Official Notice

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The Hague, July 24th, 2019

In accordance with Law of 23 December 2016, on market abuse, Repsol International Finance B.V. (the "**Company**") is filing the attached Repsol Group interim consolidated financial statements for the six-month period ended June 30, 2019 published by Repsol, S.A., the Guarantor of the Company´s Euro 10,000,000,000 Guaranteed Euro Medium Term Note Programme.

The document was filed today by Repsol, S.A. with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

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REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP

Report on limited review of condensed interim consolidated financial statements and interim consolidated directors' Report at June 30, 2019

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

REPORT ON LIMITED REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Repsol, S.A. at the request of the Board of Directors:

Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (hereinafter, the interim financial statements) of Repsol, S.A. (hereinafter, "the parent company") and investees comprising the Repsol Group (hereinafter, "the group"), which comprise the balance sheet as at June 30, 2019, the income statement and the statement of recognized profit and loss for the three-month and six-month period then ended, and statement of changes in equity and cash flow statement for the six-month period then ended, and related notes, all condensed and consolidated. The parent company´s directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with legislation governing the audit practice in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six months period ended June 30, 2019 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007.

Emphasis of Matter

We draw attention to Note 2.1, in which it is mentioned that these interim financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the group for the year ended December 31, 2018. Our conclusion is not modified in respect of this matter.

Other matters

Interim consolidated directors' Report

The accompanying interim consolidated directors' Report for the six months period ended June 30, 2019 contains the explanations which the parent company´s directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this directors' Report is in agreement with that of the interim financial statements for the six months period ended June 30, 2019. Our work is limited to checking the interim consolidated directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Repsol, S.A. and investees comprising the Repsol Group's accounting records.

Preparation of this review report

This report has been prepared at the request of the Board of Directors in relation to the publication of the half-yearly financial report required by Article 119 of Royal Legislative Decree 4/2015 of 23 October, approving the revised text of the Securities Market Law developed by the Royal Decree 1362/2007, of 19 October.

PricewaterhouseCoopers Auditores, S.L.

Iñaki Goiriena Basualdu

July 24, 2019

REPSOL Group

2019 Interim consolidated financial statements First Half

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

Repsol, S.A. and Investees comprising the Repsol Group
Balance sheet at June 30, 2019 and December 31, 2018

		€ Million	
ASSETS	Note	**06/30/2019**	**12/31/2018**
Intangible assets		5,235	5,096
Property, plant and equipment	4.1.1	27,077	25,431
Investment property		67	68
Investments accounted for using the equity method	4.1.2	7,355	7,194
Non-current financial assets	4.1.3	1,132	1,103
Deferred tax assets		3,751	3,891
Other non-current assets		711	701
NON-CURRENT ASSETS		**45,328**	**43,484**
Non-current assets held for sale		6	6
Inventories		4,777	4,390
Trade and other receivables		6,848	6,105
Other current assets		199	296
Other current financial assets	4.1.3	1,518	1,711
Cash and cash equivalents	4.1.3	4,302	4,786
CURRENT ASSETS		**17,650**	**17,294**
TOTAL ASSETS		**62,978**	**60,778**

		€ Million	
EQUITY AND LIABILITIES	Note	**06/30/2019**	**12/31/2018**[(1)]
Share capital		1,599	1,559
Share premium and reserves		27,832	25,894
Treasury shares and own equity investments		(1,161)	(350)
Profit for the period attributable to the parent		1,133	2,341
Other equity instruments		1,005	1,024
SHAREHOLDERS' EQUITY	4.1.4	30,408	30,468
Equity instruments with changes through other comprehensive income		6	13
Hedging transactions		(127)	(106)
Translation differences		368	253
OTHER CUMULATIVE COMPREHENSIVE INCOME		247	160
NON-CONTROLLING INTERESTS		272	286
EQUITY		**30,927**	**30,914**
Non-current provisions		4,779	4,738
Non-current financial liabilities	4.1.5	10,737	10,818
Deferred tax liabilities		1,093	1,028
Other non-current liabilities		532	470
NON-CURRENT LIABILITIES		**17,141**	**17,054**
Current provisions		515	500
Current financial liabilities	4.1.5	5,953	4,486
Trade and other payables		8,442	7,824
CURRENT LIABILITIES		**14,910**	**12,810**
TOTAL EQUITY AND LIABILITIES		**62,978**	**60,778**

(1) Includes all modifications necessary in relation to changes in the presentation of lease payables (see Note 2.2.1).

Notes 1 to 7 are an integral part of the balance sheet.

Repsol, S.A. and Investees comprising the Repsol Group
Income statement corresponding to the second quarter of 2019 and 2018, and the interim periods ending June 30, 2019 and 2018

		€ Million			
	Note	Q2 2019	Q2 2018	06/30/2019	06/30/2018
Sales		12,731	12,442	24,783	23,419
Income from services rendered		79	40	150	78
Changes in inventories of finished goods and work in progress		259	(380)	335	(190)
Reversal of impairment provisions and gains on disposal of assets		86	14	110	16
Other operating income		140	83	403	398
OPERATING INCOME	4.2.1	13,295	12,199	25,781	23,721
Purchases		(10,002)	(8,701)	(19,178)	(17,005)
Amortization of non-current assets		(595)	(492)	(1,146)	(1,009)
Personnel expenses		(511)	(497)	(969)	(928)
Transport and freights		(275)	(257)	(613)	(535)
Impairment loss provisions recognized and losses on disposal of assets		32	(89)	(16)	(159)
Other operating expenses		(1,102)	(1,162)	(2,227)	(2,288)
OPERATING EXPENSES		(12,453)	(11,198)	(24,149)	(21,924)
OPERATING PROFIT	4.2.2	**842**	**1,001**	**1,632**	**1,797**
Net interest		(58)	(58)	(124)	(114)
Change in fair value of financial instruments		(24)	149	80	132
Exchange gains (losses)		35	445	(21)	496
Net impairment of financial instruments		20	(380)	14	(395)
Other financial income and expenses		(61)	(44)	(118)	(88)
FINANCIAL RESULT	4.2.2	**(88)**	**112**	**(169)**	**31**
PROFIT FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD [(1)]	4.2.3	105	55	237	193
PROFIT BEFORE TAX		**859**	**1,168**	**1,700**	**2,021**
Income tax	4.2.4	(331)	(562)	(555)	(868)
PROFIT FROM CONTINUING OPERATIONS		**528**	**606**	**1,145**	**1,153**
PROFIT FROM CONTINUING OPERATIONS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		(3)	(14)	(12)	(19)
PROFIT FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE PARENT		**525**	**592**	**1,133**	**1,134**
PROFIT FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO THE PARENT [(1)]	4.2.5	—	344	—	412
TOTAL PROFIT ATTRIBUTABLE TO THE PARENT	3.1	**525**	**936**	**1,133**	**1,546**
EARNINGS PER SHARE ATTRIBUTABLE TO THE PARENT	4.2.6	**Euros / share**		**Euros / share**	
Basic		0,34	0,57	0,73	0,93
Diluted		0,34	0,57	0,73	0,93

(1) Net of taxes.

Notes 1 to 7 are an integral part of the consolidated income statement.

Repsol S.A. and Investees comprising the Repsol Group
Statement of recognized income and expense corresponding to the second quarter of 2019 and 2018 and the interim periods ending June 30, 2019 and 2018

	€ Million			
	Q2 2019	**Q2 2018**	**06/30/2019**	**06/30/2018**
CONSOLIDATED PROFIT FOR THE PERIOD [1]	**528**	**950**	**1,145**	**1,565**
Due to actuarial gains and losses	(2)	(2)	(7)	—
Share of investments in joint ventures and associates	(1)	13	(6)	15
Financial assets at fair value through other comprehensive income	3	—	(3)	—
Tax effect	—	—	2	—
OTHER COMPREHENSIVE INCOME (items not reclassifiable to income)	—	11	(14)	15
Cash flow hedging:	**4**	**9**	**(27)**	**23**
Valuation gains / (losses)	(10)	3	(36)	11
Amounts transferred to the income statement	14	6	9	12
Translation differences:	**(291)**	**586**	**108**	**77**
Valuation gains / (losses)	(291)	586	128	77
Amounts transferred to the income statement	—	—	(20)	—
Stake in investments for joint ventures and associates:	—	**181**	—	**181**
Valuation gains / (losses)	—	**181**	—	**181**
Amounts transferred to the income statement	—	—	—	—
Tax effect	**(8)**	**(18)**	**9**	**(23)**
OTHER COMPREHENSIVE INCOME (items reclassifiable to income)	(295)	758	90	258
TOTAL OTHER COMPREHENSIVE INCOME	**(295)**	**769**	**76**	**273**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**233**	**1,719**	**1,221**	**1,838**
a) Attributable to the parent	230	1,702	1,208	1,818
b) Attributable to non-controlling interests	3	17	13	20

[1] Constituting the sum of the following consolidated income statement headings: "*Profit from continuing operations*" and "*Profit from discontinued operations attributable to the parent*".

Notes 1 to 7 are an integral part of the consolidated statement of recognized income and expense.

Repsol S.A. and Investees comprising the Repsol Group
Statement of changes in equity for the interim periods ending June 30, 2019 and 2018

	Equity attributable to the parent and other equity instrument holders							
	Shareholders' equity							
€ Million	Share capital	Share premium and reserves	Treasury shares and own equity investments	Profit for the year attributable to the parent	Other equity instruments	Other cumulative comprehensive income	Non-controlling interests	Equity
Closing balance at 12/31/2017	**1,556**	**25,541**	**(45)**	**2,121**	**1,024**	**(404)**	**270**	**30,063**
Impact of new standards	—	(351)	—	—	—	(5)	—	(356)
Adjusted opening balance	**1,556**	**25,190**	**(45)**	**2,121**	**1,024**	**(409)**	**270**	**29,707**
Total recognized income/(expenses)	**—**	**15**	**—**	**1,546**	**—**	**257**	**20**	**1,838**
Transactions with partners or owners								
Share capital increase/(reduction)	40	(40)	—	—	—	—	—	—
Dividends and shareholder remuneration	—	(100)	—	—	—	—	—	(100)
Transactions with treasury shares and own equity investments (net)	—	(13)	(238)	—	—	—	—	(251)
Increases/(reductions) due to changes in scope	—	—	—	—	—	—	—	—
Other transactions with partners and owners	—	—	—	—	—	—	—	—
Other equity variations								
Transfers between equity-line items	—	2,121	—	(2,121)	—	—	—	—
Subordinated perpetual obligations		(15)	—	—	(19)	—	—	(34)
Other variations	—	(1)	—	—	—	(1)	—	(2)
Closing balance at 06/30/2018	**1,596**	**27,157**	**(283)**	**1,546**	**1,005**	**(153)**	**290**	**31,158**
Total recognized income/(expenses)	**—**	**14**	**—**	**795**	**—**	**313**	**1**	**1,123**
Transactions with partners or owners								
Share capital increase/(reduction)	32	(32)	—	—	—	—	—	—
Dividends and shareholder remuneration	—	(175)	—	—	—	—	(5)	(180)
Transactions with treasury shares and own equity investments (net)	(69)	(1,059)	(67)	—	—	—	—	(1,195)
Increases/(reductions) due to changes in scope	—	—	—	—	—	—	—	—
Other transactions with partners and owners	—	—	—	—	—	—	—	—
Other equity variations								
Transfers between equity-line items	—	—	—	—	—	—	—	—
Subordinated perpetual obligations	—	(14)	—	—	19	—	—	5
Other variations	—	3	—	—	—	—	—	3
Closing balance at 12/31/2018	**1,559**	**25,894**	**(350)**	**2,341**	**1,024**	**160**	**286**	**30,914**
Impact of new standards (see note 2.2.1)	—	(162)	—	—	—	—	—	(162)
Adjusted opening balance	**1,559**	**25,732**	**(350)**	**2,341**	**1,024**	**160**	**286**	**30,752**
Total recognized income/(expenses)	**—**	**(11)**	**—**	**1,133**	**—**	**86**	**13**	**1,221**
Transactions with partners or owners								**—**
Share capital increase/(reduction)	40	(40)	—	—	—	—	—	—
Dividends and shareholder remuneration	—	(223)	—	—	—	—	(1)	(224)
Transactions with treasury shares and own equity investments (net)	—	20	(811)	—	—	—	—	(791)
Increases/(reductions) due to changes in scope	—	21	—	—	—	4	(25)	—
Other transactions with partners and owners	—	—	—	—	—	—	—	—
Other equity variations								**—**
Transfers between equity-line items	—	2,341	—	(2,341)	—	—	—	—
Subordinated perpetual obligations	—	(15)	—	—	(19)	—	—	(34)
Other variations	—	7	—	—	—	(3)	(1)	3
Closing balance at 06/30/2019	**1,599**	**27,832**	**(1,161)**	**1,133**	**1,005**	**247**	**272**	**30,927**

Notes 1 to 7 are an integral part of the consolidated statement of changes in equity.

Repsol S.A. and Investees comprising the Repsol Group
Statement of cash flows for the interim periods ending June 30, 2019 and 2018

	€ Million	
	06/30/2019	**06/30/2018**
Profit before tax	**1,700**	**2,021**
Adjustments to profit:	**1,067**	**982**
Amortization of non-current assets	1,146	1,009
Other adjustments to net profit/(loss)	(79)	(27)
Changes in working capital	**(580)**	**(1,116)**
Other cash flows from/(used in) operating activities:	**(315)**	**(518)**
Dividends received	164	57
Income tax receivable/(payable)	(416)	(449)
Other proceeds from/(payments for) operating activities	(63)	(126)
CASH FLOWS FROM OPERATING ACTIVITIES	**1,872**	**1,369**
Payments for investments:	**(2,172)**	**(2,455)**
Group companies and associates	(71)	(5)
Property, plant and equipment, intangible assets and investment property	(1,133)	(1,111)
Other financial assets	(968)	(1,339)
Proceeds from divestments:	**1,060**	**3,836**
Group companies and associates	2	3,824
Property, plant and equipment, intangible assets and investment property	51	11
Other financial assets	1,007	1
Other cash flows	**47**	**14**
CASH FLOWS FROM INVESTMENT ACTIVITIES	**(1,065)**	**1,395**
Proceeds from and (payments for) equity instruments:	**(729)**	**(457)**
Acquisition	(791)	(462)
Disposal	62	5
Proceeds from and (payments for) financial liability instruments:	**(206)**	**(745)**
Issuance	7,842	7,887
Return and amortization	(8,048)	(8,632)
Payments on shareholder remuneration and other equity instruments	**(201)**	**(196)**
Other cash flows from financing activities:	**(177)**	**(252)**
Interest payments	(267)	(276)
Other proceeds from/(payments for) financing activities	90	24
CASH FLOWS FROM FINANCING ACTIVITIES	**(1,313)**	**(1,650)**
EXCHANGE RATE FLUCTUATIONS EFFECT	**22**	**7**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(484)**	**1,121**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**4,786**	**4,601**
CASH AND CASH EQUIVALENTS AT END OF PERIOD:	**4,302**	**5,722**
Cash and banks	3,006	4,115
Other financial assets	1,296	1,607

Notes 1 to 7 are an integral part of the consolidated statement of cash flows.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(1) GENERAL INFORMATION

1.1 About the Repsol Group

Repsol is a group of companies that, with the vision of a global energy company, performs activities in the hydrocarbon and electricity sectors. In the hydrocarbon sector, its activities include exploration, development and production of crude oil and natural gas, transportation of crude oil and oil products, liquefied petroleum gas (LPG) and natural gas, refining activities, the production and marketing of a wide range of oil and petrochemical products, oil derivatives, LPG, natural gas and liquefied natural gas (LNG). In the electricity industry, the generation of electricity and marketing of electricity and natural gas in Spain were included following the acquisition of Viesgo (see Note 4 to the consolidated financial statements for 2018).

The Repsol Group's interim condensed consolidated financial statements (hereinafter, interim financial statements) include its investments in all its subsidiaries, joint arrangements and associates.

The activities performed by Repsol, S.A. and its investees are subject to far-reaching regulations, contained in Appendix III of the consolidated financial statements at December 31, 2018.

1.2 About the interim condensed consolidated financial statements

The accompanying interim condensed consolidated financial statements of Repsol, S.A. and its investees, comprising the Repsol Group (hereinafter, "Repsol", "Repsol Group" or "Group"), give a true and fair view of the Group's equity and financial position at June 30, 2019, as well as the Group's consolidated earnings performance, the changes in net equity and the consolidated cash flows for the six-month period ending on the above date.

These interim financial statements were approved by the Board of Directors of Repsol, S.A. at its meeting of July 23, 2019 and are available at www.repsol.com.

1.3 Composition of the Group

Appendix IA of the consolidated financial statements for 2018 details the main companies that form part of the Repsol Group and that formed part of its scope of consolidation at that date. Appendix I of these interim financial statements contains the changes in the composition of the Group that have taken place during the first six months of 2019.

(2) BASIS OF PRESENTATION

2.1 General principles

These interim financial statements have been prepared using the accounting records of the investees that form part of the Group under the International Financial Reporting Standards adopted by the European Union (IFRS-EU) as of June 30, 2019, and, specifically, pursuant to the requirements set out in International Accounting Standard (IAS) 34 "*Interim financial information*", in addition to the other provisions of the applicable regulatory framework.

In accordance with the provisions of IAS 34, these interim financial statements are prepared exclusively to update the content of the most recent annual consolidated financial statements published, placing an emphasis on new activities, events and circumstances that have taken place during the first six months of the year, without duplicating the information published previously in the annual consolidated financial statements for the preceding year. To facilitate the correct understanding of information contained in these interim financial statements and given that they do not contain information required by comprehensive financial statements prepared pursuant to IFRS-EU, they must be read in conjunction with the Repsol Group's 2018 consolidated financial statements, which were approved by the Annual General Meeting of Repsol, S.A. on May 31, 2019 and are available at www.repsol.com.

These interim financial statements are presented in millions of euros (unless otherwise indicated) and the exchange rates against the euro of the main currencies used by the Group companies at June 30, 2019 and December 31, 2018 were as follows:

	June 30, 2019		December 31, 2018	
	Closing rate	Accumulated average rate	Closing rate	Accumulated average rate
US dollar	1.14	1.13	1.15	1.18
Brazilian real	4.36	4.34	4.44	4.31

2.2 Comparative information

2.2.1 Application of new accounting standards

During the first six months of 2019, different accounting standards applicable from January 1, 2019 were adopted[1], and other accounting standards, previously adopted by the European Union, have begun to be applied[2], of which IFRS 16 *Leases* and IFRIC 23 *Uncertainty over income tax treatments* should be mentioned, due to their impact.

IFRS 16 Leases

Application

IFRS 16 *Leases*[3] was applied under the simplified retrospective option on January 1, 2019, without restating the comparative information in relation to 2018. The impacts of its first-time application have been recognized directly in equity.

The Group has decided to make use of the options envisaged in the standard for lessees, which permits lease liabilities and right-of-use assets corresponding to lease agreements for assets of little value (equivalent amount in euros to USD 5,000) and short-term leases (leases for a period equal to or less than one year) not to be recognized in the balance sheet.

In agreements that contain lease and other components, mainly services, the Repsol Group will separate such components and recognize solely the lease component pursuant to IFRS 16 and recognize the other component as a performance contract, in accordance with the expense accrual criterion of the expense under the terms of the agreement.

A specific review of the inventory of lease contracts classified as operating leases according to the previous standard was carried out, as well as certain service contracts that could be classified as leases according to the new standard. No significant difference has arisen as a result of that analysis.

The Group has calculated the lease liability as the present value of the outstanding payments of the lease agreements in force at the date of initial application and retrospectively calculated the value of the right-of-use asset, only for those agreements with the greatest quantitative significance, having considered the value of the lease liability as the initial value of the corresponding right-of-use asset for the remaining agreements.

The lease term of the agreements was determined as the non-cancellable period of a lease taking into consideration the option to extend or terminate the lease when there is reasonably high probability that this option will be exercised.

With regard to the discount rate used for these calculations, the Group generally used the incremental borrowing rate of the lessee on January 1, 2019, which was determined taking into consideration, among other factors, the term of the agreement, the economic climate of the country and the currency in which it was denominated and, when relevant, the characteristics of the underlying asset. The average discount rate applied to operating lease liabilities recognized at the date on which IFRS 16 was initially applied was 3%.

Lastly, in relation to the recognition of leases in *Joint Operations*, which is very common in oil exploration and production activities, the Group performed a specific analysis of all its contractual obligations and will recognize all those arrangements

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[1] In terms of the information provided in Note 2.2 to the consolidated financial statements for 2018 on the new mandatory standards applicable in the future, the following changes have occurred: i) adoption by the EU of the Amendments to IAS 19 *Employee benefits: plan amendment, curtailment or settlement*; ii) adoption by the EU of the Annual Improvements to IFRSs, 2015-2017 Cycle. The Group has not identified any significant impacts as a result of applying these standards.

[2] The standards applied effective January 1, 2019 are: i) IFRS 16 *Leases*; ii) IFRIC 23 *Uncertainty over income tax treatments*; iii) Amendments to IFRS 9 *Prepayment features with negative compensation*; iv) Amendments to IAS 28 *Long-term interests in associates and joint ventures*; v) Amendments to IAS 19 *Employee benefits: plan amendment, curtailment or settlement*; and vi) Annual improvements to IFRSs, 2015-2017 Cycle.

[3] Replaces IAS 17 *Leases*, IFRIC 14 *Determination of whether an arrangement contains a lease*, SIC 15 *Operating leases - Incentives*, and SIC 27 *Evaluation of the substance of the transactions with the legal form of a lease*.

for which it has a contractual obligation with the lessor in the balance sheet, i.e. all those arrangements which: (i) it has signed in full as operating partner on its own behalf; (ii) it has jointly signed with the other partners in a joint arrangement, in line with its percentage of ownership in the arrangement; or (iii) has been signed by the operating partner on behalf of the consortium or the other partners of the joint arrangement, in line with the terms and percentage of ownership of each partner in the arrangement. With regard to the arrangements signed on its behalf by a third party in the position of operating partner in a joint arrangement, the Group will recognize, as its percentage of ownership in the arrangement, those contracts for which it is determined that a sub-lease exists, considering in this assessment, both the repayment obligation to the operating partner of the costs of the head lease arrangement, and the control by the Group of the right to use the asset identified.

Financial impact

The initial application of IFRS 16 will represent an estimated impact of -€83 million after taxes recognized in "*Retained earnings and other reserves*" (see Note 4.1.4):

	12/31/2018	Adjustment IFRS 16	01/01/2019
Assets for rights of use of the assets	754	1,153	1,907
Investments accounted for using the equity method	7,194	(50)	7,144
Accounts receivable	—	30	30
Current and non-current financial liabilities [1]	(1,624)	(1,351)	(2,975)
Non-current provisions [2]	(4,738)	122	(4,616)
Effect on net assets and liabilities		(96)	
Deferred tax assets and liabilities		13	
Effect on equity		(83)	

[1] Includes the finance lease liabilities in accordance with the previous accounting standard, recognized in 2018 under "*Other non-current liabilities*" and "*Trade and other payables*" in the consolidated balance sheet. In 2019, the Group, as a result of the application of IFRS 16, decided to present its lease payables under "*Current financial liabilities*" and "*Non-current financial liabilities*" in the consolidated balance sheet.
[2] The onerous burden provision associated with certain operating lease agreements was canceled against the corresponding asset.

The breakdown of and changes in the right-of-use assets that are recognized under the "*Property, plant and equipment*" heading is as follows:

€ Million	Machinery and installations [1]	Transport elements [2]	Buildings [3]	Land	Other	Total
Balance at December 31, 2018	643	—	—	111	—	754
First-time application IFRS 16	805	144	111	73	20	1,153
Balance at January 1, 2019	1,448	144	111	184	20	1,907
Acquisitions	73	102	5	1	—	181
Amortizations	(79)	(16)	(12)	(10)	(4)	(121)
Translation differences and other	3	—	(7)	—	—	(4)
Balance at June 30, 2019	1,445	230	97	175	16	1,963

[1] Includes service stations, gas pipelines and operation platforms.
[2] Includes vessels and land transport vehicles.
[3] Includes offices and parking facilities.

The reconciliation between the operating lease commitments at December 31 and the liabilities recognized on January 1, 2019 in accordance with IFRS 16 is as follows:

	€ Million
Operating lease commitments as at December 31, 2018	**1,599**
Financial discount on future payments	(225)
Short-term and low-value leases	(23)
Operating lease liability recognized as at January 1, 2019	**1,351**

Other impacts of IFRS 16

As a result of the new accounting treatment of leases under IFRS 16, the impact on the Group's net income during the first six months of 2019 has not been material. However, other financial aggregates have been affected and, for example, operating profit has increased (lower operating expenses) and financial results have decreased (higher finance expenses).

The net change in cash has not been altered by the application of IFRS 16, but its classification has: cash flow from operating activities has increased and cash flow from financing activities has decreased, to the same extent.

In relation to the Alternative Performance Measures used by the Group, the application of IFRS 16 has had several effects: i) EBITDA ("*Earnings Before Interest, Tax, Depreciation and Amortization*") has increased as it now includes the expense corresponding to the leases, either as amortization or finance expense; ii) cash flows from operations have also increased, since from now on they include the cash outflows for leases in flows from financing activities; iii) as of January 1, 2019, the calculation of Net Debt, Capital Employed and the ROACE ("*Return on average capital employed*") will now include lease liabilities (those recognized in accordance with the previous accounting standard and the new lease liabilities recognized due to the application of IFRS 16); and, to make it easier to monitor the current Strategic Plan and the historic performance of return and debt, the Group also presents these magnitudes excluding the effect of the lease liabilities (criteria followed by the Group up until December 31, 2018).

IFRIC 23 Uncertainty over income tax treatments

IFRIC 23[4] clarifies how the recognition and measurement requirements of IAS 12 *Income taxes* should be applied in those circumstances where there is uncertainty. The application of this interpretation has led the Group to reevaluate certain tax liabilities for an additional amount of €79 million. This change is a result of having determined that various uncertain tax treatments, in accordance with the information available and the expectation of resolution of the situation: (i) must be considered jointly instead of individually, and (ii) it is more appropriate to measure the amount of the liability to be recognized in accordance with the expected value instead of the most likely value. This impact was recognized retrospectively, and cumulative as of January 1, 2019, under "*Equity - Retained earnings and other reserves*" in the consolidated balance sheet (see Note 4.1.4). For presentation purposes, uncertain tax treatments arising from the recognition of income tax liabilities are recognized in the consolidated balance sheet under "*Non-current provisions*" and "*Current provisions*", which did not undergo significant changes in the period[5].

2.2.2 Accounting estimates and judgments

The preparation of interim financial statements calls for estimates and judgments to be made that affect the measurement of recognized assets and liabilities, the presentation of contingent assets and liabilities, and income and expense recognized over the period. The results may be significantly affected depending on the estimates made.

These estimates are made on the basis of the best information available, as described in Note 3 "*Accounting estimates and judgments*" to the consolidated financial statements for 2018. In the first six months of 2019, there were no significant changes in the methodology for making estimates with regard to those made at 2018 year-end.

With regard to the acquisition of the non-regulated low emission electricity production businesses operated by Viesgo, as well as its regulated and non-regulated gas and electricity retail businesses in November 2018, the 12-month period for accounting for the business combination has not yet ended. During the first half of the year, the valuation of the assets and liabilities acquired was reviewed and goodwill decreased by €12 million.

2.2.3 Seasonality

The Group's most seasonal activities are the liquid petroleum gases (LPG) and domestic natural gas businesses, in which activity is stronger in winter and declines in summer in the northern hemisphere, whereas demand for gas for industrial uses is normally more stable throughout the year. On the other hand, electricity demand in Spain is also seasonal to some extent, as it is higher in winter due to the requirements of heating and lighting and in summer for air conditioning.

2.2.4 Earnings per share

In accordance with accounting standards, earnings per share for the second quarter of 2018 and for the half year ending June 30, 2018 have been restated, as the average number of outstanding shares considered in the calculation should take account of the new number of shares issued after the capital increase carried out as part of the compensation scheme to shareholders known as the "*Repsol Flexible Dividend*" program, described in Note 4.1.4 "*Equity*".

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[4] International Financial Reporting Interpretations Committee No. 23

[5] See Note 23.4 "*Government and legal proceedings with tax implications*" to the consolidated financial statements for 2018.

2.3 Information by business segments

Definition of the Group's presentation model and segments

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

With regard to the definition of the Repsol Group's business segments and reporting model, see Appendix II of the Interim Management Report 1H19 and Note 5 of the 2018 consolidated Annual Accounts.

(3) RESULTS BY SEGMENT AND INFORMATION BY GEOGRAPHICAL AREA[6]

3.1 Results by segment

	€ Million	
Profit for the period	**06/30/2019**	**06/30/2018**
Upstream	646	647
Downstream	715	762
Corporate and other	(246)	(277)
ADJUSTED NET PROFIT	**1,115**	**1,132**
Inventory effect	63	202
Special items	(45)	212
NET PROFIT	**1,133**	**1,546**

On the same date as these interim financial statements, Repsol also publishes the Interim Management Report for the first half of 2019, which includes information by segment in relation to income, cash flows and financial position.

3.2 Information by geographical area

The geographical distribution of the results and other main figures in the first six months of the year is as follows:

	First Half							
	Profit/(loss) from operations		Adjusted net profit		Operating investments		Capital employed (1)	
€ Million	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Upstream	**1,174**	**1,236**	**646**	**647**	**961**	**900**	**22,531**	**21,693**
Europe, Africa and Brazil	691	803	335	358	251	231	—	—
Latin America-Caribbean	315	341	217	260	198	98	—	—
North America	83	147	65	115	330	267	—	—
Asia and Russia	209	232	119	132	40	110	—	—
Exploration and other	(124)	(287)	(90)	(218)	142	194	—	—
Downstream	**955**	**985**	**715**	**762**	**482**	**325**	**14,579**	**10,668**
Europe	904	942	680	723	405	272	—	—
Rest of world	51	43	35	39	77	53	—	—
Corporate and other	**(127)**	**(178)**	**(246)**	**(277)**	**25**	**20**	**1,281**	**1,503**
TOTAL	**2,002**	**2,043**	**1,115**	**1,132**	**1,468**	**1,245**	**38,391**	**33,864**

NOTE: To reconcile these figures with IFRS-EU figures, see Appendix III of these interim financial statements and Appendix II of the Interim Management Report corresponding to the first half of 2019 .

(1) In 2018 includes capital employed from continuing operations and in 2019 lease liabilities.

6 All information provided in this Note, unless stated otherwise, has been prepared pursuant to the Group's reporting model (see Note 2.3) and has been reconciled with the IFRS-EU Financial Statements in Appendix III. Some of the figures are classified as Alternative Performance Measures (APMs) in accordance with European Securities and Markets Authority (ESMA) guidelines (for further information, see Appendix II of the Interim Management Report corresponding to the first half of 2019 and go to www.repsol.com).

(4) MAIN CHANGES IN THE FINANCIAL STATEMENTS

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

4.1 Balance Sheet

4.1.1 Property, plant and equipment

In accordance with the Group's reporting model, investments during the period amounted to €1,468 million and are distributed as detailed in Note 3.2. In the Upstream segment (€961 million), they were made mainly in production and/or development assets in the US, Trinidad and Tobago, Norway, the UK, Algeria and Canada. In the Downstream segment (€482 million), the main investments were for the improvement of energy efficiency, safety and the environment, with the increase attributable to the contribution of the new Electricity and Gas businesses and the international expansion in Mexico.

In relation to the increase in this heading as a result of the rights of use recognized in the application of IFRS 16, see Note 2.2.1.

4.1.2 Investments accounted for using the equity method

Repsol accounts for investments in joint ventures and associates in which it has a stake using the equity method. Note 13 to the consolidated financial statements for 2018 describes the Group's most significant investments[7]. The breakdown of the balance at June 30 is as follows:

	€ Million	
	Carrying amount of investment	
	06/30/2019	12/31/2018
Joint ventures	7,232	7,037
Associates [(1)]	123	157
TOTAL	**7,355**	**7,194**

[(1)] Includes mainly the stake in Petrocarabobo, S.A. and Oleoducto de Crudos Pesados (OCP) Ltd.

The changes in this heading during the period were as follows:

	€ Million	
	06/30/2019	12/31/2018
Balance at December 31	**7,194**	**9,265**
Impact of new standards (see Note 2.2.1)	(50)	(3)
Adjusted balance at January 1	**7,144**	**9,265**
Net investments	1	1
Changes in scope of consolidation [(1)]	25	(3,292)
Profit from investments accounted for using the equity method [(2)]	237	193
Profit from discontinued operations	—	68
Dividends paid out	(157)	(391)
Translation differences	60	118
Reclassifications and other movements [(3)]	45	301
Balance at June 30	**7,355**	**6,263**

[(1)] In 2018, includes mainly the divestment in Naturgy (see Note 4.2 to the consolidated financial statements for 2018).
[(2)] See Note 4.2.3.
[(3)] In 2018, includes mainly the reclassification of the negative value of the equity of Petroquiriquire and Cardón IV.

[7] The most significant investments are as follows: Repsol Sinopec Brasil, YPFB Andina, S.A., BPRY Caribbean Ventures, LLC., Repsol Sinopec Resources UK Ltd., YPF Andina, S.A. and Equion Energía Ltd.

4.1.3 Financial assets

	€ Million	
	06/30/2019	12/31/2018
Non-current financial assets	1,132	1,103
Non-current trade operation derivatives (1)	33	33
Other current financial assets (2)	1,518	1,711
Current trade operation derivatives (3)	343	241
Cash and cash equivalents (4)	4,302	4,786
Total financial assets	**7,328**	**7,874**

(1) Recognized under "Other non-current liabilities" on the balance sheet.
(2) The variation is due mainly to the cancellation of deposits during the period.
(3) Recognized under "Other receivables" of the balance sheet.
(4) The variation is explained by the change in cash and cash equivalents in the period (see the consolidated statement of cash flows).

For further details on financial assets, see Appendix II.

4.1.4 Equity

	€ Million	
	06/30/2019	12/31/2018
Shareholders' equity	**30,408**	**30,468**
Share capital	1,599	1,559
Share premium and reserves:	27,832	25,894
Share premium	6,388	6,428
Legal reserve	312	299
Retained earnings and other reserves (1)	21,132	19,342
Dividends and remuneration on account	—	(175)
Treasury shares and own equity investments	(1,161)	(350)
Profit for the year attributable to the parent	1,133	2,341
Other equity instruments	1,005	1,024
Other cumulative comprehensive income	**247**	**160**
Non-controlling interests	**272**	**286**
TOTAL EQUITY	**30,927**	**30,914**

(1) This heading includes the transfer from income for the year attributable to the Parent for 2018 and "*Other reserves*" includes the impact of the first-time application of IFRS 16 and IFRIC 23 in 2019 (see Note 2.2.1) and of IFRS 9 and IFRS 15 in 2018 (see Note 2.2.2 to the consolidated financial statements for 2018).

Capital

On May 31, 2019, the Annual General Meeting approved two paid-up capital increases for the purpose of implementing the "Repsol Flexible Dividend" shareholders' remuneration program, which replaces the final dividend for 2018 and the interim dividend for 2019. This allows shareholders to choose between taking the dividend in cash (by selling their free-of-charge allocation rights to the Company or in the market) or in the company's shares. The first of these paid-up capital increases took place in June and July, when 28.31% of the rights holders accepted the binding purchase commitment[8].

After the capital increase, the share capital of Repsol, S.A. registered at June 30 stood at €1,598,791,040, fully subscribed and paid up, comprising 1,598,791,040 shares of €1.

In accordance with the most recent information available, Repsol, S.A.'s significant shareholders are as follows:

8 Repsol has waived its free allocation rights acquired under the purchase commitment and hence its rights to the corresponding new shares. The balance sheet at June 30, 2019 includes a reduction under the heading of "Share premium" and a payment obligation to those shareholders who accepted Repsol's binding purchase commitment.

Significant shareholders	% of share capital
Sacyr, S.A.(1)	7.67
BlackRock, Inc. (2)	4.45

(1) Sacyr, S.A. holds its stake through Sacyr Investments II, S.A., Sacyr Investments S.A. and Sacyr Securities, S.A.

(2) BlackRock, Inc. holds its interest through various entities it controls. The information pertaining to Blackrock, Inc. is based on the declaration presented by the latter to the CNMV on July 12, 2019 concerning the share capital figure of 1,558,877,582 shares.

Shareholder remuneration

The following table breaks down the remuneration received by Repsol, S.A.'s shareholders during the six-month period ending on June 30, 2019, carried out under the "*Repsol Flexible Dividend*" program:

	No. bonus issue rights sold to Repsol	Price of purchase commitment (€/ right)	Cash payout (millions of euros)	New shares issued	Remuneration in shares (millions of euros)
December 2018/January 2019	425,542,521	0.411	175	31,481,529	453
June/July 2019	441,300,729	0.505	223	39,913,458	564

The Annual General Meeting, at its meeting held on May 31, 2019, approved a capital reduction[9] through the retirement of treasury shares for the purpose of offsetting the dilutive effect of the the paid-up capital increases carried out in 2019 shown in the table above.

Treasury shares and own equity investments

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

	No. of shares	**Amount (€M)**	**% capital**
Balance at 12/31/2018	**24,157,554**	**350**	**1.55%**
Market purchases (1)	86,831,448	1,283	5.43%
Market sales (1)	(32,020,494)	(472)	2.00%
Repsol Flexible Dividend (2)	255,403	—	0.02%
Balance at 06/30/2019 (3)	**79,223,911**	**1,161**	**4.96%**

(1) Includes any shares purchased and delivered under the Share Purchase Plan and the Plans for share purchases by the beneficiaries of the multiyear variable remuneration programs (for further details, see Note 29 of the 2018 consolidated Annual Accounts). In 2019, 338,594 shares have been distributed in accordance with the terms of the plans.

(2) New shares received in the paid-up capital increases under the "Repsol Flexible Dividend" program, corresponding to treasury shares.

(3) The balance at 30 June, 2019 includes derivatives arranged by Repsol, S.A. with financial institutions for a total notional amount of 76 million shares in Repsol, S.A., the effect of which is to transfer to the Group the financial risk and financial rights attaching to the shares.

4.1.5 Financial liabilities

	€ Million	
	06/30/2019	**12/31/2018**
Non-current financial liabilities (1)	10,737	10,818
Non-current trade operation derivatives (2)	10	18
Current financial liabilities (1)	5,953	4,486
Current trade operation derivatives (3)	522	250
Total financial liabilities	**17,222**	**15,572**

(1) This change is due mainly to the application of IFRS 16 and the commitments to purchase shares for the treasury portfolio implied by the derivatives described in the previous section, which were partially offset by the cancellation of a bond upon maturity and the reclassification of bonds maturing in 12 months or less between the two headings.

(2) Recognized under "*Other non-current liabilities*" on the balance sheet.

(3) Recognized under "*Trade and other payables*" on the balance sheet.

9 This capital reduction has been carried out through the retirement of treasury shares at the date of the Board resolution, held on March 27, 2019, and the shares acquired through a share repurchase plan and, where applicable, through the settlement of derivatives arranged prior to March 27, 2019.

"*Non-current financial liabilities*" and "*Current financial liabilities*" increased by €1,351 million as a result of the application of IFRS 16 from January 1, 2019 (see Note 2.2.1). For further details on financial liabilities, see Appendix II.

During the first six months of 2019, there were no new issues of debentures or marketable debt securities. In February 2019 the bond issued by Repsol International Finance B.V. (RIF) in January 2012 as part of the EMTN Program was repaid upon maturity for a nominal amount of €1,000 million, with a fixed annual coupon of 4.875%.

The outstanding balance of the debentures and marketable securities at June 30 is as follows:

ISIN	Issuer	Date of issue	Currency	Nominal amount (millions)	Average rate %	Maturity	Listed [5]
US87425EAE32 [3]	Repsol Oil & Gas Canada Inc.	Oct-97	US dollar	50	7.250%	Oct-27	-
US87425EAH62 [3]	Repsol Oil & Gas Canada Inc.	May-05	US dollar	88	5.750%	May-35	-
US87425EAJ29 [3]	Repsol Oil & Gas Canada Inc.	Jan-06	US dollar	102	5.850%	Feb-37	-
US87425EAK91 [3]	Repsol Oil & Gas Canada Inc.	Nov-06	US dollar	115	6.250%	Feb-38	-
US87425EAN31 [3]	Repsol Oil & Gas Canada Inc.	May-12	US dollar	57	5.500%	May-42	-
XS0933604943 [1]	Repsol International Finance, B.V.	May-13	Euro	1,200	2.625%	May-20	LuxSE
XS0975256685 [1]	Repsol International Finance, B.V.	Oct-13	Euro	1,000	3.625%	Oct-21	LuxSE
XS1148073205 [1]	Repsol International Finance, B.V.	Dec-14	Euro	500	2.250%	Dec-26	LuxSE
XS1207058733 [2]	Repsol International Finance, B.V.	Mar-15	Euro	1,000	4.500% [4]	Mar-75	LuxSE
XS1334225361 [1]	Repsol International Finance, B.V.	Dec-15	Euro	600	2.125%	Dec-20	LuxSE
XS1352121724 [1]	Repsol International Finance, B.V.	Jan-16	Euro	100	5.375%	Jan-31	LuxSE
XS1451452954 [1]	Repsol International Finance, B.V.	Jul-16	Euro	100	0.125%	Jul-19	LuxSE
XS1613140489 [1]	Repsol International Finance, B.V.	May-17	Euro	500	5.000%	May-22	LuxSE

Note: Does not include the subordinated perpetual bond issued by RIF on March 25, 2015 in the amount of €1,000 million, which qualifies as an equity instrument.

(1) Issues made under the EMTN Program, which is guaranteed by Repsol, S.A.
(2) Subordinated bond issued by RIF and guaranteed by Repsol, S.A. This issue does not correspond to any open-ended or shelf program.
(3) Repsol Oil & Gas Canada, Inc. issues guaranteed by Repsol, S.A.
(4) Coupon scheduled for reset on March 25, 2025 and March 25, 2045.
(5) LuxSE (Luxembourg Stock Exchange). Multilateral trading systems or other trading centers or non-official over-the-counter markets are not considered.

Furthermore, RIF runs a Euro Commercial Paper (ECP) Program, guaranteed by Repsol, S.A., with a limit of €2,000 million. Under this program, issues and liquidations were carried out over the course of the period, with an outstanding balance at June 30, 2019 of €1,725 million.

4.2 Income statement

4.2.1 Revenue from ordinary activities

The distribution, by country, of revenue from ordinary activities ("*Sales*" and "*Income from services rendered*") by country in the first six months of 2019 is as follows:

€ Million	**06/30/2019**	**06/30/2018**
Spain	13,333	11,839
Peru	1,407	1,404
United States	1,321	1,667
Portugal	1,304	1,291
Other	7,568	7,296
Total [1]	**24,933**	**23,497**

(1) The distribution by geographical area has been drawn up based on the markets to which the sales or services rendered are destined.

In 2019, revenue from Upstream activities amounted to €2,405 million, while that of the Downstream segment totaled €23,546 million (€2,586 million and €21,909 million, respectively, in the same period of 2018)[10]. The increase in revenue was due mainly to the contribution of the new Electricity and gas businesses in Spain and the international expansion of the Mobility business in Mexico in the Downstream segment.

4.2.2 Operating profit and financial results

The operating profit was lower than in the same period of 2018. The financial results deteriorated due to the effect of the positive exchange rate differences in 2018 arising from funding instruments. Simultaneously with these interim financial statements, Repsol publishes an interim Management Report for the first half of 2019 with a detailed explanation of those differences.

4.2.3 Profit from investments accounted for using the equity method

The breakdown of the profit, net of taxes, from investments accounted for using the equity method is as follows:

	Profit [(1)]	
	06/30/2019	**06/30/2018**
Joint ventures	264	182
Associates	(27)	11
TOTAL	**237**	**193**

(1) Corresponds to the profit for the period from continuing operations. Does not include other comprehensive income of €54 million at June 30, 2019 corresponding to joint ventures and €119 million at June 30, 2018 (€116 million corresponding to joint ventures and €3 million corresponding to associates).

4.2.4 Income tax

The effective tax rate[11] applicable to profit from continuing operations (before tax and before considering the profit/(loss) of entities accounted for using the equity method) was 38%. This rate is lower than the rate applied in the same period in 2018 (47%) mainly as a result of the mix of nominal rates.

4.2.5 Profit from discontinued operations

In the first half of 2018, "*Profit from discontinued operations*", net of taxes, included the results of the disposal of the holding in Naturgy (€344 million), as well as the profit generated by Naturgy until February 22, 2018, when it was reclassified as held for sale, for an amount of €68 million.

4.2.6 Earnings per share

Earnings per share in the first six months of 2019 and 2018 are detailed below:

EARNINGS PER SHARE	**06/30/2019**	**06/30/2018**
Profit attributable to the parent (€ million)	1,133	1,546
Adjustment to interest expense on subordinated perpetual obligations (€ million)	(15)	(15)
Weighted average number of shares outstanding on June 30 (millions of shares) [(1)]	1,541	1,644
Basic and diluted earnings per share (euros/share)	**0.73**	**0.93**

(1) The share capital recognized at June 30, 2018 comprised 1,596,173,736 shares, although the weighted average number of outstanding shares for the purposes of calculating earnings per share includes the effect of the capital increases undertaken as part of the "Repsol Flexible Dividend" shareholder payment system, as per the applicable accounting regulations (see Note 2.2 "*Comparative information*").

[10] For more information, see Appendix III.

[11] To estimate the income tax accrued for interim periods, the estimated annual effective tax rate is applied. However, the tax effects resulting from one-off events of transactions in the period are considered as an integral part thereof.

(5) RISKS

5.1 Disputes

The information provided in this section updates the following lawsuits set out in Note 14.2 to the consolidated financial statements for 2018:

United States of America

<u>The Passaic River / Newark Bay lawsuit:</u>

On September 14, 2018, Maxus Energy Corporation (Maxus) (assuming right of ownership of the claim on behalf of Occidental Chemical Corporation (OCC)) and OCC submitted an appeal against these rulings. On June 14, 2018, the Maxus Bankruptcy Administration filed a lawsuit (New Claim) in the United States Bankruptcy Court for the District of Delaware against YPF, Repsol and certain subsidiaries of both companies for the same claims as those contained in the Cross Claim. On September 10, 2018, Repsol filed a Motion to Abstain and on October 19, 2018, Repsol filed a Motion to Dismiss. On February 15, 2019, the United States Bankruptcy Court rejected the Motion to Dismiss and on February 25, 2019 the United States Bankruptcy Court rejected the Motion to Abstain filed by Repsol.

Repsol maintains the view, as has been shown in the Cross Claim, that the claims made in the New Claim are unfounded.

5.2 Government legal proceedings with tax implications

The information provided in this section updates the following lawsuits set out in Note 23.4 to the consolidated financial statements for 2018:

Spain

The inspection of the 2014-2016 period, which began in 2017, is expected to finish in the second half of 2019, and is not expected to result in liabilities with a significant impact on the Group’s results. Penalty proceedings are not expected to be launched, but the disputes linked to the deduction of losses on investments abroad are expected to continue.

5.3 Geopolitical risks

The information in this section updates the content of Note 20.3 to the consolidated financial statements for 2018.

Venezuela

The economic and social crisis continues after the swearing in of the president of the National Assembly, Juan Guaidó, as interim president of Venezuela on January 23, 2019.

In the first half of the year, the currency depreciated greatly against the euro (€7,659/BsS compared to €730/BsS at December 31, 2018, SIMECA exchange rate), with no significant impact on the Group's financial statements.

In 2019 new sanctions against Venezuela were adopted. Particularly worthy of note is the sanction imposed by the US on January 28, 2019 against PdVSA, thus including it on the “Specially Designated Nationals and Blocked Persons List” (“SDN List”). On April 17, 2019 the US also included the Central Bank of Venezuela on the SDN List. This means that “US Persons” are prohibited from carrying out operations with PdVSA, the Central Bank of Venezuela and/or any of the companies controlled by them (stake equal to or greater than 50%) and are required to block their assets. Although the US has granted certain time limits to facilitate the orderly termination of operations through the granting of several general licenses, these new measures have aggravated the country's crisis situation. Repsol has taken the measures necessary to continue its activities in Venezuela, which include regularly receiving crude oil in payment of debts, in full compliance with international regulations on sanctions and continuously monitors any changes therein and, therefore, any potential effects they may have on these activities.

These measures did not have any significant impact on the Group compared to 2018. At the end of the period, Repsol's equity exposure[12] in Venezuela amounted to €393 million.

[12] Equity exposure relates to the net consolidated assets exposed to risks specific to the countries for which they are reported.

Libya

The uncertainty regarding Libya's political future continues following the clashes for control over Tripoli between General Haftar's Libyan National Army (LNA) and the forces loyal to the GNA (the official government established in Tripoli and backed by the United Nations). The deterioration in the security situation continues to affect the prospects of its oil industry, though the country has currently recovered part of its oil production and exports.

Repsol's equity exposure in Libya amounted to €326 million at June 30, 2019 (mainly the property, plant and equipment at that date).

Algeria

The social protests that began on February 22 have led to the resignation of President Abdelaziz Buteflika. Given the peaceful nature of these protests, they are not expected to have a significant impact at the operational level on the activities of the oil and gas industry, beyond a slowdown in the decision-making process, as a result of the likely institutional reorganization.

The Group's equity exposure in the country at June 30, 2019 amounted to €801 million (mainly the property, plant and equipment at this date).

Vietnam

Repsol owns mineral rights on thirteen blocks in Vietnam, distributed in six production-sharing contracts (PSC): one in production over a net area of 152 km^2, (*Thang Long JOC*), one under development over 1,236 km^2 (*Ca Rong Do*) and four in exploration, over a net surface area of 72,248 km^2 (among them Blocks 135-136/03). Repsol's equity exposure in Vietnam at June 30, 2019 came to some €906 million (mainly the property, plant and equipment at that date) and there are additional commitments relating to the investment in these areas.

In March 23, 2018 Repsol received instructions from *PetroVietnam* to refrain from performing the programmed activities as part of the *Ca Rong Do* development project in Block 07/03, located in the South China Sea, for the time being. On the other hand, in July 2017, the *PetroVietnam* instructed Repsol to stop CKN-1X drilling activities in exploratory blocks 135-136/03, also located in the South China Sea. The duration of the suspension of activity has yet to be determined, and the Group is working with PetroVietnam to find formulas that will satisfy the interests of both parties, allowing them to reach an amicable solution to the conflict. In any case, Repsol has initiated arbitration proceedings in defense of its rights and considers that it has both strong legal arguments for compensation for the damages that might arise from this situation and good prospects of success in any claim or in recovering its losses.

BREXIT

After the Parliament of the United Kingdom rejected the withdrawal agreement reached between its government and the European Union, an extension was granted to the process carried out pursuant to Article 50. The next deadline is October 31. On June 7, the British prime minister resigned, and the Conservative Party is currently in the process of choosing her successor. This situation increases the risk of the UK making an abrupt exit for the European Union.

The European Union Emission Trade System (EU ETS) is being affected by Brexit, due to the fact that the European Commission decided to suspend any free allocation of benefits involving the United Kingdom. The economic impact of this is still unknown.

With regard to the extraction, transport and marketing of hydrocarbons, no substantial changes are expected, as the British government has always had sovereignty and control over the key aspects for the sector, such as the licensing of mineral concessions and the tax framework for the activities of oil companies. The message received by the sector during the Brexit process is one of regulatory stability.

The Group's exposure in the United Kingdom is limited mainly to its stake in Repsol Sinopec Resources UK Limited (RSRUK), which operates a mature business engaging in hydrocarbon exploration and production activities and whose functional currency is the US dollar, meaning that even under the most extreme Brexit scenarios no significant risks have been detected.

(6) OTHER INFORMATION

Corporate governance

The Annual General Meeting, held on May 31, 2019, approved the re-election of Antonio Brufau Niubó, Josu Jon Imaz San Miguel, José Manuel Loureda Mantiñán and John Robinson West as directors, the ratification of the appointment by co-option and re-election of Henri Philippe Reichstul as director, as well as the appointment of Aránzazu Estefanía Larrañaga and María Teresa García-Milà Lloveras as independent non-executive directors, all of them for the four-year term stipulated in the bylaws. It also approved a decrease in the number of Board members to fifteen.

In addition, Mariano Marzo Carpio has been appointed Lead Independent Director.

(7) EXPLANATION ADDED FOR THE TRANSLATION INTO ENGLISH

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

APPENDIX I. CHANGES IN THE COMPOSITION OF THE GROUP

The companies that comprise the Repsol Group are set out in Appendix I of the 2018 consolidated financial statements. The main changes in the composition of the Group during the first six months of 2019 are as follows:

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

					06/30/2019		
Registered name	**Country**	**Parent**	**Item**	**Date**	**Method of consolidation (1)**	**% voting rights acquired**	**% total voting rights in entity following acquisition(2)**
Agrícola Comercial del Valle de Santo Domingo, S.A.	Mexico	Repsol Downstream Internacional, S.A.	Acquisition	January 2019	E.M.	20.00%	20.00%
Autoservicio Sargento, S.A. de C.V.	Mexico	Repsol Downstream Internacional, S.A.	Acquisition	January 2019	E.M.	50.00%	50.00%
Combustibles Sureños, S.A. de C.V.	Mexico	Repsol Downstream Internacional, S.A.	Acquisition	January 2019	E.M.	50.00%	50.00%
Estación de Servicio Bahía Asunción, S.A. de C.V.	Mexico	Repsol Downstream Internacional, S.A.	Acquisition	January 2019	E.M.	50.00%	50.00%
Gutsa Servicios, S.A. de C.V.	Mexico	Repsol Downstream Internacional, S.A.	Acquisition	January 2019	E.M.	50.00%	50.00%
Palmira Market, S.A. de C.V.	Mexico	Repsol Downstream Internacional, S.A.	Acquisition	January 2019	E.M.	50.00%	50.00%
Repsol Mar de Cortés, S.A. de C.V.	Mexico	Repsol Downstream Internacional, S.A.	Acquisition	January 2019	E.M.	50.00%	50.00%
Repsol Mar de Cortés Estaciones de Servicio, S.A. de C.V.	Mexico	Repsol Downstream Internacional, S.A.	Acquisition	January 2019	E.M.	50.00%	50.00%
Sorbwater Technology, A.S.	Norway	Repsol Energy Ventures, S.A.	Share increase	January 2019	E.M.	9.35%	20.64%
Begas Motor S.L.	Spain	Repsol Energy Ventures, S.A.	Acquisition	February 2019	E.M.	36.19%	36.19%
Ampere Power Energy S.L.	Spain	Repsol Energy Ventures, S.A.	Acquisition	February 2019	E.M.	7.89%	7.89%
Refinería La Pampilla, S.A.A.	Peru	Repsol Perú B.V.	Share increase	March 2019	F.C.	10.04%	92.42%
Arco Energía 1, S.L.U.	Spain	Repsol Nuevas Energías, S.A.	Acquisition	June 2019	F.C.	100.00%	100.00%
Arco Energía 2, S.L.U.	Spain	Repsol Nuevas Energías, S.A.	Acquisition	June 2019	F.C.	100.00%	100.00%
Arco Energía 3, S.L.U.	Spain	Repsol Nuevas Energías, S.A.	Acquisition	June 2019	F.C.	100.00%	100.00%
Arco Energía 4, S.L.U.	Spain	Repsol Nuevas Energías, S.A.	Acquisition	June 2019	F.C.	100.00%	100.00%
Arco Energía 5, S.L.U.	Spain	Repsol Nuevas Energías, S.A.	Acquisition	June 2019	F.C.	100.00%	100.00%
Iberen Renovables, S.A.	Spain	Repsol Nuevas Energías, S.A.	Acquisition	June 2019	F.C.	100.00%	100.00%
Renovacyl, S.A.	Spain	Iberen Renovables, S.A.	Acquisition	June 2019	F.C.	100.00%	100.00%
Desarrollo Eólico Las Majas VII, S.L.	Spain	Repsol Nuevas Energías, S.A.	Acquisition	June 2019	F.C.	100.00%	100.00%
Fuerzas Energéticas del Sur de Europa XI, S.L.	Spain	Repsol Nuevas Energías, S.A.	Acquisition	June 2019	F.C.	100.00%	100.00%
Fuerzas Energéticas del Sur de Europa XII, S.L.	Spain	Repsol Nuevas Energías, S.A.	Acquisition	June 2019	F.C.	100.00%	100.00%
Fuerzas Energéticas del Sur de Europa V, S.L.	Spain	Repsol Nuevas Energías, S.A.	Acquisition	June 2019	F.C.	100.00%	100.00%
Fuerzas Energéticas del Sur de Europa VI, S.L.	Spain	Repsol Nuevas Energías, S.A.	Acquisition	June 2019	F.C.	100.00%	100.00%
Alectoris 1, S.L.	Spain	Repsol Nuevas Energías, S.A.	Acquisition	June 2019	F.C.	100.00%	100.00%
Alectoris 3, S.L.	Spain	Repsol Nuevas Energías, S.A.	Acquisition	June 2019	F.C.	100.00%	100.00%
Generación Eólica El Vedado, S.L.	Spain	Repsol Nuevas Energías, S.A.	Acquisition	June 2019	F.C.	100.00%	100.00%
Repsol Greece Ionian, S.L.	Spain	Repsol Exploración, S.A.	Incorporation	June 2019	F.C.	100.00%	100.00%

(1) Method of consolidation:
F.C.: Full consolidation.
E.M.: Equity method. Joint ventures are identified as "JV".
(2) Corresponds to the percentage of equity in the acquired company.

b) Reduction in interest in subsidiaries, joint ventures, and/or associates and other similar transactions:

					06/30/2019			
Registered name	**Country**	**Parent**	**Item**	**Date**	**Method of consolidation** (1)	**% voting rights disposed or derecognized**	**% voting rights in entity following disposal**	**Profit / (Loss) generated (Millions of euros)**
Repsol Energy Canada, Ltd.	Canada	Repsol Exploración, S.A.	Absorption	January 2019	F.C.	100.00%	—	—
TEGSI (UK) Limited	United Kingdom	TE Holding S.ar.l.	Liquidation	January 2019	F.C.	100.00%	—	—
Gastream México, S.A. de C.V.	Mexico	Repsol, S.A.	Liquidation	February 2019	F.C.	100.00%	—	—
Talisman South Mandar B.V.	The Netherlands	Talisman International Holdings B.V.	Liquidation	February 2019	F.C.	100.00%	—	—
Talisman Sadang B.V.	The Netherlands	Talisman International Holdings B.V.	Liquidation	February 2019	F.C.	100.00%	—	—
Repsol Exploración Cendrawasih II, B.V.	The Netherlands	Repsol Exploración S.A.	Liquidation	April 2019	F.C.	100.00%	—	—
Begas Motor, S.L.	Spain	Repsol Energy Ventures, S.A.	Partial reduction	April 2019	E.M.	8.26%	27.93%	—
Repsol Exploración Liberia, B.V.	The Netherlands	Repsol Exploración, S.A.	Liquidation	June 2019	F.C.	100.00%	—	—
Repsol Exploración Liberia LB-10, B.V.	The Netherlands	Repsol Exploración, S.A.	Liquidation	June 2019	F.C.	100.00%	—	—

(1) Method of consolidation:
F.C.: Full consolidation.
E.M.: Equity method. Joint ventures are identified as "JV".

APPENDIX II. OTHER DETAILED INFORMATION

Financial instruments

Financial assets

The breakdown of the Group's financial assets, categorized by asset type, is as follows:

	June 30, 2019 and December 31, 2018							
	At fair value through profit or loss		At fair value through other comprehensive income		At amortized cost [4]		**Total**	
€ Million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Equity instruments [1]	24	24	103	105	—	—	127	129
Derivatives [2]	26	33	7	—	—	—	33	33
Loans	—	—	—	—	941	921	941	921
Other financial assets	43	53	—	—	21	—	64	53
Non-current	**93**	**110**	**110**	**105**	**962**	**921**	**1,165**	**1,136**
Derivatives [2]	364	308	6	10	—	—	370	318
Loans	—	—	—	—	95	174	95	174
Time deposits	—	—	—	—	1,383	1,455	1,383	1,455
Cash and cash equivalents	9	9	—	—	4,293	4,777	4,302	4,786
Other financial assets	2	3	—	—	11	2	13	5
Current	**375**	**320**	**6**	**10**	**5,782**	**6,408**	**6,163**	**6,738**
TOTAL [3]	**468**	**430**	**116**	**115**	**6,744**	**7,329**	**7,328**	**7,874**

[1] Includes non-controlling financial investments in certain companies over which it does not have management influence.
[2] Includes current hedging derivatives amounting to €6 million (€10 million in 2018) and non-current hedging derivatives amounting to €7 million.
[3] Does not include "Other non-current assets" and "Trade and other receivables" in the consolidated balance sheet, which at June 30, 2019 and December 31,2018 amounted €678 million and €668 million classified as non-current and €6,505 million and €5,864 million classified as current, respectively, corresponding to trade receivables not included in the previous table net of the corresponding provisions for impairment.
[4] Items that do not bear explicit interest are recognized at their nominal value whenever the effect of not discounting the related cash flows is not significant.

Financial liabilities

The breakdown of the Group's financial liabilities, categorized by liability type, is as follows:

	June 30, 2019 and December 31, 2018							
	At fair value [2]		At amortized cost		Total		Fair value	
€ Million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Bonds and obligations	—	—	4,048	5,243	4,048	5,243	4,440	5,493
Loans	—	—	2,858	2,789	2,858	2,789	2,858	2,789
Lease liabilities	—	—	2,651	1,426	2,651	1,426	n/a	n/a
Bank borrowings	—	—	1,017	1,208	1,017	1,208	1,102	1,161
Derivatives [1]	82	74	—	—	82	74	82	74
Other financial liabilities	—	—	91	96	91	96	92	97
Non-current	**82**	**74**	**10,665**	**10,762**	**10,747**	**10,836**	**8,574**	**9,614**
Bonds and obligations	—	—	3,088	2,855	3,088	2,855	3,119	2,862
Loans	—	—	819	660	819	660	819	660
Lease liabilities	—	—	422	197	422	197	n/a	n/a
Bank borrowings	—	—	1,557	704	1,557	704	1,557	704
Derivatives [1]	558	300	—	—	558	300	558	300
Other financial liabilities	—	—	31	20	31	20	31	20
Current	**558**	**300**	**5,917**	**4,436**	**6,475**	**4,736**	**6,084**	**4,546**
TOTAL	**640**	**374**	**16,582**	**15,198**	**17,222**	**15,572**	**14,658**	**14,160**

[1] In 2019, includes non-current and current hedging derivatives amounting to €72 million and €7 million, respectively (€54 million and €1 million in 2018).
[2] *"Fair value of financial instruments"* in this appendix sets out the classification of financial instruments according to their level in the fair value hierarchy.

Fair value of financial instruments

The classification of the financial instruments recognized in the interim financial statements at their fair value at June 30, 2019 and December 31, 2018, is as follows:

€ Million	June 30, 2019 and December 31, 2018							
	Level 1		Level 2		Level 3		**Total**	
Financial assets	2019	2018	2019	2018	2019	2018	**2019**	**2018**
At fair value through profit or loss	155	204	289	202	24	24	468	430
At fair value through other comprehensive income	—	—	—	—	103	105	103	105
Hedging instruments	—	—	13	10	—	—	13	10
Total	**155**	**204**	**302**	**212**	**127**	**129**	**584**	**545**

	Level 1		Level 2		Level 3		**Total**	
Financial liabilities	2019	2018	2019	2018	2019	2018	**2019**	**2018**
At fair value	272	223	289	94	—	—	561	317
Hedging instruments	—	—	79	57	—	—	79	57
Total	**272**	**223**	**368**	**151**	**—**	**—**	**640**	**374**

The financial instruments recognized at fair value are classified under the different fair value hierarchies, as described below:

- Level 1: Valuations based on a quoted price in an active market for an identical instrument.
- Level 2: Valuations based on a quoted price in an active market for similar financial assets or based on other valuation techniques that rely on observable market inputs.
- Level 3: Valuations based on variables that are not directly observable in the market.

For further details of the calculation methodology and the fair value hierarchy, see Note 8 of the 2018 consolidated financial statements.

Related party transactions

Repsol carries out transactions with related parties on an arm's length basis. The transactions between Repsol, S.A. and the companies of its Group, and between these, form part of the company's usual business as regards purpose and conditions.

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

a. Significant shareholders: Sacyr, S.A. and BlackRock, Inc. (see section 4.1.4).

b. Directors and executive personnel: includes members of the Board of Directors as well as members of the Executive Committee, whose members are considered "*key management personnel*" for purposes of this section (see section "*Remuneration of the members of the Board of Directors and executives*").

c. People, companies or entities within the Group: includes transactions with Group companies or entities for the part not eliminated in the consolidation process, corresponding mainly to transactions undertaken with companies consolidated using the equity method (see Note 13 to the Consolidated Financial Statements for 2018).

Income, expenses and other transactions and balances recorded at June 30 with related parties are as follows:

Expenses and revenue

€ million	06/30/2019				06/30/2018			
Expenses and revenue	Significant shareholders	Directors and executives [1]	People, companies or entities within the Group	Total	Significant shareholders	Directors and executives [1]	People, companies or entities within the Group	Total
Finance costs	—	—	59	59	5	—	41	46
Leasing	—	—	—	—	—	—	1	1
Service receptions	13	—	33	46	12	—	40	52
Purchase of goods [2]	—	—	803	803	—	—	846	846
Other expenses [3]	—	—	14	14	3	—	575	578
TOTAL EXPENSES	**13**	**—**	**909**	**922**	**20**	**—**	**1,503**	**1,523**
Finance income	—	—	62	62	3	—	78	81
Service provisions	2	—	3	5	3	—	3	6
Sale of goods [4]	94	—	195	289	77	—	342	419
Other revenue	—	—	56	56	—	—	29	29
TOTAL REVENUE	**96**	**—**	**316**	**412**	**83**	**—**	**452**	**535**

Other transactions

€ million	06/30/2019				06/30/2018			
Other transactions	Significant shareholders	Directors and executives [1]	People, companies or entities within the Group	Total	Significant shareholders	Directors and executives [1]	People, companies or entities within the Group	Total
Funding agreements: credit and capital contributions (creditor)	—	—	120	120	—	—	103	103
Funding agreements: loans and capital contributions (borrower) [5]	—	—	506	506	—	—	505	505
Guarantees and sureties given [6]	—	—	613	613	38	—	584	621
Guarantees and sureties received	5	—	—	5	2	—	—	2
Commitments assumed [7]	35	—	1	35	4	—	—	4
Dividends and other profits distributed [8]	47	—	—	47	82	—	—	82
Other operations [9]	17	—	123	139	1,030	—	481	1,511

Closing balances

€ million	06/30/2019				06/30/2018			
Closing balances	Significant shareholders	Directors and executives [1]	People, companies or entities within the Group	Total	Significant shareholders	Directors and executives [1]	People, companies or entities within the Group	Total
Customers and trade receivables	2	—	179	181	4	—	309	313
Loans and credits granted	—	—	1,036	1,036	—	—	1,474	1,474
Other receivables	—	—	—	—	—	—	—	—
TOTAL RECEIVABLES BALANCES	**2**	**—**	**1,215**	**1,217**	**4**	**—**	**1,783**	**1,787**
Suppliers and trade payables	18	—	196	214	17	—	245	262
Loans and credits received	—	—	3,668	3,668	—	—	3,119	3,119
Other payment obligations [10]	62	—	3	65	9	—	3	12
TOTAL PAYABLE BALANCES	**80**	**—**	**3,867**	**3,947**	**26**	**—**	**3,367**	**3,393**

Note: The tables for 2018 include the amendments to the consolidated interim Financial Statements for the first half of 2018 needed to adapt them to the models required by CNMV Circular 3/2018. For 2018 the tables for Expenses and Income and Other Transactions include transactions with the Naturgy Group until 18 May 2018 and with Caixabank until 20 September 2018.

(1) Includes any transactions performed with executives and directors not included in the following section "Remuneration of the members of the Board of Directors and executives", which correspond to the outstanding balance at the reporting date of the loans granted to members of senior management and the corresponding accrued interest, as well as dividends and other remuneration received as a result of holding shares of the Company.

(2) The column headed "People, companies or entities within the Group" primarily includes products purchased with Repsol Sinopec Brasil (RSB) and from BPRY Caribbean Ventures LLC (BPRY).

(3) In 2018 we should underline the supplies of gas with Naturgy for oil refineries and provisions for credit risks of accounts receivable and financial instruments in the first half (see Notes 10.3 and 20.3 to the consolidated financial statements for 2018). Excludes impacts of first application of IFRS 9 in joint ventures in Venezuela, which are recognized in "Equity." (see Note 2.2.2 to the consolidated financial statements for 2018).

(4) In 2019 and 2018 the column "Significant shareholders" includes mainly the sales of gas to the Temasek group. In 2019 and 2018 the column "People, companies or entities within the Group" includes mainly sales of products to Iberian Lube Base Oil, S.A. (ILBOC) and Dynasol Group.

(5) Includes loans granted and new provisions for credit facilities in the period, as well as capital contributions to Group companies with companies accounted for using the equity method.

(6) Includes primarily guarantees granted to joint ventures in the United Kingdom, issued in the ordinary course of business to cover obligations to dismantle offshore platforms in the North Sea.

(7) Corresponds to purchase, investment or expense commitments acquired in the period.

(8) The amounts shown as dividends and other benefits distributed include the corresponding amounts for the sale to Repsol, at the guaranteed fixed price, of the free allocation rights derived from the paid-up capital increase finalized in January 2019, in the framework of the "Repsol Flexible Dividend" remuneration program. On the other hand, it does not include the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of the free allocation rights derived from the paid-up capital increase finalized in July 2019, which in the case of the significant shareholders amounted to €62 million (see note 10 of this table), nor does it include the Repsol shares subscribed in these capital increases.

(9) In 2018 "Significant Shareholders" included mainly interest-bearing accounts and deposits amounting to €900 million with Caixa.

(10) In 2019 and 2018 "Significant Shareholders" includes the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of the free allocation rights arising from bonus capital increase closed in July 2019 and 2018, respectively. Duties are recorded as accounts payable.

Remuneration of the members of the Board of Directors and executives [13]

The information in this section is provided by way of an update on the contents of Notes 29 and 30 of the consolidated financial statements for 2018.

During the first half of 2019, a total of 17 people sat on the Board of Directors and 9 people on the Executive Committee.

The table below details the remunerations accrued during the first half of 2019 by the people who, at some point during the six-month period and during the time they occupied such positions, were members of the Board of Directors, and by the people who, similarly for the same period and with the same criterion, were members of the Executive Committee. Unless indicated otherwise, the compensation figures provided for "*Executive personnel*" do not include the compensation accrued by people who are also directors of Repsol, S.A.; the compensation disclosures for these individuals are included under "*Directors.*"

[13] For reporting purposes in this section, Repsol considers "key management personnel" to be the members of the Executive Committee. The above definition of "key management personnel", made purely for reporting purposes, neither substitutes nor comprises a benchmark for interpreting other senior management pay concepts applicable to the Company under prevailing legislation (e.g. Royal Decree 1382/1985), nor does it have the effect of creating, recognizing, amending or extinguishing any existing legal or contractual rights or obligations.

Directors	€ Thousand 1H 2019	1H 2018
Remuneration for membership of the Board	3,505	3,594
Wages	1,091	1,229
Variable remuneration in cash	1,719	1,789
Share-based remuneration systems	203	221
Compensation	—	—
Long-term savings systems [(1)]	225	225
Other items [(2)]	342	342
Total remunerations received by the Directors	**7,085**	**7,400**
Total remunerations received by the Executive personnel [(3)]	**6,154**	**6,667**

Note: The information for 2018 includes the amendments to the interim consolidated financial statements for the first half of 2018 needed to adapt them to the models required by CNMV Circular 3/2018.
[(1)] Corresponds to the contributions to pension plans, long-service bonuses and savings plans for executive personnel.
[(2)] Includes the accrued cost of the retirement, disability, and life insurance policies for Board of Directors members, including the corresponding tax payments on account in the amount of €179 thousand (€165 thousand in 2018).
[(3)] Includes the contributions to the pension plans, contributions to savings plans and life and accident insurance premiums (including in the latter instance the corresponding payments on account) totaled €712 thousand (€676 thousand in 2018).

Share Purchase Plans for the Beneficiaries of the Long-term Incentive Programs and Share Acquisition Plans

i.) "Share purchase program for beneficiaries of Long-term Incentive Programs"

A total of 201 employees and executive personnel have been included in the ninth cycle of the 2019-2022 Plan, acquiring a total of 222,964 shares on June 3, 2019, at an average price of €14.4101 per share. Additionally, shares delivered to the Executive Directors as a partial payment of the 2015-2018 Incentive Program, which amounted to 23,544 shares, have been included in the calculation of the expected investment in this current Share Acquisition Plan by the Beneficiaries of the Long-term Incentive Programs. Therefore, the total amount of shares under this Plan amounted to 246,508 shares. Thus, the maximum share delivery commitment corresponding to this ninth cycle by the Group with employees who meet the requirements of the Plan after the three years in which it remains in force, comes to 82,168 shares.

As part of the ninth cycle, the current members of the Executive Committee, as well as the rest of the Executive Directors, have acquired a total of 112,236 shares.

In addition, the sixth cycle of the Plan vested on June 30, 2019. As a result, 114 beneficiaries of this cycle vested rights to a total of 39,490 shares (receiving a total of 29,563 shares after deducting the payment of income tax on account to be paid by the company). The members of the Executive committee, together with the other Executive Directors, vested rights to 16,134 shares (after deducting the payment of income tax on account to be paid by the company, they received a total of 11,190 shares).

ii.) *"Share Acquisition Plan"*

During the first half of 2019, the Group purchased 315,050 treasury shares for €4,645,074, which were delivered to employees. The members of the Executive Committee acquired a total of 3,248 shares in accordance with the plan terms and conditions during the first-half of the year.

The shares to be delivered in plans i) and ii) may be taken from Repsol's direct or indirect treasury shares, newly issued shares or via third parties with whom agreements are entered into to ensure the satisfaction of commitments assumed.

Average headcount

The average headcount at June 30, 2019 and 2018 can be seen below:

	06/30/2019	06/30/2018
Men	15,413	15,631
Women	9,171	8,721
Average headcount	**24,584**	**24,352**

APPENDIX III. RECONCILIATION OF REPSOL´S REPORTING MODEL FIGURES AND IFRS-EU

The reconciliation between adjusted net income/(loss) and IFRS-EU net income/(loss) for the first half of 2019 and 2018 is as follows:

	First half											
			ADJUSTMENTS									
	Adjusted net profit		**Reclassification of joint ventures**		**Special items**		**Inventory effect** [(2)]		**Total adjustments**		**IFRS-EU profit/ loss**	
€ Million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Operating profit	2,002[(1)]	2,043[(1)]	(478)	(286)	18	(242)	90	282	(370)	(246)	1,632	1,797
Financial result	(228)	(175)	68	60	(9)	146	—	—	59	206	(169)	31
Net profit of companies accounted for using the equity method - net of tax	17	21	220	172	—	—	—	—	220	172	237	193
Profit before tax	**1,791**	**1,889**	**(190)**	**(54)**	**9**	**(96)**	**90**	**282**	**(91)**	**132**	**1,700**	**2,021**
Income tax	(668)	(746)	190	54	(54)	(104)	(23)	(72)	113	(122)	(555)	(868)
Profit from continuing operations	**1,123**	**1,143**	**—**	**—**	**(45)**	**(200)**	**67**	**210**	**22**	**10**	**1,145**	**1,153**
Profit from continuing operations attributable to non-controlling interests	(8)	(11)	—	—	—	—	(4)	(8)	(4)	(8)	(12)	(19)
Profit from continuing operations attributable to the parent	**1,115**	**1,132**	**—**	**—**	**(45)**	**(200)**	**63**	**202**	**18**	**2**	**1,133**	**1,134**
Profit from discontinued operations	—	—	—	—	—	412	—	—	—	412	—	412
TOTAL PROFIT ATTRIBUTABLE TO THE PARENT	**1,115**	**1,132**	**—**	**—**	**(45)**	**212**	**63**	**202**	**18**	**414**	**1,133**	**1,546**

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

Revenue from ordinary activities by segments between customer and inter-segment revenue is displayed below:

	Millions of euros					
	Customers		**Inter-segment**		**Total**	
Segments	**06/30/2019**	**06/30/2018**	**06/30/2019**	**06/30/2018**	**06/30/2019**	**06/30/2018**
Upstream	2,525	2,850	989	925	3,514	3,775
Downstream	23,776	21,918	29	5	23,805	21,923
Corporate	—	—	—	—	—	—
(-) Adjustments and eliminations of operating income between segments	—	(68)	(1,018)	(930)	(1,018)	(998)
TOTAL	**26,301**	**24,700**	**—**	**—**	**26,301**	**24,700**

The reconciliation of other figures shown in Note 3 with those in IFRS-EU during the first six months of 2019 and 2018 is as follows:

	Millions of euros	
	06/30/2019	**06/30/2018**
Profit from continuing operations [1]	**26,301**	**24,700**
Adjustments		
Upstream	(1,109)	(1,189)
Downstream	(259)	(14)
Profit from continuing operations IFRS-EU [2]	**24,933**	**23,497**
Operating profit [1]	**2,002**	**2,043**
Adjustments		
Upstream	(389)	(428)
Downstream	38	256
Corporate	(19)	(74)
Operating profit IFRS-EU	**1,632**	**1,797**
Capital employed from continuing operations [1]	**38,391**	**33,864**
Adjustments		
Upstream	2,275	1,828
Downstream	62	16
Capital employed	**40,728**	**35,708**

(1) Figures drawn up according to the Group's reporting model described in Note 2.3 “*Information by business segment*”.
(2) Corresponds to the sum of “*Sales*” and “*Income from services rendered and other income*” in the income statement (IFRS-EU).

REPSOL Group

2019 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 Repsol[1] Group's **Interim Management Report** must be read together with the 2018 Consolidated Management Report.[2] In conjunction with this report, Repsol publishes condensed interim consolidated financial statements[3] for the first half of 2019 (hereinafter, "interim financial statements of the first half of 2019"). The Board of Directors of Repsol, S.A., at its meeting of July 23, 2019, has approved both reports.

The **financial information** contained in this document, unless otherwise indicated, has been produced in line with the Group's reporting model set out in Note 5 "*Segment reporting*" of the consolidated financial statements for 2018. Some of the financial indicators and ratios are classified as Alternative Performance Measures (APMs) in accordance with European Securities Markets Authority (ESMA) guidelines. Appendix II, "*Alternative Performance Measures*," sets out the reconciliation of the adjusted figures to IFRS-EU figures, also available on www.repsol.com.

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.

The **forward-looking information** contained in the sections of this document reflects the plans, forecasts or estimates of the Group's managers at the date of preparation. These are based on assumptions that are considered reasonable, but such forward-looking information should not be interpreted as an assurance of the entity's future performance. Such plans, forecasts or estimates are subject to risks and uncertainties that imply that the Group's future performance may not necessarily conform to forecasts.

MISSION, VISION AND PRINCIPLES:

The Group's principles "*Value Creation, Respect, Efficiency and Anticipation*" supplement the Company's **values** of "*Integrity, Responsibility, Flexibility, Transparency and Innovation*" set out in the Code of Ethics and Conduct. All of this is intended to fulfill the Company's Mission and make its Vision an achievable challenge.

Repsol's **mission** (its reason for being) is to be an energy company that is committed to a sustainable world.

Repsol's **vision** (where it is going) is to be a global energy company that uses innovation, efficiency and respect to create sustainable value for the community.

Additional information is available at https://www.repsol.com.

[1] In this report, the names "Repsol," "the Repsol Group" or "the Company" are used interchangeably to refer to the company group consisting of Repsol, S.A. and its subsidiaries, associates and joint arrangements.
[2] This Interim Management Report has been prepared solely for the purpose of updating the consolidated Management Report for 2018.
[3] The interim financial statements of the first half of the year have been subject to a limited independent review by the Group's auditor.

CONTENTS

APPENDICES

1. SUMMARY OF MAIN EVENTS

In the first half we made progress in the lines of action set out in the latest strategic update: enhanced shareholder remuneration, profitable management of businesses, including its international expansion, and development of new businesses tied to the energy transition.

RESULTS

Against a **backdrop** of a subdued economy and rising geopolitical instability, the financial performance of our businesses felt the pressure of volatile crude oil prices and weakening global indicators for heavy industries during first half of 2019 (1H 2019).

RESULTS FOR THE PERIOD *(million euros)*	1H 2019	1H 2018	Δ%
Upstream	646	647	-
Downstream	715	762	(6)%
Corporate and other	(246)	(277)	11%
Adjusted net income	1,115	**1,132**	**(2)%**
Inventory effect	63	202	(69)%
Special items	(45)	212	-
Net income	**1,133**	**1,546**	**(27)%**

€1,115 m
Adjusted net income

Upstream results are in line with those of the first half of previous year (1H 2018). Lower realization prices of crude oil were offset by lower exploration and production costs and by the strengthening of the dollar against the euro.

Downstream results were lower than in 1H 2018 as a result of the weaker performance of Refining in Spain, which was hit by significant drop of margins and maintenance shutdowns, and of Wholesale and Gas Trading, due to a milder winter in North America. The decreases were partly offset by improved performance in Chemicals, Refining Peru and Trading.

Corporate and other continued to lower financing and corporate structure costs despite the impact of the application of IFRS 16 (see Note 2.2.1 to the Financial Statements for 1H 2019) and weaker performance in the management of positions (currency and treasury shares).

Adjusted net income, which is intended to reflect the ordinary profit arising from the businesses, came to €1,115 million, 2% less than in 2018.

The **inventory effect** amounted to €63 million vs €202 million in 1H 2018, due to the behavior of crude oil and petroleum product prices in the period.

Special items showed a decline owing to the absence of major divestments, whereas in 2018 this caption reflected a gain on disposal of the 20% stake in Naturgy.

↑47%
Cash flow from operations

In sum, the Group's **net income** in the first half of 2019 was €1,133 million, 27% lower than in 2018. Earnings per share came to €0.73.

EBITDA, at €3,712 million, was slightly lower than in 2018. **Cash flow from operations** in the first half (€2,530 million), which increased significantly compared to the same period last year (+47%) due to the improvement in working capital, covered investments, interest payments and shareholder remuneration; **free cash flow** (€1,093 million), is lower than in 2018 (€4,306 million), due to the disposal of our stake in Naturgy in May 2018 (€3,816 million).

Net debt with leases amounted to €7,464 million (€7,457 million in the first quarter), with **leverage** of 19.4%. **Net debt *ex* leases** came to €3,662 million (€3,686 million at the end of the first quarter and €3,439 million at year-end 2018) with leverage of 10.6%.

Shareholder remuneration in the six-month period was equivalent to 0.411 euros per share in January[1], implying an increase of 6% over the previous year. At the Annual General Meeting of May 31, 2019, the shareholders resolved to reduce capital through redemption of treasury shares to offset the dilutive effect of bonus share issues arranged in 2019.

↑6%
Shareholder remuneration

ACTIVITIES

In the Upstream segment, the highlights were the success of our exploration campaign, with discoveries in Indonesia (Sakakemang[2]), the United States (Alaska and Gulf of Mexico), Malaysia and Norway, the start of production at Buckskin in the Gulf of Mexico (USA) and at Angelin (Trinidad and Tobago), the acquisition of new acreage in Indonesia, Norway and Russia, and the deal struck to establish a joint venture with Shell and Gazprom Neft for the exploration of two blocks in the Gyudan Peninsula (North Russia-Siberia).

The Downstream segment continued its international expansion in Mobility and development of the Electricity and Gas businesses. In Mexico, the half-year ended with 195 service stations in operation, while Repsol Electricidad y Gas topped 890 thousand customers and acquired three renewable projects in Spain with a capacity of 794 MW. Building on digitization opportunities, Waylet reached 1.2 million users and signed an agreement with El Corte Inglés to add the department store's payment card to the platform.

REPLACEMENTS ON THE BOARD

At the Annual General Meeting of May 31, 2019, the shareholders resolved to re-elect Mr. Antonio Brufau Niubó (Chairman) and Mr. Josu Jon Imaz San Miguel (CEO) for the four-year term mandated by the bylaws, together with other re-elections and appointments, while reducing the number of Directors to fifteen.

SUSTAINABILITY AND DIGITIZATION

A new Global Sustainability Plan was approved in the first half of the year, setting long-term goals and targets (2025). Against the backdrop of an energy transition toward a low-emissions future to limit the effects of climate change, in 2019 Repsol implemented improvement actions at its facilities that prevented 99.6 thousand tons in CO_2 emissions, thereby reducing energy consumption.

As to employee accidents, there was no fatality among our own personnel, but a contractor in Marcellus, Canada, died in an accident. The process safety indicator is 0.47 (the same figure as in 2018).

Regarding gender diversity, following the renewal of the Board, the percentage of women reached 33%. This fulfills the target set out in the Global Sustainability Plan.

During the first half we launched more than 20 new digital cases. There are now over 150 initiatives underway, of which more than 50 are already in the process of being scaled up to the entire organization. In 2018, we created 10 hubs or expert centers; this year they have continued to grow in capabilities and experience, making forward strides toward a corporate data and artificial intelligence platform based on a multi-cloud strategy. In addition, more than 1,000 people took face-to-face training courses on new digital trends and ways of working, and we rolled out our *Digital for Leaders* program (seminars attended by more than 100 Repsol executives and leaders).

[1] It corresponds to the commitment to purchase of free-allocation rights assumed by Repsol (see Note 4.4).

[2] In July, Repsol signed a Memorandum of Understanding with the Indonesian gas distributor PT Perusahaan Gas Negara for the sale of natural gas to be produced in the Sakakemang Area. The final gas sales agreement is expected to be signed in the coming months. No further material events occurred after June 30, 2019.

MAIN FIGURES AND INDICATORS

Financial indicators [1]	1H 2019	1H 2018
Results		
Operating income [2]	2,002	2,043
Adjusted net income	1,115	1,132
Net income	1,133	1,546
Earnings per share (€/share)	0.73	0.93
EBITDA [2]	3,712	3,811
Investments	1,468	1,245
Capital employed [3]	34,697	33,864
Capital employed (with leases)	38,391	-
ROACE (%)[4]	7.6	8.2
ROACE (with leases) (%)[4]	7.0	-
Financial position and cash flows		
Cash flow from operations [2]	2,530	1,726
Free cash flow [2]	1,093	4,306
Cash flow generated	(124)	3,373
Net debt	3,662	2,706
Net debt (with leases)	7,464	-
Shareholder remuneration		
Shareholder remuneration (€/share) [5]	0.411	0.388

Sustainability indicators	1H 2019	2018
People		
No. of employees [6]	25,797	25,288
New employees [7]	2,014	3,810
Safety and environment		
Lost time injury rate [8]	0.76	0.89
Total recordable incident rate [9]	1.18	1.59
Annual CO_2 emissions reduction (Mt) [10]	0.09	0.31

Stock market indicators	1H 2019	1H 2018
Share price at year-end (€/share)	13.79	16.77
Average share price (€/share)	14.81	15.44
Market cap at period-end (million €)	21,489	26,094

Our business performance [1]	1H 2019	1H 2018
Upstream		
Net daily hydrocarbon production (kboe/d)	697	724
Net daily liquids production (kbbl/d)	251	266
Net daily gas production (kboe/d)	446	458
Average crude oil price realization ($/bbl)	59.6	64.2
Average gas price realization ($/kscf)	3.2	3.3
EBITDA[2]	2,213	2,289
Adjusted net income	646	647
Cash flow from operations [2]	1,605	1,272
Investments	961	900
Downstream		
Distillation utilization Spanish Refining (%)	89.3	90.4
Conversion utilization Spanish Refining (%)	102.0	103.9
Refining margin indicator Spain ($/bbl)	4.4	6.9
Sales of oil products (kt)	24,251	25,217
Sales of petrochemical products (kt)	1,458	1,313
LPG sales (kt)	699	739
Gas sales in North America (TBtu)	287	258
Generation (GWh)	2,185	-
EBITDA[2]	1,580	1,649
Adjusted net income	715	762
Cash flow from operations [2]	1,093	547
Investments	482	325

Macroeconomic environment	1H 2019	1H 2018
Average Brent price ($/bbl)	66.0	70.6
Average WTI price ($/bbl)	57.4	65.5
Average Henry Hub price ($/MBtu)	2.9	2.9
Electricity pool - OMIE (€/MWh)	51.8	50.2
Average exchange rate (€/$)	1.13	1.21

(1) Where applicable, figures shown in million euros.
(2) In 2019, this includes the effects of application of IFRS 16 (see Note 2.2.1 to the condensed consolidated financial statements for the first half of 2019).
(3) Capital employed from continuing operations.
(4) ROACE has been annualized by straight extrapolation from data for the period. It does not include discontinued operations.
(5) Fixed price guaranteed by Repsol for bonus share rights awarded under the "Repsol Flexible Dividend" program (see Note 4.1 to the interim financial statements for the first half of 2019).
(6) Number of employees of companies at which Repsol establishes people management policies and guidelines, irrespective of the type of contract (fixed, temporary, partially retired, etc.). The figure for 2018 is the annual figure.
(7) Only fixed or temporary employees with no prior working relationship with the company are treated as new hires. 37% of new employees in 2019 and 40% in 2018 were under permanent contracts. The 2018 figure is the full-year rate.
(8) Lost time injury rate: number of cases with personal consequences (fatalities and lost time) over the year per million hours worked. The 2018 figure is the full-year rate.
(9) Total recordable incident rate: total number of cases with personal consequences (fatalities, lost time, medical treatment and restricted work) over the period per million hours worked. The 2018 figure is the full-year rate.
(10) Reduction of CO_2 compared with the 2010 baseline. The 2018 figure is the full-year amount.

2. CORPORATE GOVERNANCE

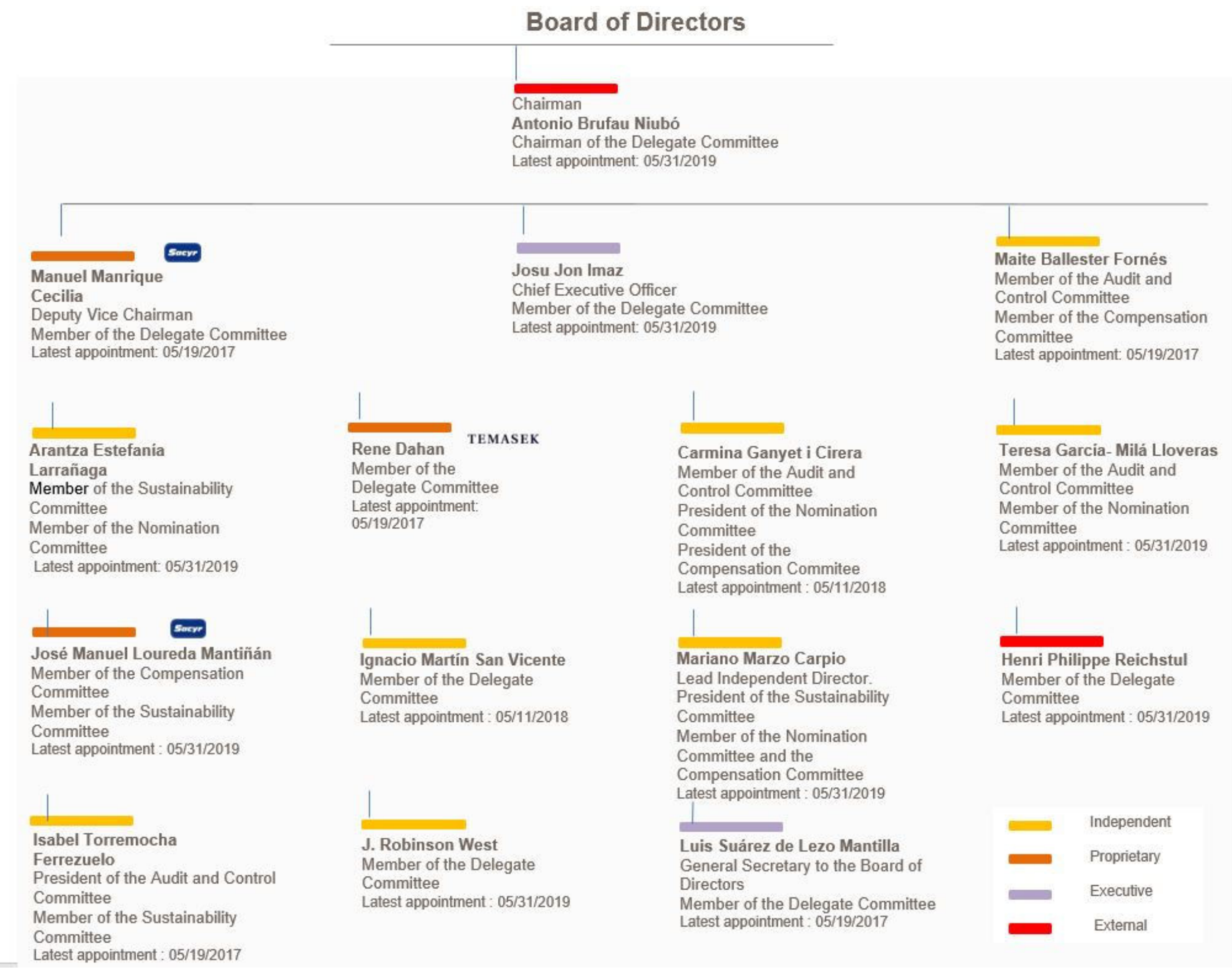
Changes in the Board of Directors

At the Annual General Meeting held on May 31, 2019, the shareholders of Repsol, S.A. resolved to **re-elect** as Directors Mr. Antonio Brufau, Mr. Josu Jon Imaz, Mr. José Manuel Loureda and Mr. John Robinson West, to ratify and re-elect as a Director Mr. Henri Philippe Reichstul, and to **appoint** as Directors Ms. Aránzazu Estefanía Larrañaga and Ms. María Teresa García-Milá Lloveras. All will serve a term of office of 4 years as mandated by the bylaws.

33%
Women on the Board

In addition, at the Annual General Meeting the shareholders resolved to appoint Mr. Mariano Marzo Carpio as Lead Independent Director and to reduce the number of Directors to fifteen.

The composition of the Board and its Committees is now as follows:



3. ENVIRONMENT

3.1 MACROECONOMIC ENVIRONMENT

In 2019, the global economy has recovered to some extent from the slowdown in 2018, yet remains slack. According to International Monetary Fund (IMF) estimates (World Economic Outlook April 2019), global growth in 2019 will reach 3.3 %.

3.3%
Forecast world growth in 2019

After the stagnation in activity and financial markets at the end of 2018, central banks in developed countries turned their monetary policy around. In 2018 the United States Federal Reserve (the Fed) raised benchmark rates four times and heralded further increases for 2019, while the European Central Bank ended its government debt purchase program ("quantitative easing") and announced that in 2019 it would likewise start to raise rates. However, in early 2019 both central banks relaxed their stance and put monetary normalization on hold. In addition, since the risks of a trade war are still high, further stimulus measures have been rolled out, and both central banks are expected to cut rates soon.

This policy response may encourage a pick-up in activity in late 2019 and 2020. On balance, however, risks to growth are still on the rise, as any further upsurge in trade turbulence would be destructive and the leeway for policy response is narrow.

Given increasing uncertainty and lower growth in the Eurozone, during the first months of 2019 the dollar strengthened, with the euro/dollar pair reaching 1.11 in May. However, from that point onward the central banks' change of approach has narrowed the interest rate differential and the U.S. has itself shown signs of a downtrend, so the exchange rate is tending to settle at around 1.13.

Average exchange rate (€/$) over time

€/$ 1.13
Average exchange rate first half

3.2 ENERGY LANDSCAPE

Brent crude

During the first half of 2019, oil prices displayed high volatility. Brent crude began the year trading at its lowest levels since 2017, at just above $50 per barrel ($/bbl); it then followed an upward path that led it to exceed $75/bbl by the end of April. Subsequently, the price corrected to $60/bbl in mid-June and ended the six-month period at $65/bl. At the end of the first half, the price of Brent crude stood at an average of $66/bbl, 7% below the average for the same period in 2018. WTI crude averaged 57.4 $/bbl, bringing the differential between the two to $8.6/bbl in the period.

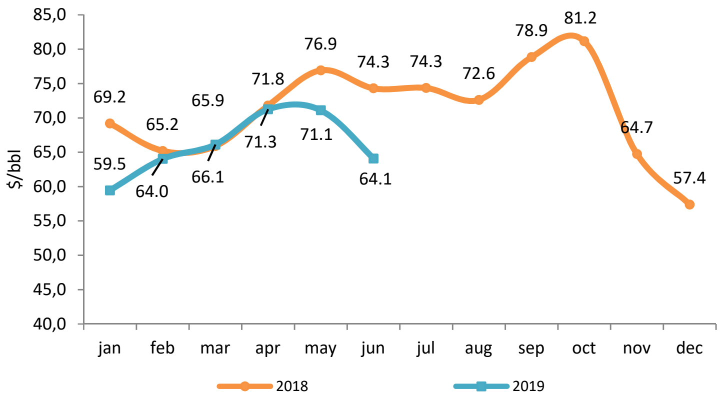
66 $/bbl
Brent

On the supply side, after prices fell in the fourth quarter of 2018, OPEC and several non-OPEC exporting countries decided in December to return to an output-cutting policy. OPEC+, as this group of countries is now known, undertook to withdraw about 1.2 million barrels per day from their combined output (-800 OPEC and -400 non-OPEC) from January 2019 onward. Compliance with the cuts has been significant; in fact, in the past few months the leaders on each side, Saudi Arabia for OPEC and Russia for non-OPEC, cut output far more deeply even than originally agreed. OPEC+ containment of supply is the main reason behind the price increase to $75/bbl at the end of April. Last year's December agreement had an original duration of six months; however, following the OPEC+ meeting of July 1 and 2 this year, cuts will be extended to March 2020.

Another factor influencing the supply side is the increase in U.S. output, although average growth in 2019 is expected to be less than last year's.

However, it is on the demand side that the greatest uncertainties lie. So far this year, most analysts and the major official energy agencies, such as the International Energy Agency (IEA) and the U.S. Energy Information Administration (EIA), have lowered their forecasts for global demand growth for this year and 2020. The revised forecast is a response to the worsening economic outlook, particularly in view of deteriorating confidence indices in the manufacturing sector in the context of the U.S.-China trade war.

Average Brent price over time



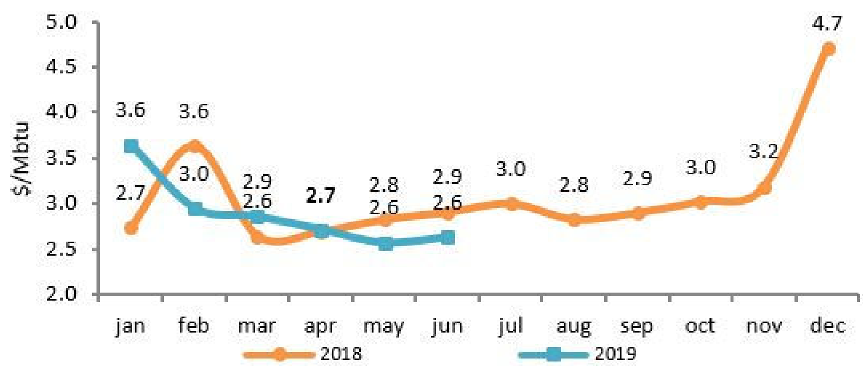
Natural Gas - Henry Hub

The Henry Hub price of U.S. natural gas averaged $2.9/MBtu in the first half of 2019, unchanged from the same period in 2018, under heavy pressure from the existing situation of overproduction. Year-on-year and for the first half, dry gas production grew (+12%) far ahead of demand (+3%). A healthy rise in electricity demand was not enough to counteract the rapid growth of production. U.S. exports of liquefied natural gas increased (+ 56%), serving as support for the price of gas.

$2.9/MBtu
Henry Hub

According to the latest data released in the United States, the balance adjustment seen in 2018 would not reoccur until 2020 if we see a slowdown in production growth, strong domestic demand and robustly expanding exports.

Average Henry Hub price over time



4. FINANCIAL PERFORMANCE AND SHAREHOLDER REMUNERATION

4.1 INCOME

€ Million	1H 2019	1H 2018	Δ
Upstream	646	647	(1)
Downstream	715	762	(47)
Corporate and other	(246)	(277)	31
Adjusted net income	**1,115**	**1,132**	**(17)**
Inventory effect	63	202	(139)
Special items	(45)	212	(257)
Net income	**1,133**	**1,546**	**(413)**

Adjusted net income in line with previous year

Income for the first half of 2019 (1H 2019) arose in a **context** of considerable weakening of the Refining margin indicator in Spain ($4.4/bbl vs. $6.9/bbl in 1H 2018), lower crude oil prices (Brent 66.0 vs. 70.6 in 1H 2018) and a strengthening of the dollar against the euro (€/$ 1.13 vs. €/$ 1.21 in 1H 2018).

Repsol earned **adjusted net income** of €1,115 million (-2%), **net income** of €1,133 million (-27% vs. 2018, which included the gain on the disposal of Naturgy in that year) and **cash flow from operations** of €2,530 million (+47%). The half-year ended with **net debt** with leases standing at €7,464 million (€3,662 million ex leases).

EBITDA of €3,712 million was slightly lower (-3%) than in the same period of 2018.

	TOTAL	
EBITDA (€ Million)	1H 2019	1H 2018
Upstream	2,213	2,289
Downstream	1,580	1,649
Corporate and other	(81)	(127)
TOTAL	3,712	3,811

Upstream

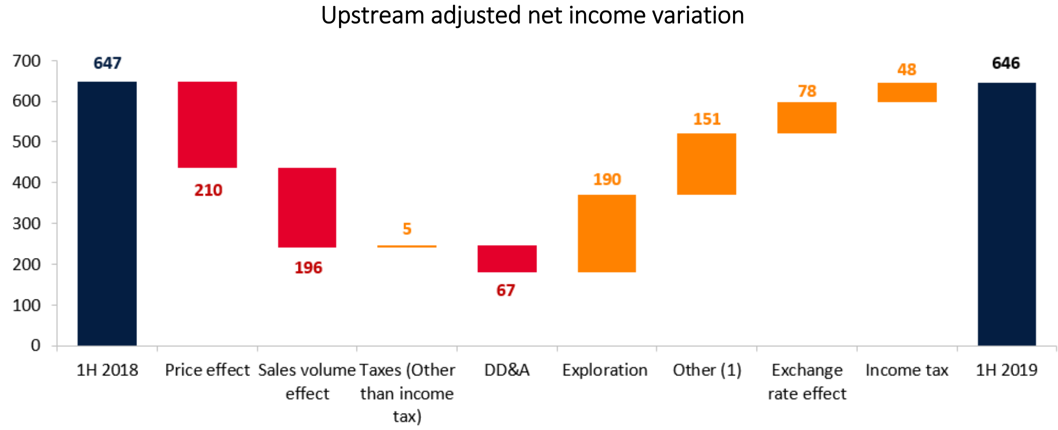
Average **production** in the first half of 2019 came to 697 kboe/d, 4% lower than in the same period of 2018. This decline occurred mainly in Libya, Venezuela, Trinidad and Tobago and the United States, and was partly offset by increases driven by new wells (Colombia and Canada), acquisitions (Norway) and the start of production at Buckskin (USA).

€1,133 m
Net income

As to **exploration**, during the six-month period 10 exploration and 6 delineation/appraisal wells were drilled, 9 with positive results, 5 negative and 2 under evaluation.

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

Adjusted net income in Upstream businesses amounted to €646 million, in line with 1H 2018 (€647 million). Lower realization prices for crude oil (-7%) and lower marketed volumes were offset by lower exploration and production costs and decreased taxes, and by the strengthening of the dollar against the euro.



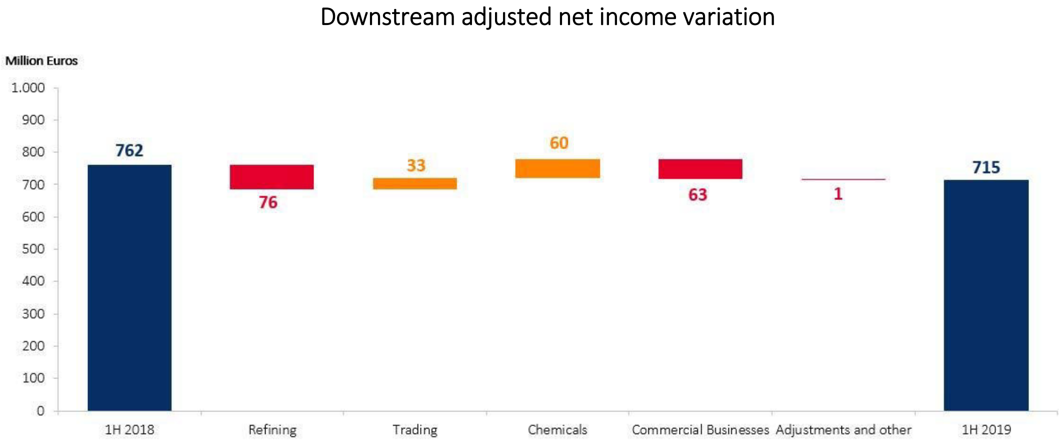
(1) Includes, inter alia, costs related to production and the results of investees and non-controlling interests.

€646 m
Upstream adjusted net income

Investments in the first half (€961 million) increased by 7% compared to 1H 2018, and were allocated primarily to production and/or development assets, mainly in the United States, Trinidad and Tobago, Norway, the UK, Algeria and Canada.

Downstream

Adjusted net income in the first half of 2019 was €715 million, compared to €762 million in the first half of 2018.



€715 m
Downstream adjusted net income

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

- In **Refining**, income decreased as a result of a sharp drop in margins due to the worst international environment (through narrowing of the heavy crudes spread and the fall in the middle distillates and naphtha spread) and maintenance shutdowns in Spain. This was partly offset by higher margins in Peru.

- In **Trading**, improved performance is mainly due to enhanced margins in LPG, middle distillates and crude oil operations.

- In **Chemicals**, the improvement in results is mainly due to increased sales, better margins and lower operating incidents in the period.

- In **Commercial Businesses,** the worst performance is mainly due to decreased income in Wholesale and Trading Gas, reflecting narrower margins brought on by a mild winter in North America.

Operating **investment** in the Downstream segment amounted to €482 million in the first half of 2019 (48% up on 1H 2018). The largest investments were undertaken to enhance energy efficiency, safety and the environment. Other highlights were the investments due to international expansion in Mexico and the new Electricity and Gas businesses.

Corporate and other

Income for the half-year period amounted to €-246 million (compared to €-277 million in 1H 2018). Corporate maintained its efforts to reduce corporate costs, despite of initiatives in digitization and technology. While financing costs continued to decrease, the financial result worsened as a result of application of IFRS 16 (see Note 2.2.1 to the 1H 2019 consolidated financial statements) and the weaker performance in the management of positions (currency and treasury shares).

Net income came to €1,133 million, 27% less than in 2018.

PERFORMANCE INDICATORS	2019	2018
Return on average capital employed (ROACE) (%)	7.6	8.2 [1]
Return on average capital employed (ROACE) (with leases) (%)	7.0	-
Earnings per share (€/share)	0.73	0.93

7.6%
ROACE

[1] Does not include discontinued operations (Naturgy). If included, ROACE would be 9%.

4.2 CASH FLOW

Free cash flow in 2019 came to €1,093 million, compared to €4,306 million in 2018, a figure mainly reflecting the proceeds of disposal of the stake in Naturgy (€3,816 million).

↑47%
Cash flow from operations

CASH FLOW *(€ Million)*	1H 2019	1H 2018
EBITDA	3,712	3,811
Changes in working capital	(659)	(1,414)
Dividends received	17	4
Income tax receipts/(payments)	(463)	(490)
Other receipts/(payments)	(77)	(185)
I. Cash flow from operations	2,530	1,726
Payments on investments	(1,503)	(1,258)
Proceeds from divestments	66	3,838
II. Cash flow from investments	(1,437)	2,580
FREE CASH FLOW (I+II)	1,093	4,306
Dividends and other equity instruments	(201)	(196)
Net interest and leasing	(287)	(280)
Treasury shares	(729)	(457)
CASH GENERATED [1]	(124)	3,373

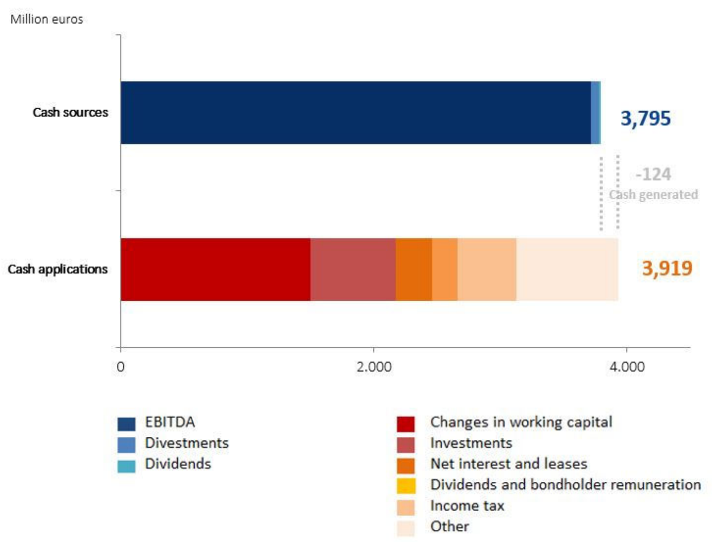
[1] Does not include derivatives on shares of Repsol, S.A. transacted with financial institutions, out of a total notional amount of 76 million shares, which form part of "*cash flows from financing activities and other items*" (+€695 million).

Cash flow from operations (€2,530 million) covered investments and payment of interest and dividends, and, partly, purchases of treasury shares. Improvement over 1H 2018: the maintenance of business EBITDA levels was positively impacted by less variation in working capital, mainly in the Downstream segment (impacted in 2018 by a considerable increase in the cost of inventories as a result of higher prices).

Cash flow from investments (€-1,437 million) reflects the international expansion in Mexico and the new businesses of Repsol Electricidad y Gas in Downstream segment, as well as the increased investment effort in productive assets in the Upstream segment. In 1H 2018, the highlight was the cash proceeds of disposal of the stake in Naturgy.

As a result of the foregoing, after satisfying financing costs (€-287 million), shareholder remuneration (€-201 million) and the acquisition of treasury shares (see section 4.4), cash generated amounted to €-124 million.

Cash sources and applications



4.3 FINANCIAL POSITION

During the first half of 2019, in line with the commitment to strengthen the Group's financial structure, we continued to take effective steps toward achieving solid levels of debt and leverage.

€3,662 m
Net debt

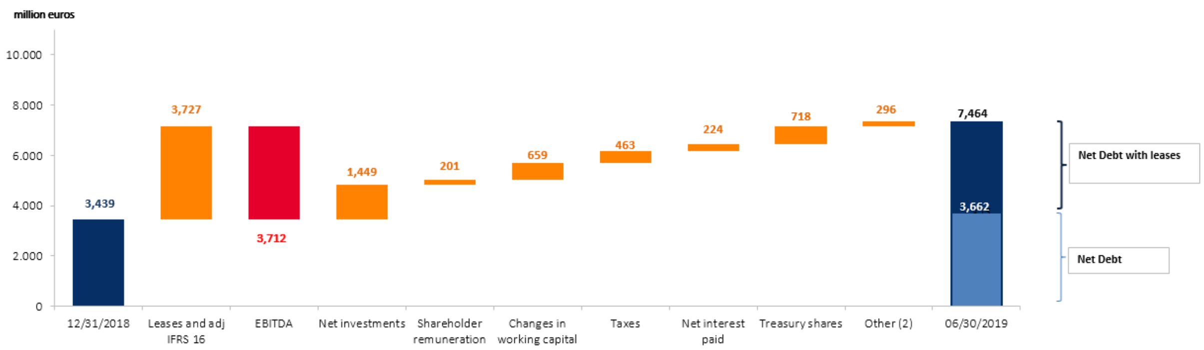
Following financial prudence and in order to maintain high liquidity, the Group's liquid resources at year-end in the form of cash and available credit facilities far exceed the maturities of short-term debt.

A highlight of the first half was first application of IFRS 16, which led to changes in the Group's debt metrics. For further information, see Note 2.2.1 to the interim consolidated financial statements for the first half of 2019 and Appendix II to this report.

Indebtedness

Net debt (€3,662 million) and **net debt with leases** (€7,464 million) remained at levels similar to 2018.

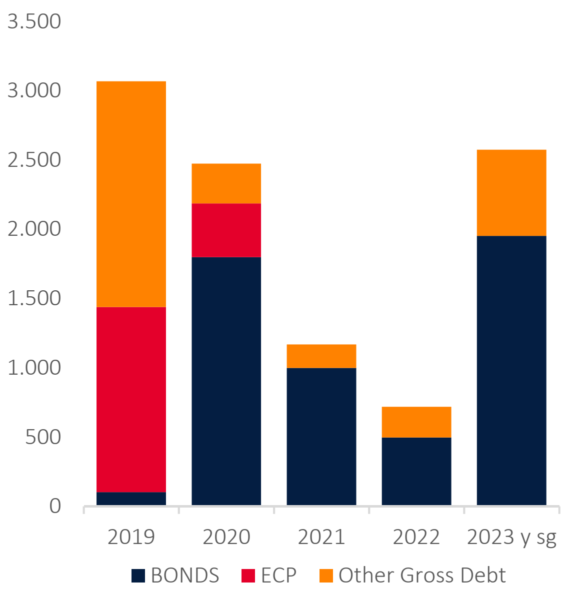
Change in net debt

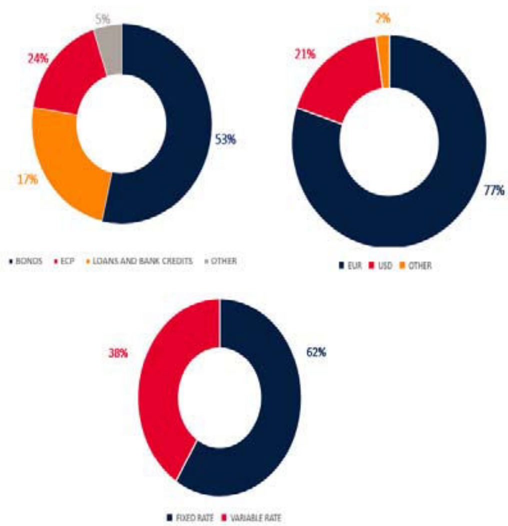


(1) Includes finance leases recognized under the previous standard (€1,624 million) and leases recognized after the application of IFRS 16 (€2,103 million).
(2) Includes, inter alia, new leases arranged in the period, other receipts/payments from operating activities and the exchange rate effect.

€10,000 m
Gross debt

The **breakdown and maturity of gross debt** *ex* leases (€10,000 million) at June 30, 2019 is as follows:





Main funding efforts

During the first six months of 2019, there have been no issues of bonds or debt securities. In February 2019 the bond issued by Repsol International Finance B.V. (RIF) was redeemed at maturity. This bond was issued in January 2012 under the EMTN Program for a nominal amount of €1,000 million and an annual fixed coupon of 4.875%.

Additionally, RIF runs a Euro Commercial Paper (ECP) Program guaranteed by Repsol, S.A., capped at €2,000 million; the outstanding balance at June 30, 2019 was €1,725 million.

For further information, see Note 4.1.5 to the interim consolidated financial statements for 1H 2019.

Financial prudence

Liquidity
1.63 x
S/T debt maturities

Group liquidity, including committed undrawn credit facilities, stood at €7,832 million at June 30, 2019, which is enough to cover short-term debt maturities by a multiple of 1.63. Repsol had undrawn credit facilities amounting to €1,896 and €2,265 million at June 30, 2019 and December 31, 2018, respectively.

INDICATORS OF FINANCIAL POSITION	06/30/2019	06/30/2018
Net debt (€ million)	3,662	2,706
Net debt / Total capital employed - ex leases (%)	10.6	8.0
Debt interest [1] / EBITDA (%)	3.1	3.8
Net financial debt - with leases (€ million)	7,464	-
Net debt – with leases / Total capital employed – with leases (%)	19.4	-

(1) Excludes finance cost of leases.

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
PLAZO	Repsol, S.A.	Repsol, S.A.	Repsol, S.A.
Long-term	BBB	Baa1	BBB
Short-term	A-2	P-2	F-3
Outlook	positive	stable	positive
Most recent change	12/12/2018	12/10/2018	10/19/2018

Treasury shares and own equity investments

At June 30, 2019, the balance of treasury shares stood at 79 million shares (including 76 million shares as the underlying of derivative contracts entered into by Repsol, S.A. with financial institutions) representing 5% of share capital as of that date. For further information, see Note 4.1 "*Treasury shares and own equity investments*" to the interim financial statements for the first half of 2019.

4.4 SHAREHOLDER REMUNERATION

Remuneration received by shareholders in the first half of 2019 as part of the "*Repsol Flexible Dividend*" scheme includes the amount of the irrevocable commitment to purchase bonus share rights undertaken by Repsol as part of the bonus issue concluded in January 2019 (€0.411 gross per right). Thus, in the first half of 2019, Repsol paid out a gross total of €175 million to shareholders and distributed 31,481,529 new shares, worth €453 million, to shareholders opting to take their dividend in the form of new company shares.

↑ 6%
Shareholder remuneration vs. 1H 2018

In addition, in July 2019, under the "*Repsol Flexible Dividend*" program, replacing what would have been the final dividend from 2018 profit, Repsol paid out €223 million in cash (€0.505 gross per right) to shareholders opting to sell their bonus share rights back to the Company and delivered 39,913,458 shares, worth €564 million, to shareholders opting to take their dividend in the form of new company shares (71.69% of shareholders).

At the 2019 Annual General Meeting, the shareholders resolved to reduce capital through redemption of treasury shares[1] to offset the dilutive effect of bonus issues concluded in 2019 as part of the "*Repsol Flexible Dividend*" program described above. The main effect of the reduction in capital will be an increase in earnings per share, to the benefit of shareholders.

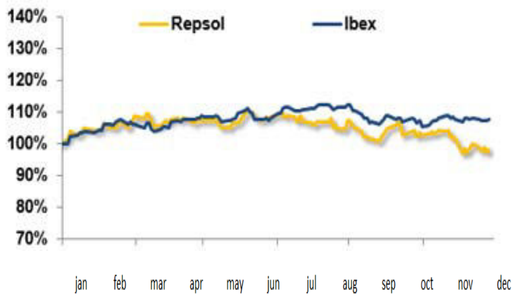
For additional information on the total remuneration received by shareholders and the bonus issues under the "*Repsol Flexible Dividend*" program, see Note 4.1 "*Equity*" to the interim financial statements for the first half of 2019.

Our share price

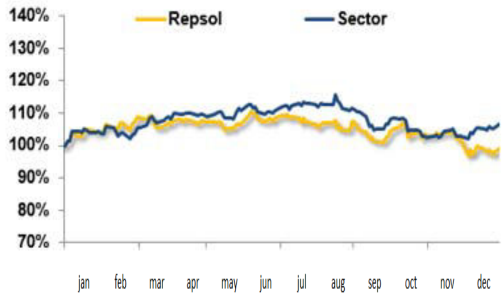
The Repsol share price ended the first half of 2019 at levels similar to those at the beginning of the fiscal year.

€14.81
Average share price

Repsol share price vs. the Ibex 35



Repsol vs. the European oil sector[1]



Source: Bloomberg
(1) European peers considered: BP, Shell, Total, Eni, Equinor, Galp and OMV.

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[1] Through redemption of treasury shares available on March 27, 2019 and shares acquired through a share buyback program and, where appropriate, through settlement of derivatives arranged prior to March 27, 2019.

The Group's main stock market indicators in 2019 and 2018 are detailed below:

MAIN STOCK MARKET INDICATORS	1H 2019	1H 2018
Shareholder remuneration (€/share) [1]	0.411	0.388
Share price at period-end [2] (euros)	13.79	16.77
Period average share price (€)	14.81	15.44
High (€)	15.52	17.28
Low (€)	13.64	13.75
Number of shares outstanding at end of the period (million)	1,559	1,556
Market capitalization at period-end (million euros) [3]	21,489	26,094
Book value per share (euros) [4]	20.2	19.8

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

5. OUR BUSINESS PERFORMANCE

5.1 UPSTREAM

Main operating figures
Our performance in 1H 2019

	1H 2019	1H 2018
Total net production of liquids (kbbl/d)	251	266
Total net daily gas production (kboe/d)	446	458
Total net daily hydrocarbon production (kboe/d)	697	724
Average crude oil price realization ($/bbl)	59.6	64.2
Average gas realization price ($/kscf)	3.2	3.3
Bonds, dry wells, and general and administration expenses (€Million) (1)	75	223

1) Only direct costs allocated to exploration projects.

€ Million	1H 2019	1H 2018	Δ
Operating income	1,174	1,236	(62)
Income tax	(547)	(594)	47
Investees and non-controlling interests	19	5	14
Adjusted net income (1)	646	647	(1)
Special items	75	(132)	207
Net income	721	515	206
Effective tax rate (%)	47	48	(1)
EBITDA	2,213	2,289	(76)
Investments	961	900	61

(1) Adjusted net income by geographical region:

Geographical region	1H 2019	1H 2018	Δ
Europe, Africa and Brazil	335	358	(23)
Latin America – Caribbean	217	260	(43)
North America	65	115	(50)
Asia and Russia	119	132	(13)
Exploration and other	(90)	(218)	128
Adjusted net income	646	647	(1)

Main events of the six-month period (1/3):

- **Production** came to 697 kboe/d in the first half of 2019, representing a decrease of 4% (27 kboe/d) compared to the same period in 2018. The decrease is mainly due to the interruption of production in Libya in the first two months of the year for security reasons, lower demand for gas in Venezuela, maintenance shutdowns in Trinidad and Tobago and in the United States reflecting the decline of the Shenzi field, and disposal of the stake in Midcontinent. All this was partially offset by increasing production from the new wells in Akacias, Colombia, and Duvernay, Canada, the acquisition of Mikkel and Visund in Norway, and the start of production at Buckskin in the United States.

- **Exploration campaign:** In the first half of the year, 10 exploration wells and 6 delineation/appraisal wells were drilled, 9 with positive results (5 exploration wells in the USA, Indonesia, Malaysia (2) and Norway and 4 appraisal wells in the USA), 5 with negative results (4 exploration wells in Bulgaria, Colombia (2) and Norway and 1 appraisal well in Algeria) and 2 with results under evaluation (1 exploration well in Bolivia and 1 appraisal well in Algeria). At the end of the period no exploration or appraisal drilling was underway.

- **Acreage:** We acquired one block in Indonesia (exploration, operated), 6 blocks in Norway, including 4 in the 2018 APA Round (concessions in predefined areas) and two acquired (Mikkel Field), 5 blocks in Russia (1 exploration), 1 block in the USA (Moccasin field, Gulf of Mexico).

Main events of the six-month period (2/3):

NORTH AMERICA

United States: positive exploration campaign in Alaska and the Gulf of Mexico, start of production at Buckskin, and major asset exchange agreement

- The presence of hydrocarbons was confirmed in the southern sector of the Pikka unit in Alaska, where the first delineation well, known as Pikka-B, was completed in January and the Pikka-C appraisal drilling was completed in April, both with positive results.
- In June, hydrocarbon production began at the Buckskin deepwater project (in which Repsol holds a 22.5% stake, LLOG being the operator) in the Keathley Canyon area in the U.S. Gulf of Mexico.
- In late April, an important discovery was announced at the Blacktip exploration well, located in deep waters of the Gulf of Mexico (USA) 400 km south of Houston, with a net crude area more than 122 meters thick. Repsol has an 8.5% stake in this hydrocarbon discovery in the Alaminos Canyon basin, alongside Shell (operator), Chevron and Equinor. The project is at the stage of appraisal and delineation of reserves. The Blacktip-1 ST1 appraisal drilling was also positive in June.

LATIN AMERICA - CARIBBEAN

Trinidad and Tobago: start of gas production at Angelin

- In February, the BPTT consortium (30% Repsol) announced the start of gas production from its Angelin platform (West Block), which is remotely operated and located 60 km off the southeastern coast of the island of Trinidad, on a 65-meter sheet of water.

Colombia: record production at Akacias and signing of new contracts for two marine blocks

- In March, at the Akacias project (Colombia), in which Repsol holds a 45% stake, a record total production of 20 kbbl per day was achieved as a result of the drilling work in Phase I of the Development Plan approved in 2018. The final objective is to achieve in the medium term a total output of 50 kbbl per day.
- In April Repsol signed two contracts with Colombia's National Hydrocarbons Agency (ANH) for exploration and production in the marine blocks GUA OFF-1 and COL-4, located off the Colombian coast in the Caribbean Sea. Repsol is the operating company for block GUA-OFF-1 with a 50% stake (Ecopetrol owns the remaining 50%) and for block COL-4, also with a 50% stake (ExxonMobil owns the remaining 50%).

Venezuela: complex environment

In the first half, Repsol's average production in Venezuela reached 59 kboe per day (62 kboe in 2018). Political instability, economic recession and inflation continued throughout the period. For further information, see Note 5.3 to the interim consolidated financial statements for 1H 2019.

ASIA AND OCEANIA

Indonesia: the country's largest gas discovery in the Sakakemang block

- In February, the largest gas discovery in Indonesia in 18 years was announced; it is also one of the 10 largest in the world of the past 12 months. The well, called Kaliberau Dalam-2X (KBD-2X), is in the Sakakemang onshore block on the southern island of Sumatra. Repsol is the operator with a 45% stake. This discovery has a preliminary estimate of recoverable resources of at least 2 trillion cubic feet (TCF) of gas.

Russia: deal with Gazprom Neft and Shell for joint exploration of two blocks in Siberia

- In June Repsol signed a memorandum of understanding with Gazprom Neft and Shell to form a joint venture for the exploration of two adjoining license blocks, Leskinsky and Pukhutsyayakhsky, located in the Gyudan Peninsula on the coast of Siberia. Gazprom Neft will have a 50% stake and Repsol and Shell 25% each. The agreement is expected to be completed in 2020 when authorizations are in place.

Main events of the six-month period (3/3):

EUROPE

Norway: new awards, extensions, acquisitions and exploration discovery

- In January, the Norwegian Ministry of Petroleum and Energy announced that Repsol would be awarded stakes in three new exploration licenses and the extension of an existing one. The new licenses are in the large Egersund Basin (3) and the Barents Sea (1) and further strengthen Repsol's position in the country.

- In February Repsol announced a deal to acquire from Total 7.65% of the Mikkel field in Norway, which currently produces a total of 50 kbbl per day.

- In March, an exploration discovery was made with the Telesto well (7.7% Repsol) in the PL 120 production license in the Tampen area, in the North Sea (Norway). Repsol participated in the oil discovery together with Equinor (operator), Petoro and ConocoPhillips. The preliminary estimate is that recoverable resources could be between 12 million and 28 million barrels of oil.

Greece: signing of a new exploration contract

- In April, Repsol signed an exploration contract in Greece for the offshore Ionian block (located in the Ionian Sea north of Kefalonia and west of the islands of Lefkada and Corfu), thus increasing Repsol's presence in this country, where it already has two onshore blocks. The Ionian block has an area of 6,671 km^2. Repsol has a 50% stake (operator), while the Greek company Hellenic holds the remaining 50%. The agreement is pending ratification by the Greek Parliament.

Bulgaria: new exploration block acquired

- In April, Repsol announced that it had acquired 20% of the Khan Kubrat offshore exploration block in Bulgaria, with Shell participating as operator with 50% and Woodside Petroleum taking the remaining 30%.

AFRICA

Libya: complex environment

- In the first half, Repsol's average production in Libya reached 24 kbbl per day (36 kbbl per day in 2018). The situation of political uncertainty continues, affecting the security conditions of the country and the oil industry. For further information, see Note 5.3 to the interim consolidated financial statements for 1H 2019.

5.2 DOWNSTREAM

Main figures

	1H 2019	1H 2018
Refining capacity (kbbl/d)	1,013	1,013
Europe (including the stake in ASESA)	896	896
Rest of world	117	117
Conversion rate in Spain (%)	63	63
Conversion utilization Spanish Refining (%)	102.0	103.9
Distillation utilization Spanish Refining (%)	89.3	90.4
Processed crude oil (million t)	22.1	22.4
Europe	19.8	20.1
Rest of world	2.3	2.3
Refining margin indicator ($/b)		
Spain	4.4	6.9
Peru	6.0	2.0
Number of service stations	4,871	4,759
Europe	4,113	4,182
Rest of world	758	577
Oil product sales (kt)	24,251	25,217
Europe	21,332	22,036
Rest of world	2,919	3,181
Petrochemical product sales (kt)	1,458	1,313
Europe	1,192	1,085
Rest of world	266	228
LPG sales (kt)	699	739
Europe	684	727
Rest of world	15	12
Gas sales in North America (Tbtu)	287	258
LNG regasified (100%) in Canaport (Tbtu)	17.6	12.5
Electricity generation (GWh) [1]	2,186	-
Installed electricity capacity (MWh)	2,952	600

[1] Electricity generation by Repsol Electricidad y Gas. Does not include energy produced at cogeneration plants (which is included in installed capacity).

Our performance in 2019

€ Million	1H 2019	1H 2018	Δ
Operating income	955	985	(30)
Income tax	(231)	(229)	(2)
Investees and non-controlling interests	(9)	6	(15)
Adjusted net income [1]	715	762	(47)
Inventory effect	63	202	(139)
Special items	(88)	(18)	(70)
Net income	690	946	(256)
Effective tax rate (%)	24	23	1
EBITDA	1,580	1,649	(69)
Investments	482	325	157

[1] Adjusted net income by geographical region:

Geographical region	1H 2019	1H 2018	Δ
Europe	680	723	(43)
Rest of the world	35	39	(4)
Adjusted net income	715	762	(47)

Main events of the six-month period (1/2):

Refining: high utilization levels and new bio ingredients in the formulation of fuels

- Utilization levels held constant and shutdowns were conducted at the refineries in La Coruña and Bilbao.
  - At La Coruña, multiple investments were made in technological innovation and safety aimed at improving the integrity, energy efficiency and operational effectiveness of the facilities. The coke unit concentrated most of the actions.
  - The Bilbao Refinery shut down its conversion facility for maintenance work and updating of production facilities, a highlight being the environmental improvements implemented in the Fluid Catalytic Cracking (FCC) unit, resulting in reduced particulate emissions. In addition, a shutdown has begun to implement modifications designed to improve the efficiency of the units.

- We started to use advanced bio ingredients in the formulation of our marketed fuels. These bio ingredients do not compete with food uses and are waste by-products of industrial and domestic processes.

Chemicals: higher product sales and new certifications

- Membership of the Circular Plastics Alliance (CPA), an initiative launched by the European Commission last December 11 to encourage the use of recycled plastic in the EU market.

Main events of the six-month period (2/2):

- Food Safety Certification (FSSC 22000) was obtained for the polyolefin centers in Puertollano and Sines. In 2018 the certificate was achieved at the Tarragona industrial complex and, with the addition of these two newly certified sites, Repsol became the first polyolefin producer holding this certification for all its industrial facilities, demonstrating its commitment and leadership in the field of food safety.

- Awarded “Best Producer of Low Density Polyethylene in Europe” prize by customers in recognition of our work as a reliable supplier.

Mobility: international expansion, electric mobility and digitization

- At the end of the half year Repsol operates 195 service stations out of 278 contracts signed in Mexico.

- The Waylet payment app topped 1.2 million registered users at the close of the first half. Users can use Waylet to pay for goods and services at all Repsol network service stations and more than 3,500 affiliated retailers.

- We signed an agreement with El Corte Inglés whereby from June 17 onward their department store customers can make payment using our Waylet smartphone app. There are now several deals in place between the two groups, in an increasingly close strategic alliance.

- Repsol unveiled the first ultra-fast charging point for electric vehicles on the Iberian Peninsula, with a maximum power of 700 kilowatts (kW). The facility, located at the Repsol service station in Lopidana (Alava), allows electric vehicles that can withstand that level of power to charge in five to ten minutes. Repsol's charging network, through our investee IBIL, now operates more than 200 public access charging points, of which 33 points of sale are located at Repsol service stations.

- Repsol and the Confortauto repair garage network (110 facilities throughout Spain) have formed an alliance to support the adaptation of gasoline vehicles to LPG. The DGT environmental label thus obtained allows drivers access to traffic-restricted areas in large cities.

Electricity and gas: new renewable energy projects and growth of the customer base

- The current portfolio of electricity subscribers comes to 890,000 (16% more than at the beginning of the marketing business eight months ago with the acquisition of Viesgo's unregulated low-emission electricity generation businesses and regulated and unregulated gas and electricity marketing businesses).

- A new deal was struck with the Corte Inglés for power and gas subscriptions to become available at 16 locations: Madrid, Valencia, Zaragoza, Alcorcón, Seville, Getafe, Huelva, Jerez de la Frontera, Malaga, Murcia, Alicante, Badajoz, Albacete, Santa Cruz de Tenerife and Las Palmas.

- Repsol announced its involvement in the construction of one of the world’s largest floating wind farms off the north coast of Portugal, 20 kilometers from Viana do Castelo. The facillity will have an installed capacity of 25 MW and is expected to be operational by the end of this year.

- Three renewable power generation projects were acquired in Spain, with a total capacity of 794 MW. The projects are at different stages of execution and consist of a 335 MW wind farm straddling the provinces of Zaragoza and Teruel, another wind farm located between Palencia and Valladolid with a total installed capacity of 255 MW, and a 204 MW solar project in Cadiz. The projects will come online over the next four years and will be operated by Repsol Electricidad y Gas.

  These projects, together with the photovoltaic project in Valdesolar (Badajoz) and the floating wind farm on the coast of Portugal, add up to 1,083 MW under development, in addition to the 2,952 MW of installed operating capacity currently available to the Group.

6. SUSTAINABILITY

Main events of the half-year period:

- Global Sustainability Plan: The Executive Committee approved a new, more cross-sectional Global Sustainability Plan, incorporating objectives in the supply chain, aiming at a broader horizon (up to 2025) and integrating the Safety and Environment objectives resulting from the strategic rethinking process carried out in 2018. The new plan sets 31 medium-term objectives and 35 annual lines of action, articulated around the six axes of the Sustainability Model, aimed at the business units, the supply chain, employees and the wider community. All actions in the plan are tied to the United Nations Sustainable Development Goals to which the Company is committed.

The Global Sustainability Plan is the Company's roadmap from which Local Sustainability Plans are rolled out for each country or site, while remaining sensitive to the specific circumstances and needs of each location where the Group operates. In the first half, new plans were published in Canada, the UK and Algeria. These new additions mean there are now 16 countries and 6 industrial complexes with Sustainability commitments (more than 330 annual actions have been specified, distributed across the 6 axes of the model), which in the last two years makes for growth of more than 40% in the number of plans.

In addition, six consolidated documents were drawn up, one for each axis, setting out the actions established in the 2018 Local Sustainability Plans.

The Global Plan and the Local Sustainability Plans are available at www.repsol.com.

- Sustainable Development Goals. With the involvement of the Group's Executive Committee, the United Nations 2030 Agenda was made known among the Group's employees, alongside our plan to help achieve those goals. In addition, a support plan has been set in motion that seeks to integrate commitment, awareness-raising and training in SDGs with the Company's culture. The aim is to align with the needs of different stakeholders and identify metrics to measure contributions to the 2030 Agenda in those SDGs where as an energy company we can make a genuine difference.

- Climate change. The scope of our annual verifications of the greenhouse gas (GHG) emissions inventory in the Upstream businesses has widened (99% of the Company's emissions inventory now undergoes checks). In May, Repsol published the book "Towards a Low-Emission Future," our roadmap for tackling climate change, setting out our policies and commitments facing the twofold challenge of supplying the energy that society needs while cutting greenhouse gas emissions in line with the aims of the Paris Agreement. In June we published the second report on our "green" bond issued in May 2017: the proceeds are used to fund or refinance projects aimed at preventing or reducing GHGs in the Company's activities.

  Further information is available at www.repsol.com.

- People. The 2020 target set in the Global Sustainability Plan is to increase the proportion of women on the Board and in leadership positions to 30%. The latest changes on the Board (see section 2) have increased the proportion of women to 33%.

  During the first six months of 2019 there were 2,014 new hires (10% more than in 1H 2018), of which 37% were under permanent contracts. We reached a total headcount of 25,797 at the close of the six-month period.

- Respect for Human Rights and Community Relations. Human Rights and Community Relations Policy has been updated: (i) express mention of international human rights standards; (ii) reference to stakeholders within the scope of the policy; (iii) references to the right to water; and (iv) to non-obstruction of the activities of human rights advocates.

- Safe operation. During the first half there was a fatality in Marcellus, Canada, as a result of an accident involving a contractor's water transport truck.

  Total Frequency Index -Personal safety performance indicator- (TFI) decreased by 21% with respect to the 2018 indicator, with a 10% decrease in the number of incidents involving lost days and a 4% reduction in hours worked. The process accident rate as measured by the PSIR indicator ($TIER_1$ + $TIER_2$) is similar to the 2018 indicator.

  As to safety culture, a new Safety Leadership program was launched, named "Safety Leap," aimed at all the Company's leaders. The first session was attended by the Executive Committee. We published a "White Paper on Safety Culture," reflecting the Company's understanding of safety culture, the model it has designed, and the current areas of work. The second edition of the World Safety and Environment Days took place in June. Attended by more than 400 professionals, the event aimed to tackle the new challenges and lead the roll-out of strategic rethinking on safety and the environment through to 2025.

- Innovation and technology. Repsol acquired 28% of Begas Motor (a company with a strong research capability in alternative fuel engines, engine control electronics, communication buses and diagnostic systems, especially for LPG systems). In addition, Repsol acquired 8% of Ampere Power Energy, S.L., which designs, produces and markets stationary electricity storage systems. Both investments form part of the Venture Capital fund created for the period 2016-2020, whereby Repsol committed to a contribution of €85 million.

- Responsible tax policy. In the first half of 2019, Repsol paid more than €6,100 million in taxes and similar public charges, having filed more than 21,000 tax returns.

  Repsol voluntarily partnered with the tax agencies of five OECD countries in an OECD-sponsored pilot program for multilateral joint research and assessment of tax risks at multinational companies (International Compliance Assurance program, ICAP). The tax agency partners rated Repsol as a Group with low tax non-compliance risk.

  Repsol Petróleo, Repsol Trading and Petronor were licensed as Authorized Economic Operators (AEOs) for streamlined customs processing and for security and protection. The AEO license signals recognition as a reliable operator in foreign trade, proves compliance with key security measures and good practices in the international supply chain of goods and acknowledges willingness to cooperate with customs authorities.

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

- Ethics and compliance. During the six-month period, work continued to disseminate the Code of Ethics and Conduct internally, with specific training courses for employees, and with further emphasis on personal data protection and anti-corruption.

APPENDIX I: RISKS

Information on the Group's risks is provided in Appendix II of the 2018 Management Report. The information is updated and supplemented by Note 5.1 — *"Litigation,"* Note 5.2 — *"Tax-related administrative acts"* and Note 5.3 — *"Geopolitical risks"* of the consolidated interim financial statements for the first half of fiscal year 2019. Information regarding the volatility of crude oil prices is available in section 3.2. — "*Energy landscape*" of this document.

APPENDIX II: 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,[1] 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 Exploration and Production Activities,[2] 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.

Some of the APMs have been affected by the application of IFRS 16 (see Note 2.2.1 to the interim financial statements for the first half of 2019), which has meant that some of the comparative measures between periods are less representative.

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 which Management (the Executive Committee) consults when making decisions in accordance with IFRS 8 "*Operating segments*."

Repsol presents its segment results including joint ventures or other companies which are jointly 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 the ***Net income from continuing operations at Current Cost of Supply*** (or CCS)[3] net of taxes and non-controlling interests. It excludes certain income and expenses (***Special Items***) and the ***Inventory effect***. ***Financial income/(expense)*** is allocated to the adjusted net income of the "*Corporate and other units*" segment.

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

1 See Note 2.3 "*Segment reporting*" of the financial statements for the first half of 2019.

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

3 Current Cost of Supply (CCS), though commonly used in the oil and gas industry to present the results of Downstream businesses which must work with huge inventories subject to continual price fluctuations, is not a metric accepted by EU accounting standards. However, it does enable comparability with industry peers and the monitoring of businesses independently of the impact of price variations on their inventories. As a result, Adjusted Net Income does not include the "Inventory Effect." This measure is equivalent to EBIT at CCS.

Inventory effect

This is the difference between the Net income from continuing operations at CCS and the result calculated as the weighted average cost (WAC, which is an inventory valuation method used by the company to determine its results in accordance with EU accounting regulations). It only affects the Downstream segment, such that for Net income from continuing operations at CCS the cost of volume sold during the period is determined in accordance with supply costs and production costs during the year. Apart from the above effect, the ***inventory effect*** includes other adjustments to the valuation of inventories (write-offs, economic hedges) and is presented net of taxes and non-controlling interests. Repsol Management believes that this measure is useful for investors, considering the significant variations arising in the prices of inventory between periods.

WAC is a generally accepted EU accounting method that measures inventories based on purchase prices and historic production costs: inventory is carried at the lower of said cost and market value.

Special items

These are significant items that are presented separately to aid understanding of the ordinary course of business. They include gains/losses arising from divestments, workforce restructuring charges, impairment, and provisions for risks and expenses and others. Special items are presented net of taxes and non-controlling interests.

Special items for the first half and second quarter of 2019 and 2018 are presented below:

	H1		Q2	
Million euros	2019	2018	2019	2018
Divestments	31	7	1	5
Workforce restructuring charges	(29)	(17)	(24)	(15)
Impairment	(3)	(123)	(1)	(121)
Provisions and other	(44)	(67)	(8)	(37)
Discontinued operations	-	412	-	344
TOTAL	(45)	212	(32)	176

The following is a reconciliation of Adjusted Net Income under the Group's reporting model to profit as stated under IFRS-EU:

	First half											
			ADJUSTMENTS									
	Adjusted net income		Joint ventures reclassification		Special items		Inventory effect[2]		Total adjustments		IFRS-EU profit/loss	
Million euros	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Operating income	2,002 [1]	2,043 [1]	(478)	(286)	18	(242)	90	282	(370)	(246)	1,632	1,797
Financial income/(expense)	(228)	(175)	68	60	(9)	146	-	-	59	206	(169)	31
Profit from entities accounted for using the equity method	17	21	220	172	-	-	-	-	220	172	237	193
Profit before tax	1,791	1,889	(190)	(54)	9	(96)	90	282	(91)	132	1,700	2,021
Income tax	(668)	(746)	190	54	(54)	(104)	(23)	(72)	113	(122)	(555)	(868)
Profit from continuing operations	1,123	1,143	-	-	(45)	(200)	67	210	22	10	1,145	1,153
Profit attributed to non-controlling interests	(8)	(11)	-	-	-	-	(4)	(8)	(4)	(8)	(12)	(19)
Profit from continuing operations attributable to the parent	1,115	1,132	-	-	(45)	(200)	63	202	18	2	1,133	1,134
Profit from discontinued operations	-	-	-	-	-	412	-	-	-	412	-	412
TOTAL PROFIT ATTRIBUTABLE TO THE PARENT COMPANY	1,115	1,132	-	-	(45)	212	63	202	18	414	1,133	1,546

[1] 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 and work in progress*" in the income statement under IFRS-EU.

	Second quarter											
			ADJUSTMENTS									
	Adjusted net income		Joint ventures reclassification		Special items		Inventory effect[2]		Total adjustments		IFRS-EU profit/loss	
Million euros	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Operating income	977 [1]	986 [1]	(238)	(106)	20	(173)	83	294	(135)	15	842	1,001
Financial result	(131)	(61)	37	20	6	153	-	-	43	173	(88)	112
Net income from equity affiliates using the equity method	11	10	94	45	-	-	-	-	94	45	105	55
Earnings before tax	857	935	(107)	(41)	26	(20)	83	294	2	233	859	1,168
Income tax	(359)	(380)	107	41	(58)	(148)	(21)	(75)	28	(182)	(331)	(562)
Profit from continuing operations	498	555	-	-	(32)	(168)	62	219	30	51	528	606
Income attributed to non-controlling interests	(1)	(6)	-	-	-	-	(2)	(8)	(2)	(8)	(3)	(14)
Net income from continuing operations attributable to the parent	497	549	-	-	(32)	(168)	60	211	28	43	525	592
Profit from discontinued operations	-	-	-	-	-	344	-	-	-	344	-	344
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT COMPANY	497	549	-	-	(32)	176	60	211	28	387	525	936

[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 and work in progress*" in the income statement under IFRS-EU.

EBITDA:

EBITDA, “Earnings Before Interest, Taxes, Depreciation, and Amortization,” is a financial indicator which determines the operating profit of a company prior to deducting interest, taxes, impairments, depreciation and amortization. Since it excludes financial and tax items and accounting expenses not involving cash outflows, it is used by Management to evaluate the Company’s performance over time and compare it with other Oil & Gas sector companies.

EBITDA is calculated as Operating Income + Depreciation/Amortization + Impairments + and other items which do not represent cash inflows or outflows from operations (restructuring costs, gains/losses from divestments, provisions, etc.). Operating income is the result from continuing operations at weighted average cost (WAC). In cases in which *Net income from continuing operations* at *Current Cost of Supply* (CCS) is used, it is called *EBITDA at CCS.*

	First half							
	Group Reporting Model		Joint ventures reclassification and others		Inventory effect		IFRS-EU [(1)]	
	2019	2018	2019	2018	2019	2018	2019	2018
Upstream	2,213	2,289	(918)	(858)	-	-	1,295	1,431
Downstream	1,580	1,649	(24)	(4)	-	-	1,556	1,645
Corporate and other units	(81)	(127)	(2)	54	-	-	(83)	(73)
EBITDA	3,712	3,811	(944)	(808)	-	-	2,768	3,003
EBITDA CCS	3,622	3,529	(944)	(808)	90	282	2,768	3,003

(1) Corresponds to “*Profit before tax*” and “*Adjustments to profit*” in the consolidated Statement of Cash Flows prepared under IFRS-EU.

	Second quarter							
	Group Reporting Model		Joint ventures reclassification and others		Inventory effect		IFRS-EU [(1)]	
	2019	2018	2019	2018	2019	2018	2019	2018
Upstream	1,149	1,188	(459)	(424)	-	-	690	764
Downstream	780	916	(13)	(3)	-	-	767	913
Corporate and other units	(27)	(97)	(22)	41	-	-	(49)	(56)
EBITDA	1,902	2,007	(494)	(386)	-	-	1,408	1,621
EBITDA CCS	1,819	1,713	(494)	(386)	83	294	1,408	1,621

(1) Corresponds to “*Profit before tax*” and “*Adjustments to profit*” 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.

NUMERATOR (*€ Million*)	1H 2019		1H 2018	
Operating profit IFRS-EU	1,632		1,797	
Reclassification of joint ventures	478		286	
Income tax [1]	(802)		(852)	
Net income from companies accounted for using the equity method, net of taxes	17		21	
IFRS 16 impact	(27)		-	
I. ROACE result at average weighted cost	1,298	2,636 [3]	1,252	2,752 [3]

DENOMINATOR (*€ Million*)	1H 2019	1H 2018
Total equity	31,035	31,158
Net financial debt	3,662	2,706
Capital employed at year end	34,697	33,864
II. Average capital employed [2]	34,525	33,485
ROACE (I/II)	7.6%	8.2%

[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] Annualized figure except for the Special Items.

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

NUMERATOR *(Million euros)*	1H 2019	
Operating profit IFRS-EU	1,632	
Reclassification of joint ventures	478	
Income tax [1]	(802)	
Net income from companies accounted for using the equity method, net of taxes	17	
I. ROACE result at weighted average cost	1,325	2,690[3]

DENOMINATOR (*Million euros*)	1H 2019
Total equity	30,927
Net debt with leases	7,464
Capital employed at period-end (with leases)	38,391
II. Average capital employed [2]	38,158
ROACE with leases (I/II)	7.0

[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] Annualized figure (except for the Special Items).

2. Cash flow measures

Cash flow from operations, free cash flow, cash generated and liquidity:

The three main measures used by Group Management to evaluate cash flow in the period are *cash flow from operations*, *free cash flow* and *cash generated*.

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

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 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 ventures reclassification and others		IFRS-EU cash flow statement	
	2019	2018	2019	2018	2019	2018
I. Cash flows from / (used in) operating activities	2,530	1,726	(658)	(357)	1,872	1,369
II. Cash flows from / (used in) investing activities	(1,437)	2,580	372	(1,185)	(1,065)	1,395
Free cash flow (I+II)	**1,093**	**4,306**	**(286)**	**(1,542)**	**807**	**2,764**
Cash generated	**(124)**	**3,373**	**(266)**	**(1,538)**	**(390)**	**1,835**
III. Cash flows from / (used in) financing activities and others [(1)]	(1,560)	(3,215)	269	1,572	**(1,291)**	(1,643)
Net increase / (decrease) in cash and cash equivalents (I+II+III)	**(467)**	**1,091**	**(17)**	**30**	**(484)**	**1,121**
Cash and cash equivalents at the beginning of the period	5,021	4,820	(235)	(219)	**(4,786)**	4,601
Cash and cash equivalents at the end of the period	4,554	5,911	(252)	(189)	**(4,302)**	5,722

	Second quarter					
	Adjusted cash flow		Joint ventures reclassification and others		IFRS-EU cash flow statement	
	2019	2018	2019	2018	2019	2018
I. Cash flows from / (used in) operating activities	1,369	807	(258)	(217)	1,111	590
II. Cash flows from / (used in) investing activities	(869)	3,180	(105)	(1,227)	(974)	1,953
Free cash flow (I+II)	500	**3,987**	(363)	**(1,444)**	137	**2,543**
Cash generated	111	**3,839**	(342)	**(1,440)**	(231)	**2,399**
III. Cash flows from / (used in) financing activities and others [(1)]	(775)	(2,122)	467	1,477	(308)	(645)
Net increase / (decrease) in cash and cash equivalents (I+II+III)	(275)	**1,865**	104	**33**	(171)	**1,898**
Cash and cash equivalents at the beginning of the period	4,829	4,046	(356)	(222)	4,473	3,824
Cash and cash equivalents at the end of the period	4,554	5,911	(252)	(189)	4,302	5,722

[(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 ventures reclassification and others		IFRS-EU	
	Jun - 2019	Dec - 2018	Jun - 2019	Dec - 2018	Jun - 2019	Dec - 2018
Cash and cash equivalents	4,554	5,021	(252)	(235)	4,302	4,786
Undrawn credit facilities	1,896	2,265	(9)	(16)	1,887	2,249
On-demand cash deposits [1]	1,382	1,456	-	-	1,382	1,456
Liquidity	7,832	8,742	(261)	(251)	7,571	8,491

[1] Repsol enters into contracts for time deposits that are nonetheless drawable on demand which are recorded in "*Other current financial assets*" (see Note 4.1.3 to the interim financial statements for 1H 2019) 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.

	First half					
	Operating investments		Joint ventures reclassification and others		IFRS-EU [1]	
	2019	2018	2019	2018	2019	2018
Upstream	961	900	(253)	(130)	708	770
Downstream	482	325	(16)	1	466	326
Corporate and other units	25	20	5	-	30	20
TOTAL	1,468	1,245	(264)	(129)	1,204	1,116

	Second quarter					
	Operating investments		Joint ventures reclassification and others		IFRS-EU [1]	
	2019	2018	2019	2018	2019	2018
Upstream	562	448	(136)	(67)	426	381
Downstream	293	187	(3)	-	290	187
Corporate and other units	15	12	4	-	19	12
TOTAL	870	647	(135)	(67)	735	580

[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*."

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 marking 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 ventures reclassification and others [(1)]	Figures according to IFRS-EU balance sheet
	Jun-19	Jun-19	Jun-19
Non-current assets			
Non-current financial instruments [(2)]	76	907	983
Current assets			
Other current financial assets	1,498	10	1,508
Cash and cash equivalents	4,554	(252)	4,302
Non-current liabilities [(3)]			
Non-current financial liabilities	(5,257)	(2,829)	(8,086)
Current liabilities [(3)]			
Current financial liabilities	(4,834)	(697)	(5,531)
Off-balance sheet items			
Marked to market financial derivatives (*ex* exchange rate derivatives) [(4)]	301	(237)	64
NET DEBT [(5)]	(3,662)		(6,760)
Non-current lease liabilities (net) [(6)]	(3,279)	650	(2,629)
Current lease liabilities (net) [(6)]	(523)	111	(412)
NET DEBT with leases	(7,464)		(9,801)

(1) Mainly includes the net financing of the Repsol Sinopec Brazil Group, broken down into: Cash and cash equivalents of €39 million and current financial liabilities as a result of an intra-group loan of €2,857 million, less €53 million for third-party loans and €653 million 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 €33 million (€22 million long-term and €11 million 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	**Reclassification of joint ventures and others**	**IFRS - EU balance sheet**
	Jun-19	Jun-19	Jun-19
Current financial liabilities [(2)]	(4,798)	(696)	(5,494)
Marked to market current exchange rate derivatives	(17)	-	(17)
Current gross debt	**(4,815)**	**(696)**	**(5,511)**
Non-current financial liabilities [(2)]	(5,185)	(2,829)	(8,014)
Non-current gross debt	**(5,185)**	**(2,829)**	**(8,014)**
GROSS DEBT [(1)]	(10,000)		(13,525)
Current lease liabilities	(3,301)	650	(2,651)
Non-current lease liabilities	(533)	111	(422)
GROSS DEBT with leases	(13,834)		(16,598)

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

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.

The ***debt coverage ratio*** is ***net debt*** divided by ***EBITDA*** and is used to evaluate the company's ability to repay external financing over a number of years (x times) and to compare it to industry peers.

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.

The ***interest coverage ratio*** is calculated in the same way as debt interest (which comprises finance income and expense, see Note 21 "*Finance income and expense*" of the 2018 consolidated financial statements) 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 ventures reclassification		Figures according to IFRS - EU balance sheet	
Million euros	2019	2018	2019	2018	2019	2018
Interest[(1)]	114	144	10	(30)	124	114
EBITDA	3,712	3,811	(944)	(808)	2,768	3,003
Interest coverage	3.1%	3.8%			4.5%	3.8%

[(1)] Lease effect is not included.

	Second quarter					
	Group Reporting Model		Joint ventures reclassification		Figures according to IFRS - EU balance sheet	
Million euros	2019	2018	2019	2018	2019	2018
Interest[(1)]	49	72	9	(15)	58	58
EBITDA	1,902	2,007	(494)	(386)	1,408	1,621
Interest coverage	2.6%	3.6%			4.1%	3.6%

[(1)] Lease effect is not included.

APPENDIX III: TABLE OF CONVERSIONS AND ABBREVIATIONS

			OIL				GAS		ELECTRICITY
			Liters	Barrels	Cubic meters	toe	Cubic meters	Cubic feet	kWh
OIL	1 barrel [(1)]	bbl	158.99	1	0.16	0.14	162.60	5,615	$1.7x10^3$
	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=$1.04x10^6$ Btu	ft^3	27.64	0.18	0.03	0.02	28.3	1,000	293.1
ELECTRICITY	1 megawatt hour	MWh	93.53	0.59	0.10	0.08	96.62	3,412.14	1,000

[(1)] Benchmark: 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