Dec - 2019
Cash and cash equivalents	5,517	3,218	(232)	(239)	5,285	2,979
Undrawn credit facilities	3,420	1,818	(9)	(10)	3,411	1,808
On-demand cash deposits [(1)]	825	2,631	-	-	825	2,631
Liquidity	**9,762**	**7,667**	**(241)**	**(249)**	**9,521**	**7,418**

(1) Repsol enters into contracts for time deposits that are nonetheless drawable on demand which are recorded in "*Other current financial assets*" insofar as they are not classifiable for accounting purposes as cash and cash equivalents.

Operating investments:

Group Management uses this APM to measure each period's investment effort and allocation by business segment, reflecting operating investments by the various Group business units. The figure includes joint ventures or other companies managed operationally as joint ventures.

Investments may be presented as organic (acquisition of projects, assets or companies for the expansion of the Group's activities) or inorganic (funds invested in the development or maintenance of the Group's projects and assets). This distinction is useful in understanding how the Group's Management allocates its resources and allows for a more reliable comparison of investment between periods.

	First half					
	Operating investments		Joint venture reclassification and others		IFRS-EU [(1)]	
	2020	2019	2020	2019	2020	2019
Upstream	603	961	(99)	(253)	504	708
Industrial	227	306	(1)	(5)	226	301
Commercial and Renewables	259	176	(13)	(11)	246	165
Corporate and others	24	25	-	5	24	30
TOTAL	**1,113**	**1,468**	**(113)**	**(264)**	**1,000**	**1,204**

(1) This corresponds to "*Payments on investments*" in the consolidated statement of cash flows prepared under IFRS-EU, and does not include items corresponding to "*Other financial assets*."

	Second quarter					
	Operating investments		Joint venture reclassification and others		IFRS-EU [1]	
	2020	2019	2020	2019	2020	2019
Upstream	214	562	(42)	(136)	172	426
Industrial	104	200	(3)	(25)	101	175
Commercial and Renewables	141	93	(1)	22	141	115
Corporate and others	20	15	-	4	20	19
TOTAL	479	870	(46)	(135)	433	735

(2) This corresponds to "*Payments on investments*" in the consolidated statement of cash flows prepared under IFRS-EU, and does not include items corresponding to "*Other financial assets*."

3. Financial position measures

Debt and financial position ratios

Net Debt and Net Debt with leases are the main APMs used by Management to measure the Company's level of debt. The figure is made up of financial liabilities (including lease liabilities, as the case may be) less financial assets, cash and cash equivalents, and the effect arising from the mark-to-market of financial derivatives (*ex* exchange rate derivatives). It also includes the net debt of joint ventures and other companies operationally managed as such.

	Net Debt	Joint venture reclassification [1]	IFRS-EU Balance sheet
	Jun-20	Jun-20	Jun-20
Non-current assets			
Non-current financial instruments [2]	(118)	867	749
Current assets			
Other current financial assets	1,081	137	1,218
Cash and cash equivalents	5,517	(232)	5,285
Non-current liabilities			
Non-current financial liabilities [3]	(6,839)	(3,034)	(9,873)
Current liabilities			
Current financial liabilities [3]	(4,091)	(823)	(4,914)
Off-balance sheet items			
Mark-to-market financial derivatives (*ex* exchange rate derivatives) [4]	463	(380)	83
NET DEBT [5]	**(3,987)**	**(3,465)**	**(7,452)**
Non-current lease liabilities (net) [6]	(3,482)	641	(2,841)
Current lease liabilities (net) [6]	(557)	62	(495)
NET DEBT with leases	**(8,026)**		**(10,788)**

(1) Mainly includes the net financing of the Repsol Sinopec Brazil Group, broken down into: Cash and cash equivalents of 51 million euros and current financial liabilities as a result of an intra-group loan of 2,995 million euros, less 49 million euros for third-party loans and 591 million euros for leases.
(2) Corresponds to "*Non-current financial assets*" on the consolidated balance sheet, excluding equity instruments.
(3) Excludes lease liabilities.
(4) The mark-to-market value of financial derivatives other than exchange rate derivatives is eliminated from this caption.
(5) The reconciliations of this figure for previous half-year periods are available at www.repsol.com.
(6) Includes collection rights for subleases amounting to 29 million euros (20 million euros long-term and 9 million euros short-term).

Gross Debt and Gross Debt with leases are measures used to analyze the Group's solvency and include financial liabilities (including lease liabilities as the case may be) and the mark-to-market value of exchange rate derivatives. It also includes the net debt of joint ventures and other companies operationally managed as such.

	Gross Debt	Joint venture reclassification	IFRS-EU Balance sheet
	Jun-20	Jun-20	Jun-20
Current financial liabilities [1]	(3,978)	(822)	(4,800)
Mark-to-market current exchange rate derivatives	(31)	0	(31)
Current gross debt	**(4,009)**	**(822)**	**(4,831)**
Non-current financial liabilities [1]	(6,743)	(3,035)	(9,778)
Mark-to-market of non-current exchange rate derivatives	(4)	0	(4)
Non-current gross debt	**(6,747)**	**(3,035)**	**(9,782)**
GROSS DEBT [2]	**(10,756)**	**(3,856)**	**(14,613)**
Current lease liabilities	(566)	62	(504)
Non-current lease liabilities	(3,510)	649	(2,861)
GROSS DEBT with leases	**(14,832)**	**(3,146)**	**(17,978)**

(1) Lease liabilities not included.
(2) The reconciliations of this figure for previous periods are available at www.repsol.com.

The following ratios are used by Group Management to evaluate leverage ratios and Group solvency.

The ***leverage ratio*** is ***net debt*** divided by ***capital employed*** at the end of the period. This ratio can be used to examine financial structure and degree of indebtedness in relation to capital contributed by shareholders and financing entities. Leverage is the chief measure used to evaluate and compare the Company's financial position with respect to its peers in the Oil & Gas industry.

	First half					
	Group Reporting Model		Joint venture reclassification		IFRS - EU Balance sheet	
Million euros	2020	2019	2020	2019	2020	2019
Net debt	(8,026)	(7,464)	(2,762)	(2,337)	(10,788)	(9,801)
Capital employed	30,966	38,391	2,762	2,337	33,728	40,728
Leverage with leases	**25.9%**	**19.4%**			**32.0%**	**24.0%**

	First half					
	Group Reporting Model		Joint venture reclassification		IFRS - EU Balance sheet	
Millones de euros	2020	2019	2020	2019	2020	2019
Net debt	(3,987)	(3,662)	(3,465)	(3,098)	(7,452)	(6,760)
Capital employed	27,076	34,697	3,465	3,098	30,541	37,795
Leverage without leases	**14.7%**	**10.6%**			**24.4%**	**17.9%**

The ***solvency ratio*** is calculated as ***liquidity*** (section 2 of this Appendix) divided by ***Current Gross debt*** and is used to determine the number of times the Group may service its current debt using its existing liquidity.

	First half					
	Group Reporting Model		Joint venture reclassification		IFRS - EU Balance sheet	
Million euros	Jun - 2020	Dec - 2019	Jun - 2020	Dec - 2019	Jun - 2020	Dec - 2019
Liquidity	9,762	7,667	(241)	(249)	9,521	7,418
Current Gross debt	4,009	5,219	822	(10)	4,831	6,022
Solvency	2.4	1.5			2.0	1.2

The ***interest coverage ratio*** is calculated in the same way as debt interest (which comprises financial income and expenses, without considering lease income and expenses) divided by EBITDA. This ratio is used to examine the Company's ability to cover interest payments with its EBITDA.

	First half					
	Group Reporting Model		Joint venture reclassification		IFRS - EU Balance sheet	
Million euros	2020	2019	2020	2019	2020	2019
Interest[1]	104	114	13	10	117	124
EBITDA	589	3,712	(498)	(944)	91	2,768
Interest coverage	**17.7%**	**3.1%**			**128.5%**	**4.5%**

[1] Does not include the lease effect due to IFRS 16.

	Second quarter					
	Group Reporting Model		Joint venture reclassification		IFRS - EU Balance sheet	
Million euros	2020	2019	2020	2019	2020	2019
Interest[1]	55	49	(1)	9	55	58
EBITDA	240	1,902	(188)	(494)	52	1,408
Interest coverage	**23.0%**	**2.6%**			**104.8%**	**4.1%**

[1] Does not include the lease effect due to IFRS 16.

APPENDIX II: TABLE OF CONVERSIONS AND ABBREVIATIONS

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

[1] Benchmark: 32.35° API and relative density of 0.8636.

			Meter	Inch	Foot	Yard
LENGTH	Meter	m	1	39.37	3.281	1.093
	Inch	in	0.025	1	0.083	0.028
	Foot	ft	0.305	12	1	0.333
	Yard	yd	0.914	36	3	1

			Kilogram	Pound	Ton
MASS	Kilogram	kg	1	2.2046	0.001
	Pound	lb	0.45	1	0.00045
	Ton	t	1,000	22.046	1

			Cubic feet	Barrel	Liter	Cubic meter
VOLUME	Cubic foot	ft^3	1	0.1781	28.32	0.0283
	Barrel	bbl	5.615	1	158.984	0.1590
	Liter	l	0.0353	0.0063	1	0.001
	Cubic meter	m^3	35.3147	6.2898	1,000	1

Term	Description	Term	Description	Term	Description
bbl / bbl/d	Barrel/ Barrels per day	kbbl	Thousand barrels of oil	Mm^3/d	Million cubic meters per day
bcf	Billion cubic feet	kbbl/d	Thousand barrels per day	Mscf/d	Million standard cubic feet per day
Bm^3	Billion cubic meters	kboe	Thousand barrels of oil equivalent	kscf/d	Thousand standard cubic feet per day
Boe	Barrel of oil equivalent	kboe/d	Thousand barrels of oil equivalent per day	MW	Megawatts
Btu/MBtu	British thermal unit/ Btu/millions of Btu	km^2	Square kilometer	MWh	Megawatt hour
LPG	Liquefied petroleum gas	kt/Mt	Thousand tons/Million tons	Tcf	Trillion cubic feet
LNG	Liquefied natural gas	Mbbl	Million barrels	toe	Tons of oil equivalent
GWh	Gigawatts per hour	Mboe	Million barrels of oil equivalent	USD / Dollar / $	US dollar