



REPSOL INTERNATIONAL FINANCE B.V.

(A private company with limited liability incorporated under the laws of The Netherlands and having its statutory seat (statutaire zetel) in The Hague)

EURO 10,000,000,000

Guaranteed Euro Medium Term Note Programme

Guaranteed by

REPSOL, S.A.

(A sociedad anónima organised under the laws of the Kingdom of Spain)

This supplement (the *Supplement*) to the base prospectus dated 26 September 2016 as supplemented on 28 November 2016 and on 7 March 2017 (together, the *Base Prospectus*), constitutes a Supplement, for the purposes of Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter 1 of Part II of the *loi relative aux prospectus pour valeurs mobilières du 10 juillet 2005* (the Luxembourg law on prospectuses for securities of 10 July 2005), as amended (the *Luxembourg Act*), to the Base Prospectus and is prepared in connection with the Euro 10,000,000,000 Guaranteed Euro Medium Term Note Programme (the *Programme*) established by Repsol International Finance B.V. (the *Issuer*) and guaranteed by Repsol, S.A. (the *Guarantor*). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with the Base Prospectus issued by the Issuer and the Guarantor.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Supplement and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. Some of the information incorporated by reference to the Base Prospectus by virtue of this Supplement has been translated from the original Spanish.

The Dealers, the Trustee and the Arranger have not separately verified the information contained in the Base Prospectus, as supplemented by this Supplement. None of the Dealers or the Arranger or the Trustee makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in the Base Prospectus, as supplemented by this Supplement.

Issuer's Annual Reports 2016

On 26 April 2017, the Issuer filed its audited annual consolidated and company-only financial statements including the notes to such financial statements and the audit reports thereon for the year ended 31 December 2016 with the Luxembourg *Commission de Surveillance du Secteur Financier (CSSF)* which, by virtue of this Supplement, are incorporated by reference in, and form part of, the Base Prospectus.

Guarantor's 2017 first quarter report and regulatory announcements

On 4 May 2017, the Guarantor filed its unaudited interim condensed consolidated financial statements of Repsol, S.A. and investees comprising the Repsol Group for the three-month period ended 31 March 2017 with the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores – CNMV*). An English-language translation of these financial statements has been filed with the CSSF and, by virtue of this Supplement, is incorporated by reference in, and forms part of, the Base Prospectus.

This Supplement also incorporates by reference certain regulatory announcements released by the Guarantor since the date of the Base Prospectus.

Documents incorporated by reference

Both the Issuer and the Guarantor consider advisable to incorporate by reference into the Base Prospectus via this Supplement the (i) audited annual consolidated and company-only financial statements of the Issuer for the financial year ended 31 December 2016; (ii) the unaudited interim condensed consolidated financial statements of Repsol, S.A. and investees comprising the Repsol Group for the three-month period ended 31 March 2017; and (iii) certain regulatory announcements of the Guarantor; and therefore, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act, to amend the **Section “DOCUMENTS INCORPORATED BY REFERENCE”** (pages 20 to 24 of the Base Prospectus) by the inclusion of the following documents to the list “**Information incorporated by reference**” (page 20 of the Base Prospectus) as new paragraphs (N) to (P). The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of Commission Regulation (EC) 809/2004.

Information Incorporated by Reference	Page References
(N) The audited consolidated and company-only financial statements of the Issuer, including the notes to such financial statements and the audit reports thereon, for the financial year ended 31 December 2016:	
- Independent Auditor’s report	1-5
- Responsibility Statement	6
- Management Board Report 2016	10-15
- Consolidated statement of financial position as at 31 December 2016	17
- Consolidated statement of comprehensive income for the year ended 31 December 2016	18
- Consolidated statement of changes in equity for the year ended 31 December 2016	19
- Consolidated statement of changes in equity for the year ended 31 December 2015	20
- Consolidated statement of cash flows for the year ended December 31, 2016	21
- Notes to the consolidated financial statements	22-52
- Company-only financial statements for the year ended 31 December 2016	54-65
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(O) The interim condensed consolidated financial statements of Repsol, S.A. and investees comprising the Repsol Group for the three-month period ended 31 March 2017:	
- Consolidated balance sheet at 31 March 2017 and 31 December 2016	2
- Consolidated income statement for the interim periods ended 31 March 2017 and 2016	3
- Consolidated statements of recognised income and expenses for the interim periods ended 31 March 2017 and 2016	4
- Consolidated statements of changes in equity for the interim periods ended 31 March 2017 and 31 December 2016	5
- Consolidated cash flow statements for the interim periods ended 31 March 2017 and 2016	6
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(P) Regulatory announcements of the Guarantor:

- Guarantor announces information on the results for the first quarter 2017 (announcement dated 4 May 2017) 1-34 (not including the cover page)
- Guarantor announces the Agenda of the 2017 Annual Shareholders' Meeting and the estimated implementation dates of the next paid-up capital increase – “Repsol Flexible Dividend” (announcement dated 29 March 2017) 1-4
- Guarantor announces oil discovery in the Nanushuk play – Alaska (announcement dated 9 March 2017). 1-3

Risk Factors

Both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act, and in connection with Section “**RISK FACTORS**” to replace the following information contained under “**Uncertainty in the current economic context**” on pages 6 and 7 of the Base Prospectus, in order to provide with the information obtained from the latest published financial statements of the Guarantor:

“Uncertainty in the current economic context.

Although global economic growth has picked up in recent months and forecasts have improved, uncertainty and risks are still noticeable. While risks to financial stability have decreased, geopolitical risks have become particularly relevant. The result of the U.S. elections and the vote in favour of the UK’s exit from the European Union have brought to the fore a greater polarisation in society. Thus, the status quo of public policies in the last 30 years – that is, liberalisation of trade, greater international integration and low levels of intervention – is being called into question. In Europe, important elections are being held in the coming months, in which support for European institutions will be put to the test.

The impact of these events on global growth and, accordingly, the performance of markets is still uncertain, but not necessarily adverse, although it may shift the distribution of global growth. In this sense, the victory of Donald Trump has been accompanied by an increase in inflation and growth expectations, welcomed by the markets, in the hope that a major fiscal stimulus programme will be implemented. If that programme takes place, it should trigger greater growth in the U.S., with positive spillovers over the rest of the world. However, as the US expansionary cycle is already mature, that measures could end up raising more inflation than activity. The trend towards financial deregulation promoted by the Trump’s administration could further exacerbate this dynamic, since in the short term it favors greater financial intermediation and growth, albeit at the expense of greater risk-taking. Notwithstanding, the alleged increase on protectionist would weaken the growth of emerging countries, which have an increasingly important role in the global economy. Therefore, measures in this sense could hinder the economic recovery that is under way.

Further, from a financial perspective, another risk to the world economy is the potential wider divergence in monetary policy between the main central banks. While recent oil spikes and increased activity have alleviated deflationary pressures, the European Central Bank and the Bank of Japan are likely to maintain an accommodative monetary policy, as recovery in these areas is still incipient and public borrowing is high. However, if Donald Trump’s policies cause an uptick in inflation, the Federal Reserve may have to hike interest rates more quickly than expected, which would strengthen the dollar. A stronger dollar would tighten financial conditions in emerging countries and endanger the solvency of governments and enterprises with dollar-denominated debt.

Nor can a risk event in China be discounted, as activity has been driven in part by a sharp growth in debt, which would have exceeded 169% of GDP in the corporate sector (and 250% of GDP in total) according to the Bank of International Settlements (BIS).

Last November the Organization of Petroleum Exporting Countries (OPEC) decided to abandon two years of market share defence policy and to cutback 1.2 million bbl/d of crude oil production. Consecutively, some Non-OPEC countries, with Russia to the fore, joined the effort and decided to cutback another 0.558 million bbl/d. Given the healthy global demand perspectives and considering both OPEC and Non-OPEC announcements, during the first half of 2017, around 1.8 million bbl/d of production would be out of the system helping to readjust the market and giving some support to crude oil prices. However, there are factors that may add uncertainty to the market, including: (i) lower-than-expected demand from emerging countries; (ii) a quicker-than-expected response by U.S. shale companies to the expected price rise; (iii) an increase in the outputs of Libya and Nigeria, OPEC

countries that were left out of the cutbacks announced by the OPEC; and (iv) lower commitment from OPEC and/or Non-OPEC countries to the individual production cuts announced.

Any of the factors described above, whether in isolation or in combination with each other, could have an adverse effect on the financial position, business, or results of operations of Repsol.”

Both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act, and in connection with Section “**RISK FACTORS**” to replace the following information contained under “**The proposed European financial transactions tax.**” on page 18 of the Base Prospectus, in order to provide with the information obtained from the latest published financial statements of the Guarantor:

“The proposed European financial transactions tax.

The European Commission published in February 2013 a proposal for a Directive for a common financial transaction tax (FTT) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia; however, Estonia has stated that it will not participate. (The participating Member States)

The proposed FTT has a very broad scope and could, if introduced, apply to certain dealings in financial instruments (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the financial instruments where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

In the ECOFIN meeting of 17 June 2016, the FTT was discussed between the EU Member States. It has been reiterated in this meeting that participating Member States envisage introducing an FTT by the so-called enhanced cooperation.

The proposed Directive defines how the FTT would be implemented in participating Member States. It involves a minimum 0.1% tax rate for transactions in all types of financial instruments, except for derivatives that would be subject to a minimum 0.01% tax rate.

FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and participating Members States may withdraw. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.”

Use of Proceeds

Both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act, and in relation to **Section “USE OF PROCEEDS**”, to replace the information on page 31 with the following information:

“The net proceeds of the issue of Notes under the Programme will be on-lent by the Issuer to, or invested by the Issuer in, other companies within the Repsol Group for use by such companies either:

(i) for their general corporate purposes, or

(ii) to finance and/or refinance, in whole or in part, Eligible Green Projects.

For the purpose of this section, Eligible Green Projects means energy efficiency projects and other investments related to low emissions technology projects which meet a set of environmental, social and governance criteria, approved both by the Guarantor and by a reputed sustainability rating agency, and are available on the Guarantor’s website (www.repsol.com) in the fixed income section.

Energy efficiency projects are devoted to reduce the energy consumption of our processes in the assets and therefore to avoid the associated greenhouse gas (GHG) emissions. This category includes the following technical typologies (described at the Framework document published at the Guarantor’s website): (a) Upgrade of equipment: Heat; (b) Upgrade of equipment: Dynamic equipment; (c) Improvements of operating criteria; (d) Energy Integration; (e) New units / Process scheme modification; and (f) Network optimization.

The second category, low emissions technology projects, includes other GHG emissions avoided projects not related to energy efficiency, such as methane emissions mitigation; reduction of flaring and venting or alternative power generation.”

Information on the Guarantor – Recent Developments

Both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act, and in relation to Section “**INFORMATION ON THE GUARANTOR AND THE GROUP**” under the heading “Recent Developments”, on page 35 of the Base Prospectus, to replace the information contained in that paragraph with the following:

“The Board of Directors resolved, at a meeting held on 29 March 2017, to submit to the Annual General Meeting scheduled for 18 and 19 May 2017, on first and second call, respectively, the re-election of Deloitte, S.L. as the auditor of Repsol, S.A. and the Group for 2017, and the appointment of PricewaterhouseCoopers Auditores, S.L. as the auditor of Repsol, S.A. and the Group for 2018, 2019 and 2020.”

Business segments and organisational structure – Guarantor

Both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act, and in relation to Section “**INFORMATION ON THE GUARANTOR AND THE GROUP**” under the heading “**Board of Directors, Senior Management and Employees**”, to replace the information on page 41 related to the “Board of Directors” with the following information:

“Board of Directors

As of the date of this Base Prospectus, the members of the Board of Directors of the Guarantor are as follows:

	<u>Position</u>
Antonio Brufau Niubó.....	Chairman and Director
Gonzalo Gortázar Rotaache ⁽¹⁾	First Vice-Chairman and Director
Manuel Manrique Cecilia ⁽²⁾	Second Vice-Chairman and Director
Josu Jon Imaz San Miguel.....	CEO and Director
Artur Carulla Font.....	Director
Luis Carlos Croissier Batista.....	Director
Rene Dahan ⁽³⁾	Director
Ángel Durández Adeva.....	Director
Javier Echenique Landiribar.....	Director
Mario Fernández Pelaz.....	Director
María Isabel Gabarró Miquel.....	Director
José Manuel Loureda Mantiñán ⁽²⁾	Director
Antonio Massanell Lavilla ⁽¹⁾	Director
Henri Philippe Reichstul.....	Director
J. Robinson West.....	Director
Luis Suárez de Lezo Mantilla.....	Director and Secretary of the Board of Directors

(1) Nominated for membership by CaixaBank, S.A., entity controlled by Fundació Bancaria Caixa d’Estalvis y Pensions de Barcelona.

(2) Nominated for membership by Sacyr, S.A.

(3) Nominated for membership by Temasek.

The business address of each of the directors as directors of the Guarantor is Calle Méndez Álvaro, 44, 28045 Madrid, Spain.

There are no conflicts of interest between any duties owed by the directors of the Guarantor to the Guarantor and their respective private interests and/or other duties. The directors of the Guarantor have no

principal activities performed by them outside the Guarantor where these are significant with respect to the Guarantor.

The Board of Directors, in its meeting of 29 March 2017, resolved to submit to the Annual General Meeting scheduled for 18 and 19 May 2017, in first and second call, respectively:

- the re-election of Manuel Manrique Cecilia, Rene Dahan and Luis Suárez de Lezo Mantilla as Directors for a new statutory term of four years;
- the ratification of the appointment by cooptation of Antonio Massanell Lavilla as Director for a statutory term of four years; and
- the appointment as independent external Directors for a statutory term of four years of María Teresa Ballester Fornés, Isabel Torremocha Ferrezuelo and Mariano Marzo Carpio, replacing Javier Echenique Landiribar, María Isabel Gabarró Miquel and Henri Philippe Reichstul.”

Share capital and major shareholders

Both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act, and in relation to Section “**INFORMATION ON THE GUARANTOR AND THE GROUP**” under the heading “**Share capital and major shareholders**”, on page 42, to insert an additional paragraph at the end of this section with the following information:

“As at the date of this Base Prospectus, the Guarantor’s share capital is comprised of 1,496,404,851 shares at a nominal value of €1, fully subscribed and paid, and admitted to listing on the automated quotation system (mercado continuo) of the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and on the Buenos Aires Stock Exchange. The Guarantor also has a programme of ADS, currently traded on the OTCQX market in the United States.

In accordance with the latest information available to Repsol, at the date of this Base Prospectus the Guarantor’s major shareholders beneficially owned the following percentages of its ordinary shares:

<u>Shareholder</u>	<u>Percentage ownership (direct)</u>	<u>Percentage ownership (indirect)</u>	<u>Total number of shares</u>	<u>Total percentage ownership</u>
	%	%		%
Fundación Bancaria Caixa d’ Estalvis i Pensions de Barcelona. ⁽¹⁾	0.00	9.84	147,246,412	9.84
Sacyr, S.A. ⁽²⁾	0.00	8.20	122,704,410	8.20
Temasek ⁽³⁾	0.00	4.34	64,924,260	4.34
Blackrock, Inc. ⁽⁴⁾	0.00	3.04	43,797,508	3.04

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

(2) Sacyr, S.A. holds its interest through Sacyr Investments II, S.A.U., Sacyr Investments, S.A.U. and Sacyr Securities, S.A.U.

(3) Temasek Holdings (Private) Limited (Temasek) holds its stake through Chembra Investments PTE Ltd.

(4) Blackrock holds its share through a number of funds and accounts managed by investment managers and delegated investment managers under its control. The information regarding Blackrock is based on the statement made by Blackrock to the CNMV on 15 January 2016 on the share capital at that date.”

Shareholder remuneration

Both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act, and in relation to Section “**INFORMATION ON THE GUARANTOR AND THE GROUP**” under the heading “**Shareholder Remuneration**”, on page 43, to insert an additional paragraph at the end of this section with the following information:

“The Board of Directors of the Guarantor resolved, at a meeting held on 29 March 2017, to submit to the Guarantor’s shareholders for approval at the Annual General Meeting scheduled for 18 and 19 May 2017, on first

and second call, respectively, within the “Repsol Flexible Dividend” Program and on the dates on which the Guarantor has traditionally paid its final dividend, a capital increase proposal charged to voluntary reserves from retained earnings equivalent to shareholder remuneration of about €0.45 per share.”

Business Overview – Legal and Arbitration Proceedings

Both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act, and in connection with **Section “INFORMATION ON THE GUARANTOR AND THE GROUP”** to replace the information contained under subsection “**Legal and Arbitration Proceedings**” (pages 43 to 50 of the Base Prospectus) with the following information in order to provide with the information obtained from the latest published financial statements of the Guarantor:

“The Repsol Group companies are party to judicial and arbitration proceedings arising in the ordinary course of their business activities. The most significant of these and their status at the date of this Base Prospectus are summarized below.

United Kingdom

Addax arbitration (in relation to the purchase of Talisman Energy (UK) Limited)

On July 13, 2015, Addax Petroleum UK Limited (“Addax”) and Sinopec International Petroleum Exploration and Production Corporation (“Sinopec”) filed a “Notice of Arbitration” against Talisman Energy Inc. (now known as “ROGCI”) and Talisman Colombia Holdco Limited (“TCHL”) in connection with the purchase of 49% shares of TSEUK (now known as “RSRUK”). ROGCI and TCHL filed their response to the Notice of Arbitration on October 1, 2015. On May 25, 2016, Addax and Sinopec filed the Statement of Claim, in which they seek, in the event that their claims were confirmed in their entirety, repayment of their initial investment in RSRUK, which was executed in 2012 through the purchase of 49% of RSRUK from TCHL, a wholly-owned subsidiary of ROGCI, together with any additional investment, past or future, in such company, and further for any loss of opportunity, and which they estimate in a total approximate amount of \$5,500 million. The Arbitral Tribunal has decided, among other procedural matters, the bifurcation of the proceedings: the hearing on liability issues will take place from January 29 to February 20, 2018, and, if necessary, the hearing on the assessment of any damages will take place later at an as yet unspecified date – we estimate this would be early 2019. The Company maintains its opinion that the claims included in the Statement of Claim are without merit.

“Galley” pipeline lawsuit

In August 2012, a portion of the Galley pipeline, in which Repsol Sinopec Resources UK Limited (“RSRUK”, formerly known as Talisman Sinopec Energy UK Limited, “TSEUK”), has a 67.41% interest, suffered an upheaval buckle.

In September 2012, RSRUK filed a claim seeking coverage of the damages and losses sustained as a result of the incident from the insurance company Oleum Insurance Company (“Oleum”), a wholly-owned subsidiary of ROGCI, which in turn owns 51% of RSRUK. In July 2014, RSRUK presented Oleum with a \$351 million claim for property damage and business disruption.

To date, the documentation delivered by RSRUK in support of its claim has proven insufficient to conclude on the existence of coverage under the policy.

RSRUK filed a request for arbitration on August 8, 2016, and the arbitration court has been constituted. The arbitration taking place in London proceeding is currently in the pleadings stage, after which the arbitration court will decide on the calendar for the trial phase, among other procedural matters.

United States of America

The Passaic River / Newark Bay lawsuit

The events underlying this litigation related to the sale by Maxus Energy Corporation (“Maxus”) of its former chemicals subsidiary, Diamond Shamrock Chemical Company 97 (“Chemicals”) to Occidental Chemical Corporation (“OCC”). Maxus agreed to indemnify Occidental for certain environmental contingencies relating to the business and activities of Chemicals prior to September 4, 1986. After that (1995), Maxus was acquired by YPF S.A. (“YPF”) and subsequently (in 1999) Repsol S.A. acquired YPF.

In December 2005, the New Jersey Department of Environmental Protection (“DEP”) and the New Jersey Spill Compensation Fund (together, the “State of New Jersey”) sued Repsol YPF S.A. (today called Repsol, S.A., hereinafter, “Repsol”), YPF, YPF Holdings Inc. (“YPFH”), CLH Holdings (“CLHH”), Tierra Solutions, Inc. (“Tierra”), Maxus and OCC for the alleged contamination caused by the former Chemicals old plant which allegedly contaminated the Passaic River, Newark Bay and other bodies of water and properties in the vicinity (the Passaic River and Newark Bay litigation). In August 2010, the scope of the suit was expanded to include YPF International, S.A. (“YPFI”), and Maxus International Energy Company (“MIEC”).

On September 26, 2012 OCC lodged a Second Amended Cross Claim (the “Cross Claim”) against Repsol, YPF, Maxus, Tierra and CLHH (all of which together “the Defendants”).

Between June 2013 and August 2014, the Defendants signed different agreements with the State of New Jersey, in which they do not acknowledge liability and through certain payments in exchange for the withdrawal by the State of New Jersey of its proceedings against them.

On January 29, 2015 the judge ruled on certain Motions to Dismiss submitted by the Defendants against Cross Claim, dismissing, in full or in part, without scope for re-admission, 10 of the 12 claims presented by OCC. On July 1, 2015 the judge fixed a new procedural calendar and indicated the hearing for June, 2016.

On November 27, 2015 the parties formulated various Motions for Summary Judgment, and on January 14, 2016 the Special Master issued her recommendations on these Motions, allowing the ones submitted by Repsol in relation to its characterization as alter ego to Maxus and rejecting OCC’s against Repsol’s claim vis-a-vis OCC in respect of the \$65 million paid pursuant to the agreement with the State of New Jersey.

The Presiding judge decided on April 5, 2016 to uphold all of the recommendations issued by the Special Master, thereby dismissing in full OCC suit against Repsol. His decision can be appealed. On June 16, 2016, the Special Master agreed to hear the motion for summary judgment presented by Repsol with regard to its claim against OCC for the \$65 million paid as part of the settlement reached with the State of New Jersey. OCC filed an appeal against the recommendation of the Special Master on January 30, 2017. On June 17, 2016, Maxus filed for bankruptcy protection before the United States Bankruptcy Court for the District of Delaware, also seeking release from its main litigation liability, a petition the Court must rule on. The main litigation is currently suspended, with OCC’s claim for \$65 million having been reintroduced.

Spain

Litigation relating to the application of Order ITC/2608/2009 of September 28

In February 2017 notice was received of four judgments of the Supreme Court affirming the decisions of the lower courts and an earlier holding of the Supreme Court’s own, recognizing Repsol Butano, S.A.’s entitlement to an indemnity for the detriment caused by the formula determining the maximum retail prices for regulated bottled LPG, set out in Order ITC/2608/2009 of September 28, which was struck down by the Supreme Court itself in its judgment of June 19, 2012, increased by statutory late payment interest (see Note 21.3 of Consolidated financial statements of Repsol, S.A. and Investees composing the Repsol Group for the fiscal year ended on 31 December 2016, incorporated by reference to this Base Prospectus).

Administrative and legal proceedings with tax implications

Repsol does business globally, operating as a vertically-integrated oil and gas company, which translates into growing complexity with respect to tax management in the current international context.

In accordance with prevailing tax legislation, tax returns cannot be considered final until they have been inspected by the tax authorities or until the inspection period in each tax jurisdiction has prescribed.

The years for which the Group companies have their tax returns open to inspection in respect of the main applicable taxes are as follows:

Country	Years open to inspection
Algeria	2012 – 2016
Australia	2012 – 2016
Bolivia	2011 – 2016
Canada	2007 – 2016
Colombia	2009 – 2015

<i>Ecuador</i>	2013 – 2016
<i>Spain</i>	2010 – 2016
<i>United States</i>	2011 – 2016
<i>Indonesia</i>	2011 – 2016
<i>Lybia</i>	2009 – 2016
<i>Malaysia</i>	2012 – 2016
<i>The Netherlands</i>	2011 – 2016
<i>Papua New Guinea</i>	2013 – 2016
<i>Peru</i>	2012 – 2016
<i>Portugal</i>	2013 – 2016
<i>Singapore</i>	2012 – 2016
<i>Timor-Leste</i>	2011 – 2016
<i>Trinidad and Tobago</i>	2012 – 2016
<i>Venezuela</i>	2012 – 2016

Whenever discrepancies arise between Repsol and the tax authorities with respect to the tax treatment applicable to certain operations, the Group acts with the authorities in a transparent and cooperative manner in order to resolve the resulting controversy, using the legal channels at its disposal with a view to reaching non-litigious solutions.

However, in this fiscal years, as in previous years, there are administrative and legal proceedings with tax implications that might be adverse to the Group's interest and that have given rise to litigious situations that could result in contingent tax liabilities. Repsol believes that it has acted lawfully in handling the foregoing matters and that its defence arguments are underpinned by reasonable interpretations of prevailing legislation, to which end it has lodged appeals as necessary to defend the interests of the Group and its shareholders.

It is difficult to predict when these tax proceedings will be resolved due to the extensive appeals process. Based on the advice received from in-house and external tax experts, Repsol believes that the tax liabilities that may ultimately derive from these proceedings will not have a significant impact on the financial statements. In the Group's experience, the result of lawsuits claiming sizeable amounts have either tended to result in immaterial settlements or the courts have found in favour of the Group.

The Group's general criterion is to recognise provisions for tax-related proceedings that it deems it is likely to lose and does not recognise provisions when the risk of losing the case is considered possible or remote. The amounts to be provisioned are calculated on the basis of the best estimate of the amount needed to settle the proceeding in question, underpinned, among others things, by a case-by-case analysis of the facts, the legal opinions of its in-house and external advisers or prior experience in these matters.

The main tax-related lawsuits affecting the Group at 31 December 2016 are as follows:

Bolivia

Repsol E&P Bolivia, S.A. and YPFB Andina, S.A., are pursuing several lawsuits against administrative resolutions that denied the deductibility of hydrocarbon royalties and hydrocarbon payments for corporate income tax calculation purposes prior to the nationalisation of the oil sector.

The first lawsuits brought by Repsol E&P Bolivia, S.A. and YPFB Andina, S.A. were resolved against Repsol's interest by the Supreme Court, whose judgement was later confirmed by the Constitutional Court.

The company is involved in other lawsuits concerning the same matters, considering that its position is expressly endorsed by Law 4115, 26 September 2009.

Brazil

Petrobras, as operator of block BM-S-9, in which Repsol has a 25% ownership interest, has been served by the Sao Paulo tax authorities of an infraction notice in relation to purported breaches of formal requirements related to the onshore-offshore movement of materials and equipment from/to the offshore drilling platform. The criterion adopted by Petrobras is in line with widespread industry practice. A court of first instance ruled in favour of the tax payer. The State of Sao Paulo has lodged an appeal.

Secondly, Petrobras, as operator of the Albacora Leste, BM-S-7 and BMS-9 consortia, has received infraction notices with respect to several taxes for the period 2008 to 2012 in relation to payments to foreign companies for the chartering of exploration platforms and related services used at the above-listed blocks. On October 3, 2016, the administrative first-instance tribunal dismissed the application filed by Petrobras, which has lodged an appeal.

In addition, Repsol Sinopec Brasil received notices of infringement with respect to withholdings (2009 and 2011) in relation to payments to foreign companies for the chartering of exploration vessels and related services used at blocks BM S-48 and BM-C33, which Repsol Sinopec Brasil operates. The Company believes that its behaviour is in line with widespread sector practice as well as compliant with the law. This case is currently being heard at an administrative federal court of second instance.

Canada

The Canada Revenue Agency, or CRA, has disallowed the application of tax incentives related to the assets of the Canaport project. The company has appealed the tax assessments (2005-2008). Canada's Tax Court ruled in favour of Repsol on January 27, 2015. However, this decision was appealed before the Federal Court of Appeal.

Furthermore, the CRA regularly inspects the Talisman Group companies resident in Canada. Since 2015, there are ongoing verification and investigation regarding the years 2006-2010. In this respect, a notice of re-assessment resulting in adjustments to the 2006 tax return under several items was received. The company does not expect this claim to have a significant impact for the Group and, in any case, it will file the appropriate appeals as it considers some of the item adjustments to be incorrect.

Ecuador

The Ecuador internal revenue service (SRI) has disallowed the deduction from income tax (2003 to 2010) of payments for the transportation of crude oil to Ecuador company Oleoducto de Crudos Pesados, S.A. under a "Ship or pay" arrangement. The National Court of Justice has dismissed the appeals regarding 2003 and 2005 on procedural grounds, without addressing the merits of the case.

For the period 2004 to 2010, the SRI has also challenged the criteria used to set the benchmark price applicable to sales of the output of Block 16, in which Repsol Ecuador, S.A. holds a 35% interest. The National Court of Justice has dismissed the appeals regarding 2005 on procedural grounds, without addressing the merits of the case.

Oleoducto de Crudos Pesados, S.A (OCP), a 29.66% investee of Repsol Ecuador, S.A., is disputing with the government of Ecuador the tax treatment of subordinated debt issued to finance its operations. The National Court handed down a favourable ruling for this company, which the government appealed before the Constitutional Court. The Constitutional Court has set aside the National Court ruling and has ordered a new ruling. The government also dismissed the National Court members who ruled in favour of the company. Later, the National Court has issued rulings in favour of the interests of the SRI in respect of the 2003 to 2006 fiscal years. OCP's appeals before the Constitutional Court were dismissed. The government of Ecuador has been notified that an international arbitration action may be lodged.

Spain

In 2013 the main litigations deriving from the inspections of income tax returns from 1998 to 2001 and from 2002 to 2005 concluded. The corresponding decisions and rulings had the effect of cancelling 90% of the tax liability initially assessed by the tax authorities and that had been appealed by the Company. With regard to the penalties linked to those inspections, they have been cancelled by the Courts in almost all cases.

Secondly, the assessments and penalties deriving from the inspections corresponding to the 2006-2009 corporate income tax, and withholdings are still open to final administrative decision. The matters under discussion, which are mainly related to transfer pricing, foreign portfolio loss recognition and investment incentives, imply a change in the tax authority's criteria with respect to earlier inspections. Repsol, in keeping with the reports provided by its internal and external tax advisers, believes that it has acted lawfully in these matters and, accordingly, does not expect them to result in liabilities that could have a significant impact on the Group's results. The Group will appeal the assessments handed down by the tax authorities as necessary in order to uphold and defend the Group's legitimate interests.

In relation to the sentence issued by the European Union Court of Justice on 27 February 2014, declaring the Tax on the Retail Sale of Certain Hydrocarbons (IVMDH for its acronym in Spanish), levied from 2002 to 2012,

contrary to EU law, Repsol has initiated several proceedings against the Spanish tax authorities in order to uphold the interests of its customers and their right to seek the refund of the amounts incorrectly collected in this respect.

In 2016, the Spanish tax authorities continued an inspection of the Group's income tax, value added tax and other taxes and withholdings corresponding to fiscal years 2010 to 2013. Consensual tax assessments have been signed in respect of withholdings.

Indonesia

Indonesian Corporate Tax Authorities have been questioning various aspects of the taxation of permanent establishments that the Group holds in the country. These proceedings are pending appeals in administrative tribunals or resolution in the courts.

Malaysia

Repsol Oil & Gas Malaysia Ltd. and Repsol Oil & Gas Malaysia (PM3) Ltd., the Group's operating subsidiaries in Malaysia, have received a notification from the Inland Revenue Board (IRB) in respect of the years 2007, 2008 and 2011 questioning, primarily, the deductibility of certain costs. These proceedings are being heard at an administrative instance before court hearing.

Timor-Leste

The authorities of Timor-Leste had initially questioned the deduction by Repsol Oil & Gas Australia (JPDA 06-105) Pty Limited of certain expenses for income tax purposes. Notwithstanding the above, the Authorities have recently withdrawn the pre-assessment questioning.

Trinidad and Tobago

In 2015, BP Trinidad & Tobago LLC, a company in which the Repsol Group has a 30% interest along with BP, signed an agreement with the local authorities (Board of Inland Revenue), resolving most of the matters under dispute in relation to several taxes and for the years 2003-2009: "Petroleum Profit Tax" (income tax), "Supplemental Petroleum Tax" (production tax), and non-resident personal income tax withholdings and the issues recurring in the years not subject to inspection (2010-2014).

Subsequently, the Administration has issued a new tax assessment requiring additional payments in relation to the 2007-2009 exercises (which were included in the above agreement and therefore were considered reviewed and already closed). BP Trinidad & Tobago LLC filed the appropriate administrative appeal and in 2016 the Administrative Court allowed it, accepting the argument that such periods were already closed."

Taxation – the Kingdom of Spain

Both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act, and in connection with Section "TAXATION" to replace the information contained under subsection "The Kingdom of Spain – Net Wealth Tax (NWT) – Resident" (page 56 of the Base Prospectus) with the following information:

"Under Law 19/1991, 6 June 1991, as amended (the NWT Law), all Spanish-resident individual shareholders are liable for NWT on all net assets and rights deemed to be owned as of 31 December, irrespective of where these assets are located or where the rights may be exercised, and amounting to more than €700,000 (such amount may be lower depending on the Spanish region of domicile of the taxpayer). A Holder who is required to file a NWT return should value the Notes at their average trading price in the last quarter of the year. Such average trading price is published on an annual basis by the Spanish Ministry of Finance and Public Administration.

NWT is levied at rates ranging from 0.2% to 2.5% depending on the Spanish region of domicile of the taxpayer, certain tax allowances may be available. Thus, investors should consult their tax advisers according to the particulars of their situation.

Furthermore, in accordance with Article 4 of the Royal Decree-Law 3/2016, of December 2, 2016 adopting measures in the tax field aimed at the consolidation of public finances and other urgent social security measures, from the year 2018, a full exemption on Net Wealth Tax (100%) would apply and therefore from year 2018 Spanish individual Holders will be released from formal and filing obligations in relation to this Spanish Wealth Tax, unless the derogation of the exemptions is extended again.”

General information

Both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act, to delete paragraph (2) in the **Section “GENERAL INFORMATION”** on page 102 of the Base Prospectus replace it with the following text to take into account the publication and incorporation by reference into the Base Prospectus of the Annual Consolidated and Company-only Financial Statements of the Issuer for the year ended 31 December 2016, and of the unaudited interim condensed consolidated financial statements of Repsol, S.A. and investees comprising the Repsol Group for the three-month period ended 31 March 2017:

“To the best of the knowledge of the Issuer, there has been no material adverse change in its prospects since 31 December 2016 (being the date of the last published audited financial statements) nor has there been any significant change in the financial or trading position of the Issuer and its consolidated subsidiaries since 31 December 2016.

To the best of the knowledge of the Guarantor, there has been no material adverse change in its prospects since 31 December 2016 nor has there been any significant change in the financial or trading position of the Group since 31 March 2017.”

Furthermore, both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act, to insert the following as paragraphs (5)(xiii) and (5)(xiv) in the **Section “GENERAL INFORMATION”** on page 103 of the Base Prospectus to take into account the publication and incorporation by reference into the Base Prospectus of the Annual Consolidated and Company-only Financial Statements of the Issuer for the year ended 31 December 2016 and the unaudited interim condensed consolidated financial statements of Repsol, S.A. and investees comprising the Repsol Group for the three-month period ended 31 March 2017:

“(xiii) the audited annual consolidated and Company-only financial statements of the Issuer for the fiscal year ended 31 December 2016.

(xiv) the interim condensed consolidated financial statements of Repsol and investees comprising the Group for the three-month period ended 31 March 2017.”

Finally, both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act, to delete paragraph (6)(ii) in the **Section “GENERAL INFORMATION”** on page 103 of the Base Prospectus and replace it with the following text to take into account the publication and incorporation by reference into the Base Prospectus of the Annual Consolidated and Company-only Financial Statements of the Issuer for the year ended 31 December 2016:

“(ii) The financial statements of the Issuer have been audited for the financial years ended 31 December 2016 and 2015 by Deloitte Accountants B.V. (members of Koninklijk Nederlands Instituut van Registeraccountants), Independent Auditors of the Issuer. The address of Deloitte Accountants B.V. is Wilhelminakade 1, 3072 AP, Rotterdam, The Netherlands or P.O. Box 2031 3000CA, Rotterdam, The Netherlands.”

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of the Notes issued under the Programme has been noted or, to the best of the knowledge of the Issuer and the Guarantor, has arisen, as the case may be, since the publication of the Base Prospectus.

To the extent there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by virtue of this Supplement and (b) any other statement, pre-dating this Supplement, in, or incorporated by reference into, the Base Prospectus, the statements in (a) above shall prevail.

As long as any of the Notes are outstanding, this Supplement and each document incorporated by reference into the Base Prospectus via this Supplement will be available for inspection, free of charge, at the offices of the

Issuer at Koninginnegracht 19, 2514 AB The Hague, The Netherlands during normal business hours and on the website of the Luxembourg Stock Exchange at www.bourse.lu. In addition, copies of the documents incorporated by reference referred to above can be obtained from the website of the Issuer at http://www.repsol.com/es_en/corporacion/accionistas-inversores/informacion-financiera/financiacion/repsol-international-finance/programa-emision-continua.aspx.

Independent auditor's report

To the Shareholders and the Audit Committee of Repsol International Finance B.V.

REPORT ON THE FINANCIAL STATEMENTS 2016 INCLUDED IN ANNUAL REPORT

Our Opinion

We have audited the financial statements 2016 of Repsol International Finance B.V. (the "Company") based in The Hague, the Netherlands. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated statement of financial position included in these annual accounts give a true and fair view of the financial position of Repsol International Finance B.V. as at December 31, 2016 (before appropriation of result), and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union ("EU-IFRS") and with Part 9 of Book 2 of the Dutch Civil Code.
- The company financial statements included in these annual accounts give a true and fair view of the financial position of Repsol International Finance B.V. as at December 31, 2016 (before appropriation of result), and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at December 31, 2016 (before appropriation of result).
2. The following statements for 2016: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at December 31, 2016 (before appropriation of result).
2. The company profit and loss account for 2016.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Repsol International Finance B.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO)" and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants (VGBA)".

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at USD 15 million. The materiality is based on 10% of total profit before tax. We have applied a materiality of USD 80 million for presentation misstatements within the statement of financial position. This materiality is based on 3% of total equity. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Audits of group entities (components) are performed using materiality levels determined by the judgment of the group audit team, considering materiality for the consolidated financial statements as a whole and the reporting structure of the group. Component materiality did not exceed USD 10,5 million.

We agreed with the Audit Committee that misstatements in excess of EUR 0,75 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Repsol International Finance B.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Repsol International Finance B.V.

Our group audit mainly focused on the significant group entity Repsol Netherlands Finance B.V. ("RNF"). We have:

- Performed audit procedures ourselves at RNF.
- Performed review procedures or specific audit procedures at other group entities.
- Used the work of other auditors when auditing the IT environment and the internal controls.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Audit Committee. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The valuation of the loans to affiliated companies

The Company has provided loans to related companies within the Repsol S.A. group amounting to USD 16,919 million as at December 31, 2016 (2015: USD 21,713 million) to finance their respective business operations. After initial recognition, these financial instruments are measured at amortized cost using the effective interest method, less any loss allowances for expected credit losses. As part of our audit procedures we verified the design and implementation of relevant controls. We have examined the relevant factors that may affect the measurement of these loans. We have e.g. verified the liquidity, profitability and solvency of the counterparties to determine if the recognized loss allowances appropriately reflect the counterparties' credit risk. Based on those audit procedures we identified several counterparties that may not be able to meet their liabilities to the Company in the foreseeable future on a standalone basis. For those counterparties, we obtained confirmation from the Company's and the counterparties' ultimate shareholder Repsol S.A. that it will continue to financially support the relevant counterparties, thus supporting the Company's measurement of the related loan receivables. We furthermore assessed the ability of the ultimate parent to be able to provide the support.

REPORT ON THE OTHER INFORMATION INCLUDED IN ANNUAL REPORT

In addition to the financial statements and our auditor's report, the annual accounts contain other information that consists of:

- Report of the Management Board.
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of other information, the report of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the Audit Committee as auditor of Repsol International Finance B.V. on January 24, 2017. We have operated as statutory auditor ever since the Company's 1991 financial statements.

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of management and the Audit Committee for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, April 26, 2017

Deloitte Accountants B.V.

Signed on the original: J.A. de Bruin

STATEMENT

The members of the Board of Directors of REPSOL INTERNATIONAL FINANCE, B.V. (the “**Company**”) state that, to the best of our knowledge, the Annual Financial Report (comprising the Consolidated and Company-only Financial Statements and the Management Board Report) for the year ended on the 31st of December 2016, approved by the Board of Directors on 26 April 2017, and prepared in accordance with the applicable accounting principles give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and that the Management Board Report includes a fair view of the development and performance of the business and the position of the Company, as well as a description of the principal risks and uncertainties facing it.

Mr. Hanno C. Vrolijk
Director

Mr. G.A.L.R. Diepenhorst
Director

Mr. Germán Miñano Fernández
Director

Mrs. Susana Meseguer Calas
Director



Repsol International Finance B.V.

Consolidated EU-IFRS Financial statements for the year ended December 31, 2016

Together with independent auditor's report

April 26, 2017

The Hague, the Netherlands



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Management board report



Management board report

The Managing Directors present their report together with the audited consolidated financial statements for the year ended December 31, 2016. The consolidated financial statements of the Company as at and for the year ended December 31, 2016 comprise the Company and its subsidiary (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in its associate. The company-only financial statements are part of the consolidated financial statements of Repsol International Finance B.V. (the 'Company').

Amounts in this Management board report are presented in thousands of USD, unless otherwise indicated.

General information

The Company is part of the Repsol Group, a Spanish integrated oil group engaged in all aspects of the petroleum business and one of the largest industrial groups in Spain. The Company is a wholly owned subsidiary of Repsol, S.A., Madrid, Spain (the 'Parent Company').

Funds denominated in U.S. Dollars and in Euros are raised on the international capital markets using a short-term commercial paper programme and a medium and long-term notes programme, which are lent to subsidiaries and affiliated companies, also in other currencies than U.S. Dollars. In this case the Group hedges the foreign currency exposure by entering into foreign exchange contracts with major international banks.

Currently, as part of the Repsol Group financing needs, the Company is engaged in a Euro Medium Term Note Programme (hereinafter "EMTN" and a Euro Commercial Paper Programme (hereinafter "ECP").

In 2016, the Group issued, under the Repsol International Finance, B.V. Euro 10,000,000,000 Guaranteed Euro Medium Term Note Programme, all guaranteed by Repsol, S.A. and approved by the Luxembourg Commission de Surveillance du Secteur Financier, the below listed bonds:

- In January 2016, a EUR 100 million 15-year bond at 96.298 per cent of the aggregate nominal amount with a coupon of 5.375 per cent fixed rate.
- In July 2016, a EUR 600 million 2-year bond issued in two tranches: a EUR 500 million bond issued at 99.899 per cent of the aggregate nominal amount with a coupon of 3 month EURIBOR + 0.7 per cent floating rate and a EUR 100 million bond issued at 100 per cent of the aggregate nominal amount with the same coupon.
- In July 2016, a EUR 100 million 3-year bond at 99.883 per cent of the aggregate nominal amount with a coupon of 0.125 per cent fixed rate.

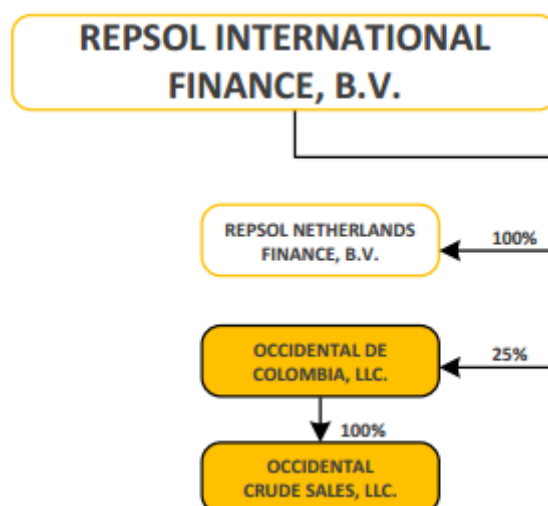
The notes have been admitted to trading on the Luxembourg Stock Exchange upon the filing with the competent authorities of the relevant prospectus in accordance with laws and regulations governing public offers of securities and their admission to trading.

The outstanding bonds as at December 31, 2016 are the following: maturing in 2017 for an amount of EUR 886 million (USD 934 million), maturing in 2018 for an amount of EUR 1,350 million (USD 1,423 million), maturing in 2019 for an amount of EUR 1,100 million (USD 1,159 million), maturing in 2020 for an amount of EUR 1,800 million (USD 1,897 million), maturing in 2021 for an amount of EUR 1,000 million (USD 1,054 million), maturing in 2026 for an amount of EUR 500 million (USD 527 million), maturing in 2031 for an amount of EUR 100 million (USD 105 million), maturing in 2075 for an amount of EUR 1,000 million (USD 1,054 million), besides a perpetual bond of EUR 1,000 million (USD 1,054 million).



Corporate structure

The corporate structure of the Group as at December 31, 2016 is shown below:



During the year, the group entity Repsol Capital S.L. has been transferred within the Repsol group.

Statement of compliance

The consolidated financial statements for the year ended December 31, 2016 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS).

Financial information

The Group made a profit of USD 123,686 thousand (USD 16,502 thousand including reclassification adjustments translation reserve amounting to USD 107,184 thousand) (2015: USD 183,312 thousand). This profit is primarily caused by positive result due to finance income.

The issued and paid-in share capital of the Group amounts to USD 356,316 thousand (2015: USD 356,316 thousand).

Total assets of the Company amounts to USD 17,001,483 thousand (2015: USD 21,780,308 thousand).

Risk management

Considering the nature of the activities of the Group the most important category of risks to be considered are financial risks. The Group identifies, evaluates and mitigates financial risks in close cooperation with its Parent Company's Financial Risk Department. This department, with the aim to promote best practices, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks.

The Group has procedures and policies in place to control risks related to financial instruments. These policies and procedures include a clear segregation of duties between operating, settlement, accounting and controlling of all financial instruments used. The management of each group entity is involved in the risk management process. Management qualifies itself as risk averse.



The main financial risks are market risk, credit risk and liquidity risk.

Market risk

The Group's activities expose it primarily to the market risks of changes in currency exchange rates, interest rates and credit ratings. Market risk (the risk of changes in market prices, such as foreign exchange rates and interest rates) will affect the Group's income or the value of its holdings of financial instruments.

Exchange rate fluctuation risk

Fluctuations in exchange rates may adversely affect the result of transactions and the value of the Group's equity. In general this exposure to fluctuations in currency exchange rates stems from the fact that the Group has assets, liabilities and cash flows denominated in a currency other than the functional currency of the Group.

In order to mitigate the risk, and when considered appropriate, the Group performs investing and financing transactions, using the currency for which risk exposures have been identified. The Group can also carry out transactions by means of financial derivative instruments for currencies that have a liquid market, with reasonable transaction costs.

The Group effectively monitors and limits its net financial position in financial instruments by currency. The Group effectively monitors and limits the exposure to the statement of income to a minimum. The main uncertainty in achieving this objective is the timing of cash flows.

Interest rate risk

The market value of the Group's net financing and net interest expenses could be affected as a consequence of interest rate fluctuations which could affect the interest income and interest costs of financial assets and liabilities tied to floating interest rates, as well as the fair value of financial assets and financial liabilities tied to a fixed interest rate.

When considered appropriate, the Group may decide to mitigate the interest rate risk by means of derivative financial instruments for which there is a liquid market, these hedging mechanisms are limited and, therefore, could be insufficient. Consequently, changes in interest rates could have an adverse effect on the Group's business, results and financial position.

The Group effectively monitors and limits its net financial position in financial instruments tied to fixed interest rates. Furthermore the Group effectively monitors and limits the interest rate spreads applied in order to ensure positive financial margin irrespective of the fluctuations in interest rates.

Credit rating risk

Credit ratings affect the pricing and other conditions under which the Group is able to obtain financing. Any downgrade in the credit rating could restrict or limit the Group's access to the financial markets, increase its new borrowing costs and have a negative effect on its liquidity.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's loans receivable from related parties and unsettled derivatives whose fair value is positive. The Group attempts to minimize the counterparty credit



risk associated with the financial instruments used by selecting counterparties that it assumes to be creditworthy, given their high credit ratings. The Group's Treasury department monitors the above.

The carrying amount of financial assets represents the maximum credit exposure. The credit risk of each loan and receivable is influenced by the individual characteristics of each counterparty. However the Group is not exposed to a significant credit risk due to the credit rating and liquidity of the debtors. No loan was due as at December 31, 2016 and December 31, 2015 nor was impaired during 2016 and 2015. The derivative financial instruments are entered into with high credit quality bank and financial institution counterparties that meet the standards of solvency in accordance with the market conventions regulating these kinds of financial transactions. The Group holds minimal amount of cash and banks, which are all held with bank and financial institution counterparties. The Group's Treasury department monitors the above.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group's Treasury department monitors the above.

For further information, including quantitative information and sensitivity analyses, please refer to Notes 18 and 19 in the consolidated financial statements.

Other risks

The exposure to other than financial risks is mainly due to the fact that the Group is part of the Repsol Group. Repsol Group's operations and results are subject to risks as a consequence of changes in the competitive, economic, political, legal, regulatory, social, industrial, business and financial conditions, such as the following:

- Uncertainty in the current economic landscape
- Climate change
- Fluctuations in international prices of crude and reference products and in demand owing to factors beyond Repsol Group's control
- Regulatory and tax framework of Repsol Group's operations
- Repsol Group is subject to extensive environmental and safety legislation risks
- Operating risks of Repsol Group's activities
- Location of reserves
- Estimations of oil and gas reserves
- Projects and operations in joint ventures and partnerships
- Acquisitions, investments and disposals
- Repsol Group's current insurance coverage may not be sufficient for all operational risks
- Repsol Group's natural gas operations are subject to particular operational and market risks
- Cyclical nature of the petrochemical activity
- Repsol Group's strategy requires efficiency and innovation in a highly competitive market
- Repsol Group is subject to the effects of administrative, judicial and arbitration proceedings
- Information technology and its reliability and robustness are a key factor in maintaining operations
- Misconduct or violations of applicable legislation by employees can damage the reputation of the Repsol Group



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

For further information on Repsol Group's risks and risk management, please refer to the Consolidated Management Report for the financial year 2016, available on Repsol Group's website.

Corporate Governance

The Company applies the same corporate governance principles as applied within Repsol Group. Repsol Group's system of corporate governance, which was established in accordance with best national and international practice and standards, guides the structure, organization, and operation of its corporate bodies in the interests of the Company and of its shareholders, and is based on the principles of transparency, independence, and responsibility. For the internal regulations of the Repsol Group regarding corporate governance, see the website www.repsol.com.

The board took into consideration the enactment of the EU Directive 2006/43/EU by a Royal Decree of July 2008 and the obligations from the fact that the Company, because of its listed securities, is a public interest organisation. It was decided to delegate the public governance compliance obligations as regards the Company in respect to article 2, section 3, sub a to d of the Decree to the Audit Committee of its parent company, Repsol, S.A.

Research and Development

The Group, due to its nature of business primarily being financing, does not engage in research and development activities.

Corporate Responsibility

Repsol Group in general, is strengthening its business strategy with the search for better energy solutions that contribute to sustainable development. This is possible thanks to a forward-looking vision that is based on corporate responsibility environment as one of its key attributes.

Throughout 2016, the Group, through its Parent Company has continued to expand the implementation of its corporate responsibility coordination system, through Corporate Responsibility Committees, the development of studies for identifying expectations and the publication of sustainability plans.

Number of employees

During 2016 the average number of employees was 8 (2015: 7).

Male/female partitioning of board members

Pursuant to article 2:276 Dutch civil code, the Company is obliged to achieve that at least 30 per cent of the board members are female and to take this into consideration when appointing new board members. At the end of the financial year 2016 the board consists of one female and three males.

In the financial year 2016 new board members have been appointed, including a female. Also one of the female board members resigned from her position. For the future years the Company, when a board vacancy appears, will strive to appoint one or more, as the case may be, female board members, if suitable candidates can be identified.



Subsequent events

No significant events, which could have a material impact, occurred between year-end 2016 and the date on which the Directors approved and authorized these consolidated financial statements for issue.

Future outlook

It is envisaged that the Group will continue to provide loan capital to related parties. The future level of profits will be dependent on developments of the investments and financing activities. In the forecast environment, the Group will maintain its financial strength to perform the required demand while maintaining its competitive returns.

Signing

The Hague, April 26, 2017

The Board of Directors:

G.A.L.R. Diepenhorst

H.C. Vrolijk

S. Meseguer Calas

G. Miñano Fernández



Consolidated EU-IFRS Financial statements



Consolidated statement of financial position as at December 31, 2016

(before appropriation of result)

ASSETS	Notes	2016 USD 1,000	2015 USD 1,000
Non-current assets			
Equity-accounted investees	13	34,680	36,885
Loans and borrowings	11	10,741,304	11,116,698
Total non-current assets		10,775,984	11,153,583
Current assets			
Loans and borrowings	11	6,178,171	10,596,546
Other trade and other receivables	11	28,031	27,444
Cash and cash equivalents	12	19,297	2,735
Total current assets		6,225,499	10,626,725
TOTAL ASSETS		17,001,483	21,780,308
EQUITY AND LIABILITIES			
	Notes	2016 USD 1,000	2015 USD 1,000
Shareholders' equity			
Issued share capital	14	356,316	356,316
Share premium	14	337,272	337,272
Translation reserve	14	-	(135,054)
Retained earnings	14	725,438	2,630,529
Unappropriated result	14	16,502	182,904
Total equity attributable to owners of the Company		1,435,528	3,371,967
Non-controlling interests	14	-	61
Total equity		1,435,528	3,372,028
Non-current liabilities			
Loans and borrowings	16	8,342,878	8,802,434
Deferred tax liabilities	10	-	694
Total non-current liabilities		8,342,878	8,803,128
Current liabilities			
Loans and borrowings	16	7,192,889	9,535,209
Trade and other payables	17	30,188	69,943
Total current liabilities		7,223,077	9,605,152
Total liabilities		15,565,955	18,408,280
TOTAL EQUITY AND LIABILITIES		17,001,483	21,780,308

The notes on pages 14 to 57 are an integral part of these consolidated financial statements.



**Consolidated statement of comprehensive income for the year ended
December 31, 2016**

	Notes	2016 USD 1,000	2015 USD 1,000
Other income	6	-	32
Employee benefit costs	9	(1,067)	(1,224)
Depreciation and amortisation		-	(10)
Other operating expenses		(3,394)	(8,978)
Operating expenses		(4,461)	(10,180)
Finance income	7	571,260	636,400
Finance costs	7	(425,873)	(407,522)
Changes in the fair value of financial instruments	7	185,575	251,161
Foreign currency translation difference	7	(284,891)	(244,908)
Financial result		46,071	235,131
Share of profit of equity-accounted investees	13	12,255	12,578
Result on disposal of investments	5	(1,920)	-
Result before tax		51,945	237,529
Income tax expense	10	(35,443)	(54,217)
Result for the year		16,502	183,312
Other comprehensive income	14		
<i>Items that are or may be reclassified to statement of income</i>			
Translation differences		135,054	(74,539)
Total other comprehensive income		135,054	(74,539)
Total comprehensive income		151,556	108,773
Result for the year attributable to:			
· Owners of the Company		16,502	182,904
· Non-controlling interests		-	408
		16,502	183,312
Total comprehensive income attributable to:			
· Owners of the Company		151,553	108,794
· Non-controlling interests		3	(21)
		151,556	108,773

The notes on pages 14 to 57 are an integral part of these consolidated financial statements.



Consolidated statement of changes in equity for the year ended December 31, 2016

	Issued share capital	Share premium reserve	Translation reserve	Retained earnings	Result attributable to owners	Total	Non- controlling interests	Total equity
	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Balance as at December 31, 2015	356,316	337,272	(135,054)	2,630,529	182,904	3,371,967	61	3,372,028
Result for the year	-	-	-	-	16,502	16,502	-	16,502
Total other comprehensive income	-	-	135,054	-	-	135,054	3	135,057
Total comprehensive income for the year	-	-	135,054	-	16,502	151,556	3	151,559
Total transactions with owners of the Company	-	-	-	(2,087,995)	-	(2,087,995)	(64)	(2,088,059)
Allocation of prior year result	-	-	-	182,904	(182,904)	-	-	-
Balance as at December 31, 2016	356,316	337,272	-	725,438	16,502	1,435,528	-	1,435,528

The notes on pages 14 to 57 are an integral part of these consolidated financial statements.



Consolidated statement of changes in equity for the year ended December 31, 2015

	Issued share capital	Share premium reserve	Translation reserve	Retained earnings	Result attributable to owners	Total	Non- controlling interests	Total equity
	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Balance as at December 31, 2014	356,316	337,272	(60,944)	2,470,616	159,913	3,263,173	954	3,264,127
Result for the year	-	-	-	-	182,904	182,904	408	183,312
Total other comprehensive income	-	-	(74,110)	-	-	(74,110)	(429)	(74,539)
Total comprehensive income for the year	-	-	(74,110)	-	182,904	108,794	(21)	108,773
Total transactions with owners of the Company	-	-	-	-	-	-	(872)	(872)
Allocation of prior year result	-	-	-	159,913	(159,913)	-	-	-
Balance as at December 31, 2015	356,316	337,272	(135,054)	2,630,529	182,904	3,371,967	61	3,372,028

The notes on pages 14 to 57 are an integral part of these consolidated financial statements.



Consolidated statement of cash flows for the year ended December 31, 2016

	2016 USD 1,000	2015 USD 1,000
Result before tax	51,945	237,529
Adjustments for:		
· Reclassification adjustments translation reserve	107,184	-
· Depreciation and amortization of non-current assets	-	10
· Change in provisions	-	(4)
· Fair value changes derivative financial instruments	(1,488)	76,561
· Net finance costs investing and financing activities	36,441	20,280
· Share of profit of equity-accounted investees	(12,255)	(12,578)
Changes in working capital	(2,544)	6,270
Income tax paid	(69,780)	(107,657)
I. Cash flows from operating activities	109,503	220,411
Investments in loans and receivables	(15,739,588)	(6,312,867)
Proceeds from loans and receivables settlement	19,593,309	630,804
Interest on loans and receivables received	434,874	603,746
Net proceeds from disposal of investments	640,002	-
Dividends received	14,460	26,750
II. Cash flows used in investing activities	4,943,057	(5,051,567)
Proceeds from loans and borrowings	13,453,667	12,809,999
Repayments of loans and borrowings	(16,015,361)	(7,640,042)
Interest on loans and borrowings paid	(386,309)	(340,340)
Dividend payments and payments on other equity instruments	(2,087,995)	-
III. Cash flows used in financing activities	(5,035,998)	4,829,617
Net increase / (decrease) in cash and cash equivalents	16,562	(1,539)
Cash and cash equivalents at the beginning of the year	2,735	4,274
Cash and cash equivalents at the end of the year	19,297	2,735
Net increase / (decrease) in cash and cash equivalents	16,562	(1,539)

The notes on pages 14 to 57 are an integral part of these consolidated financial statements.



Notes to the consolidated financial statements

1. Reporting entity

Repsol International Finance B.V. (hereafter the 'Company'), is a company domiciled in the Netherlands. The address of the Company's registered office is Koninginnegracht 19, 2514 AB, The Hague, the Netherlands.

The consolidated financial statements of the Company as at and for the year ended December 31, 2016 comprise the Company and its subsidiary (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in its associate.

The Company is a wholly owned subsidiary of Repsol, S.A., located in Madrid, Spain. The Company and its subsidiary belong to the Repsol Group, a Spanish integrated oil and gas group engaged in all aspects of the petroleum business and one of the largest industrial groups in Spain.

The principal activity of the Company is financing of affiliated companies.

The Group primarily is involved in:

- lending funds to affiliated companies;
- issuing subordinated bonds, bonds under a Euro Medium Term Note Programme and issuing commercial paper under a Euro Commercial Paper Programme in various markets and advancing the net proceeds to various members of the Repsol Group.

The consolidated financial statements were authorised for issue by the Board of Directors on April 26, 2017.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements for the year ended December 31, 2016 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS).

The changes in accounting standards that have been applied by the Group as at January 1, 2016 have not had a significant impact on disclosures in the financial statements. The standards applicable from January 1, 2016 are:

- Amendments to IFRS 11 *Accounting for acquisitions of interests in joint operations*.
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer plants*.
- Amendments to IAS 16 and IAS 38 *Clarification of acceptable methods of depreciation and amortization*.
- Annual Improvements to EU-IFRS, 2012-2014 Cycle.
- Amendments to IAS 1 *Disclosure initiative*.
- Amendments to IAS 27 *Equity method in separate financial statements*.
- IFRS 14 *Regulatory Deferral Accounts*.
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment entities: Applying the consolidation exception*.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured at fair value:

- derivative financial instruments;
- non-derivative financial instruments at fair value through profit or loss;



- available-for-sale financial assets.

(c) Functional and presentation currency

These consolidated financial statements are presented in USD, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(d) Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the note 3 (a) '*Basis of consolidation*': whether the Group de facto has control over an investee.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending December 31, 2016 are (i) provision for litigations and other contingencies; (ii) the calculation of corporate income tax and deferred tax assets; (iii) impairment testing and the calculation of the recoverable value of Group's assets; (iv) the measurement of fair value of derivatives and financial instruments.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: Valuation based on a quoted price in an active market for identical assets or liabilities.
- Level 2: Valuation is based on a quoted price in an active market for similar financial assets or liabilities that rely on observable market inputs.
- Level 3: Valuation based on inputs for the asset or liability that are not directly observable in the market.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 18.



3. Significant accounting policies

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in the statement of income immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The accounting policies used by the Group's companies have been adjusted so that they are consistent with those applied by the Company and so that the consolidated financial statements are presented using uniform accounting policies.

(iii) Non-controlling interests

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. The share of the non-controlling interest in the equity of Repsol group's subsidiaries is presented under '*Non-controlling interests*' within '*Equity*' heading in the consolidated financial position and '*Profit attributable to non-controlling interests*' and '*Other comprehensive income attributable to non-controlling interests*' in the consolidated statement of profit and loss and other comprehensive income.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control,



whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees after adjustments to align with the accounting policies of the group from the date that significant influence or joint control commences, until the date on which significant influence or joint control ceases.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vii) Presentation currency

The financial statements of the investees whose functional currency differs from the presentation currency are translated as follows:

- The assets and liabilities in each of the balance sheets presented are translated applying the closing exchange rate on the balance sheet date.
- For practical reasons, the Group generally applies the average exchange rate for the period in which the transactions were performed. However, the transaction-date exchange rate is used to measure significant transactions and also when exchange rates have fluctuated significantly during the reporting period.
- Any exchange differences arising as a result of the foregoing are recognized as "*Translation reserve*" under "*Equity*" heading.

The exchange rates against the USD of the main currencies used by the Group were as follows:

	December 31, 2016		December 31, 2015	
	Year-end rate closing rate	Cumulative average rate	Year-end rate closing rate	Cumulative average rate
Euro	1.0540	1.1068	1.0887	1.1095

(b) Revenue

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(c) Employee benefits

Defined contribution pension plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Repsol International Finance B.V. has recognized defined contribution pension plans for employees.



The annual cost of these plans is recognized under “Employee benefit costs” in the consolidated statement of comprehensive income.

(d) Finance income and finance costs

Finance income comprises interest income on funds invested, gains on hedging instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group’s right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, impairment losses recognised on financial assets (other than trade receivables and derivatives), losses on hedging instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income.

Borrowing costs that are not directly attributable to the acquisition of a qualifying asset are recognised in profit or loss using the effective interest method.

Changes in the fair value of derivatives are reported on a net basis as either finance income or finance costs depending on whether the changes in the fair value of derivatives represent a net gain or net loss position.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

(e) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into USD at exchange rates at the reporting date. The income and expenses of foreign operations are translated into USD at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.



When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(f) Income taxes

Corporate income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.



(g) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Buildings: 20 years
- Transport equipment: 5 years.
- Other items of property, plant and equipment: 3 - 10 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Financial instruments

The Group classifies non-derivative financial assets into the following categories:

- financial assets at fair value through profit or loss
- held-to-maturity financial assets
- loans and receivables
- available-for-sale financial assets.
-

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such



derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets – measurement

Financial assets at fair value through profit or loss

This category has, in turn, the following sub-categories:

- a. Financial assets held for trading: this category comprises derivatives not designated as hedging instruments.
- b. Other financial assets at fair value with changes in profit and loss: this category comprises those financial assets acquired for trading or sale which are not derivatives.

^{c.} Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest and dividend income, are recognised in profit or loss. Directly attributable transaction costs are directly recognised in profit or loss, as incurred.

Held-to-maturity financial assets

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold from the date of purchase to the date of maturity.

These assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for whose the Group does not intend to sell immediately or in the near term. They arise when the Group delivers goods or provides services or financing directly to a related or third party.

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Available-for-sale financial assets

Financial assets available for sale are financial assets that have either been designated as available for sale or have not been classified in any other financial asset category.

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments (see (d)(i)), are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

(iii) Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(iv) Share capital

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

(v) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially recognised at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in other comprehensive income and reclassified to the statement of income in the same period or periods during which the hedged item affects profit or loss. The gain or loss relating to the ineffective portion of the Interest Rate Swaps, hedging variable rate series B preference shares, is recognised in the statement of income within Finance costs.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

(i) Impairment

Financial assets not classified as financial assets at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security;
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Availability-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss.

If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

4. New standards and interpretations not yet adopted

A) The standards and amendments to standards that have been issued by the IASB and endorsed by the European Union and which will be mandatory in future reporting periods are listed below:

Mandatory application in 2016:

- IFRS 14 *Regulatory Deferral Accounts*.
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment entities: Applying the consolidation exception*.

Mandatory application in 2017:

- Amendments to IAS 12 *Recognition of deferred tax assets for unrealized losses*.
- Amendments to IAS 7 *Disclosure initiative*.

Mandatory application in 2018:



- IFRS 9 *Financial instruments*.
- IFRS 15 *Revenue from contracts with customers*.

Mandatory application in 2019:

- IFRS 16 *Leases*.

The accounting development which the Group believes could have significant effects on its consolidated financial statements is the following:

i) Application of the expected loss model under IFRS 9 *Financial instruments*, to the extent that this model, in contrast to that prescribed by the current IAS 39, would entail the early recognition of credit losses from as soon as a financial instrument is recognized for the first time even when no loss has materialized. The Group does not expect to incur significant costs in order to implement IFRS 9 insofar as it already has the information it needs to apply the expected loss model properly.

With respect to the other standard amendments outlined above, given their nature and scope, the Group believes that their application will not have a significant impact on its consolidated financial statements other than certain specific presentation improvements which may be introduced under the scope of the Amendments to IAS 1.

B) At the date of issuance of these consolidated financial statements, the standards and amendments that have been issued by the IASB but not yet endorsed by the European Union are the following:

Mandatory application has been deferred indefinitely:

- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.

With regard to the standards, interpretations and amendments outlined in this section, the Group is currently assessing the impact their application may have on the consolidated financial statements.

5. Changes in the scope of consolidation and disposal of a subsidiary

Repsol International Finance B.V. prepares its consolidated financial statements including the investments in all of its subsidiaries, associates and joint arrangements. Note 25 contains a list of the main subsidiaries, associates and joint arrangements in which Repsol International Finance B.V. has direct and indirect interests that were included into the scope of consolidation in 2016.

There were no significant changes in the scope of consolidation for the year 2016, except that one Group entity, Repsol Capital S.L., has been transferred within the Repsol group during 2016, without a significant impact on the results of the Group.

Repsol Capital S.L. is excluded from the scope of consolidation as of June 2016. The net proceeds from the disposal of the investment approximates the net equity value as at December 31, 2015, resulting in an amount of USD 1,920 thousand presented as Result on disposal of investments in the statement of income.

The cash inflow on disposal of the subsidiary can be shown as follows:

	2016
	USD 1,000
Consideration received in cash and cash equivalents	640,002
Cash and cash equivalents disposed of	(69)
	639,933

Other assets and liabilities over which control was lost can be presented as follows:

	2016
	USD 1,000
Loans and borrowings	645,361
Total current assets	645,361
Deferred tax liabilities	(694)
Total non-current liabilities	(694)
Trade and other payables	(2,814)
Total current liabilities	(2,814)
Net assets disposed of	641,853

6. Other income

	2016	2015
	USD 1,000	USD 1,000
Other income	-	32

Other income mainly relates to reimbursements of insurance companies.

7. Financial result

	2016	2015
	USD 1,000	USD 1,000
Interest income on:		
-Loans and receivables to shareholder	96,138	74,154
-Loans and receivables to related parties	474,462	560,272
Other financial income	660	1,974
Finance income	571,260	636,400
Interest expenses on:		
-Loans and borrowings from related parties	(70,091)	(60,766)
-Bonds and other securities	(354,058)	(346,068)
Other finance costs	(1,724)	(688)
Finance costs	(425,873)	(407,522)
Changes in the fair value of financial instruments	185,575	251,161
Reclassification adjustment translation reserve	(107,184)	-
Other foreign currency translation differences	(177,707)	(244,908)
Financial result	46,071	235,131



8. Earnings per share

In general, basic and diluted Earnings per share (EPS) are presented in the statement of profit or loss and other comprehensive income by entities whose ordinary shares or potential ordinary shares are traded in a public market - i.e. a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets - or that file, or are in the process of filing, their financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of ordinary shares in a public market.

For the Group the above-mentioned is not applicable, as it does not have ordinary shares traded in a public market nor does it meet the other criteria of IAS 33 to disclose EPS information.

9. Employee benefit costs

	2016 USD 1,000	2015 USD 1,000
Wages and salaries	960	1,025
Social security contributions	107	199
	1,067	1,224
Average number of employees	8	7

Defined contribution pension plans

Repsol International Finance B.V. has defined contribution plans for its employees, which conform to current legislation.

The annual cost charged to “Employee benefit costs” in the consolidated income statement in relation to the defined contribution plans detailed above amounted to USD 34 thousand in 2016 (2015: USD 61 thousand).

10. Income taxes

Corporate income tax

The Company is the parent company of a fiscal unity for Dutch corporate income tax purposes along with its Dutch subsidiary Repsol Netherlands Finance B.V. The Dutch corporate income tax due by the fiscal unity has been fully allocated to each company in proportion to its individual taxable result.

The Company is jointly and severally liable for the total Dutch corporate income tax payable by the fiscal unity.

The companies included in the fiscal unity are subject to Dutch corporate income tax at the general rate of 25% (20% on the first € 200,000 taxable profit).

The fiscal unity is entitled to calculate its taxable profits using USD as functional currency. The Dutch corporate income tax due on the taxable profit in USD is calculated in EUR against the average daily exchange rate for the book year concerned as published by the Dutch Central Bank (DNB).



Corporate income tax recognised in statement of income

	2016 USD 1,000	2015 USD 1,000
Current tax expense		
Current year	35,443	59,028
Adjustment for prior years	-	(6,190)
	35,443	52,838
Deferred tax expense		
Change in deductible temporary differences	-	1,379
	35,443	54,217

Reconciliation of effective tax rate

	2016		2015	
	%	USD 1,000	%	USD 1,000
Result before tax		51,945		237,529
Tax using the Company's domestic tax rate	25.0	12,986	25.0	59,382
Effect of tax rates in foreign jurisdictions	-	-	0.5	1,251
Tax effect of:				
· Non-deductible expenses	0.9	480	1.4	3,360
· Effect of share of profits of equity-accounted investees	(5.9)	(3,064)	(1.3)	(3,145)
· Reclassification adjustments translation reserve	51.6	26,796	-	-
Recognition of tax effect of previously unrecognised tax losses	-	-	-	-
Change in estimates related to prior years	-	-	(2.9)	(6,794)
Other impact	(3.4)	(1,755)	0.1	163
	68.2	35,443	22.8	54,217

Movement in deferred tax balances

2016	Net balance as at January 1 USD 1,000	Disposal investments USD 1,000	Net balance as at December 31 USD 1,000	Deferred tax assets USD 1,000	Deferred tax liabilities USD 1,000
Bonds and other securities	-	-	-	-	-
Other items	(694)	694	-	-	-
Net deferred tax assets (liabilities)	(694)	694	-	-	-



2015	Net balance as at January 1 USD 1,000	Recognised in profit or loss USD 1,000	Net balance as at December 31 USD 1,000	Deferred tax assets USD 1,000	Deferred tax liabilities USD 1,000
Bonds and other securities	1,107	(1,107)	-	-	-
Other items	(424)	(270)	(694)	-	(694)
Net deferred tax assets (liabilities)	683	(1,377)	(694)	-	(694)

Unrecognised deferred tax liabilities

As at December 31, 2016, the Company does not have unrecognised deferred tax liabilities. The Company also did not have unrecognised deferred tax liabilities as at December 31, 2015.

Unrecognised deferred tax assets

As at December 31, 2016, the Company does not have unrecognised deferred tax assets. The Company also did not have unrecognised deferred tax assets as at December 31, 2015.

11. Trade and other receivables

	2016 USD 1,000	2015 USD 1,000
Loans to shareholders	2,167,398	2,239,895
Loans to related parties	14,752,077	19,473,349
Derivative financial instruments	27,178	27,409
Accounts receivable from related parties	238	35
Corporate income tax receivables	11	-
Other receivables	604	-
Total trade and other receivables	16,947,506	21,740,688
Non-current	10,741,304	11,116,698
Current	6,206,202	10,623,990
Total trade and other receivables	16,947,506	21,740,688

Loans to shareholders

	2016 USD 1,000	2015 USD 1,000
Repsol S.A.	2,167,398	2,239,895

Loans to related parties

Information about the loans to related parties is included in Note 20.



12. Cash and cash equivalents

	2016 USD 1,000	2015 USD 1,000
Cash (equivalents) at bank and on hand	<u>19,297</u>	<u>2,735</u>

All cash and bank balances are available on demand.

13. Equity-accounted investees

	2016 USD 1,000	2015 USD 1,000
Interests in associates	<u><u>34,680</u></u>	<u><u>36,885</u></u>

The movements in interests in associates are as follows:

	2016 USD 1,000	2015 USD 1,000
Balance as at January 1	36,885	51,057
Dividends	(14,460)	(26,750)
Share of profit from continuing operations	12,255	12,578
Balance as at December 31	<u><u>34,680</u></u>	<u><u>36,885</u></u>

Occidental de Colombia LLC is the only equity-accounted investee of the Group. The percentage of ownership and control is 25%.

14. Capital and reserves

Issued share capital

The authorized and paid-in share capital of the Company consist of 300,577 shares with a par value of EUR 1,000 translated to U.S. Dollars at an exchange rate of EUR 0.8435 per U.S. Dollar.

There are no specific rights, preferences and/or restrictions applicable.

Share premium reserve

The share premium reserve concerns the income from issuing of shares in so far as this exceeds the nominal value of the shares (above par income).

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.



Other comprehensive income

	Translation reserve USD 1,000	Total USD 1,000	Non-controlling interests USD 1,000	Total OCI USD 1,000
2016				
Foreign operations – foreign currency translation differences	135,054	135,054	-	135,054
Total	135,054	135,054	-	135,054
2015				
Foreign operations – foreign currency translation differences	(74,110)	(74,110)	(429)	(74,539)
Total	(74,110)	(74,110)	(429)	(74,539)

15. Capital management

The Group's primary objective is to maintain an optimal capital structure that supports its ability to continue as a going concern and safeguard the return for its shareholders, as well as the profits for the holders of equity instruments.

The Group's capital structure includes share capital, reserves and retained earnings. Specifically, the capital management policy is designed to ensure that a reasonable level of debt is maintained and to maximise the creation of shareholder value.

16. Loans and borrowings

Non-current liabilities

	2016 USD 1,000	2015 USD 1,000
Bond and other securities	8,242,878	8,607,249
Loans from related parties	100,000	195,185
Total non-current loans and borrowings	8,342,878	8,802,434

Current liabilities

	2016 USD 1,000	2015 USD 1,000
Bond and other securities	2,701,609	2,442,842
Loans from related parties	4,491,280	7,092,367
Total current loans and borrowings	7,192,889	9,535,209

Information about the Group's exposure to interest rate, foreign currency and liquidity risk is included in Note 19.



17. Trade and other payables, including derivatives

	2016	2015
	USD 1,000	USD 1,000
Accounts payable to shareholder	228	2,523
Accounts payable to related parties	399	2,399
Tax liabilities	416	34,663
Derivative financial instruments	27,906	29,625
Other payables	1,239	733
Total trade and other payables	30,188	69,943

Tax liabilities

	2016	2015
	USD 1,000	USD 1,000
Corporate income tax	-	34,326
Value added tax	390	304
Wage tax and social securities	26	33
Total tax liabilities	416	34,663

Other financial liabilities

	2016	2015
	USD 1,000	USD 1,000
Trade payables to suppliers	274	28
Other payables	965	705
Total other payables	1,239	733

Information about the Group's exposure to currency and liquidity risk is included in Note 19.

18. Financial instruments

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Current and non-current financial assets

The breakdown of the different concepts that are included on the balance sheet is as follows:

	2016	2015
	USD 1,000	USD 1,000
Non-current non-derivative financial assets	10,741,304	11,116,698
Current non-derivative financial assets	6,197,468	10,599,316
Current derivative financial assets	27,178	27,409
Total financial assets	16,965,950	21,743,423

The details, by type of assets, of the group's financial assets as at December 31, 2016 and 2015, are as follows:

As at December 31, 2016	Financial assets held- for-trading USD 1,000	Other financial assets at fair value USD 1,000	Loans and receivables USD 1,000	Held to maturity investments USD 1,000	Total USD 1,000
Other financial assets	-	-	10,741,304	-	10,741,304
Non-current financial assets	-	-	10,741,304	-	10,741,304
Derivatives	27,178	-	-	-	27,178
Cash and cash equivalents	-	-	-	19,297	19,297
Other financial assets	-	-	6,178,171	-	6,178,171
Current financial assets	27,178	-	6,178,171	19,297	6,224,646
Total financial assets	27,178	-	16,919,475	19,297	16,965,950
As at December 31, 2015	Financial assets held- for-trading USD 1,000	Other financial assets at fair value USD 1,000	Loans and receivables USD 1,000	Held to maturity investments USD 1,000	Total USD 1,000
Other financial assets	-	-	11,116,698	-	11,116,698
Non-current	-	-	11,116,698	-	11,116,698
Derivatives	27,409	-	-	-	27,409
Cash and cash equivalents	-	-	-	2,735	2,735
Other financial assets	-	-	10,596,581	-	10,596,581
Current	27,409	-	10,596,581	2,735	10,626,725
Total	27,409	-	21,713,279	2,735	21,743,423

The classification of the financial assets recognized in the financial statements at fair value, by fair value calculation method level hierarchy, is as follows:

	Level 1 2016	Level 1 2015	Level 2 2016	Level 2 2015	Level 3 2016	Level 3 2015	Total 2016	Total 2015
Financial assets held for trading	-	-	27,178	27,409	-	-	27,178	27,409
Other financial assets at fair value through profit and loss	-	-	-	-	-	-	-	-
Total	-	-	27,178	27,409	-	-	27,178	27,409

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



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

The valuation techniques used for the instruments classified under level 2, which mainly correspond to derivative financial instruments, are based on the income approach, in accordance with accounting regulations, which entail the discounting to present value of future cash flows associated with said instruments, estimated using forward curves offered in the market, including adjustments for credit risk based on the duration of the instruments.

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

The composition of current and non-current financial assets by category is as follows:

(i) *Financial assets held for trading*

Derivatives not designated as hedging instruments are included within this category.

(ii) *Other financial assets at fair value through profit or loss*

Financial assets measure at fair value through profit or loss in the year.

(iii) *Loans and receivables*

The fair value of the loans and receivables of the Group is detailed in the following table:

	Carrying amount		Fair value	
	2016 USD 1,000	2015 USD 1,000	2016 USD 1,000	2015 USD 1,000
Non-current	10,741,304	11,116,698	11,180,512	10,994,161
Current	6,178,171	10,596,546	6,183,769	10,596,546
Total loans and receivables	16,919,475	21,713,244	17,364,281	21,590,707

The return accrued on the financial assets disclosed in the table above was equivalent to an average interest rate of 2.94% in 2016 and 3.26% in 2015, respectively.

The maturity of non-current loans and receivables is the following:

	2016 USD 1,000	2015 USD 1,000
Year 2	3,912,711	1,194,786
Year 3	1,174,639	2,414,953
Year 4	1,882,918	1,105,667
Year 5	1,048,034	2,066,594
Subsequent years	2,723,002	4,334,698
Balance as at December 31	10,741,304	11,116,698



Financial liabilities

This note discloses the categories of financial liabilities included in the balance sheet line-items outlined below:

	2016	2015
	USD 1,000	USD 1,000
Non-current non-derivative financial liabilities	8,342,878	8,802,434
Current non-derivative financial liabilities	7,193,790	9,540,159
Current derivative financial liabilities	27,906	29,625
Total financial liabilities	15,564,574	18,372,218

Following is a breakdown of the financial liabilities acquired, most of which are secured with a guarantee, as at December 31, 2016 and 2015:

As at December 31, 2016	Financial liabilities		Total	Fair value
	held for trading	at amortized cost		
	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Bonds and other securities	-	8,242,878	8,242,878	8,715,893
Other liabilities	-	100,000	100,000	100,146
Non-current financial liabilities	-	8,342,878	8,342,878	8,816,039
Bonds and other securities	-	2,701,609	2,701,609	2,707,220
Derivatives	27,906	-	27,906	27,906
Other liabilities	-	4,491,280	4,491,280	4,491,280
Current financial liabilities	27,906	7,192,889	7,220,795	7,226,406
Total financial liabilities	27,906	15,535,767	15,563,673	16,042,445

As at December 31, 2015	Financial liabilities		Total	Fair value
	held for trading	at amortized cost		
	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Bonds and other securities	-	8,607,249	8,607,249	8,515,865
Other liabilities	-	195,185	195,185	195,170
Non-current financial liabilities	-	8,802,434	8,802,434	8,711,035
Bonds and other securities	-	2,442,842	2,442,842	2,442,842
Derivatives	29,625	-	29,625	29,625
Other liabilities	-	7,097,317	7,097,317	7,097,317
Current financial liabilities	29,625	9,540,159	9,569,784	9,569,784
Total financial liabilities	29,625	18,342,593	18,372,218	18,280,819

The classification of the financial liabilities recognized in the financial statements at fair value, by fair value calculation method level hierarchy, is as follows:

	Level 1 2016	Level 1 2015	Level 2 2016	Level 2 2015	Level 3 2016	Level 3 2015	Total 2016	Total 2015
Derivatives	-	-	27,906	29,625	-	-	27,906	29,625
Total	-	-	27,906	29,625	-	-	27,906	29,625

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



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

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

The techniques used to value the financial liabilities classified as level 2 for fair value hierarchy purposes are based, in keeping with prevailing accounting rules, on an income approach and consist of discounting known or estimated future cash flows (estimated using implied forward curves provided by the market in the case of derivatives) to present value using discount curves built from benchmark market interest rates adjusted for credit risk as a function of the terms of the various instruments.

The main inputs used to value financial liabilities vary by instrument but are mainly exchange rates (spot and forward), interest rate curves, counterparty risk curves, equity prices and volatility metrics for all of the listed inputs. In all instances the market data are obtained from reputed information providers or correspond to the prices published by official bodies.

In relation with liquidity risk, disclosure of maturities relevant to Repsol funding as at December 31, 2016 and 2015 is provided in Note 19.

The breakdown of average loan balances outstanding and cost by instrument is as follows:

	2016		2015	
	Average volume USD million	Average cost %	Average volume USD million	Average cost %
Bonds	9,177	3.8	8,538	4.0
Other securities	1,584	0.4	937	0.3
Loans from related parties	5,943	1.2	6,465	0.9
Total	16,704	2.5	15,940	2.6

Bonds and other securities

The chart below discloses issues, buybacks and repayments of debt securities (recognized under current and non-current “*Bonds and other securities*”) in 2016 and 2015 (face value):

	Balance as at 12/31/2015 USD 1,000	(+) Issuances USD 1,000	(-) Repurchases or reimbursement USD 1,000	(+/-) Exchange rate and other adjustments USD 1,000	Balance as at 12/31/2016 USD 1,000
	Bonds and other securities issued in the European Union with prospectus	10,795,895	8,973,059	(8,716,117)	(326,828)
Total	10,795,895	8,973,059	(8,716,117)	(326,828)	10,726,009

	Balance as at 12/31/2014 USD 1,000	(+) Issuances USD 1,000	(-) Repurchases or reimbursement USD 1,000	(+/-) Exchange rate and other adjustments USD 1,000	Balance as at 12/31/2015 USD 1,000
	Bonds and other securities issued in the European Union with prospectus	8,120,051	9,812,716	(6,287,742)	(849,130)
Total	8,120,051	9,812,716	(6,287,742)	(849,130)	10,795,895



Key issues, buybacks and repayments carried out in 2016

Through the Company, the Group has a medium term note program (the *EUR 10,000,000,000 Guaranteed Euro Medium Term Note (EMTN) Programme*). It is registered with the *Luxembourg Commission de Surveillance du Secteur Financier* and was renewed on 26 September 2016, with a limit up to EUR 10,000,000,000.

Under the scope of this program:

In 2016 the Group issued the below listed bonds:

- In January 2016, a EUR 100 million 15-year bond at 96.298 per cent of the aggregate nominal amount with a coupon of 5.375 per cent fixed rate.
- In July 2016, a EUR 600 million 2-year bond issued in two tranches: a EUR 500 million bond issued at 99.899 per cent of the aggregate nominal amount with a coupon of 3 month EURIBOR + 0.7 per cent floating rate and a EUR 100 million bond issued at 100 per cent of the aggregate nominal amount with the same coupon.
- In July 2016, a EUR 100 million 3-year bond at 99.883 per cent of the aggregate nominal amount with a coupon of 0.125 per cent fixed rate.

The notes have been admitted to trading on the Luxembourg Stock Exchange upon the filing with the competent authorities of the relevant prospectus in accordance with laws and regulations governing public offers of securities and their admission to trading.

A bond issued by the Company on December 12, 2011, in the amount of EUR 850 million, matured on 12 February 2016. The repayment of this bond, which carried a fixed annual coupon of 4.25%, implied a decline in current financial liabilities and a cash outflow of EUR 850 million.

In addition, through the Company, the Group has a EUR 1,500 million Euro Commercial Paper (ECP) Program (arranged on March 26, 2010) which is guaranteed by Repsol, S.A. The ECP Program was increased to EUR 2,000 million on 25 October 2010.

The outstanding balances of issues made under this program as at December 31, 2016, were EUR 839 million, USD 635 million, GBP 20 million and CHF 6 million. ECPs are short-term in nature.

Key issues, buybacks and repayments carried out in 2015

Through the Company, the Group has a medium term note program (the *EUR 10,000,000,000 Guaranteed Euro Medium Term Note (EMTN) Programme*). It is registered with the *Luxembourg Commission de Surveillance du Secteur Financier* and was renewed on 22 September 2015, with a limit up to EUR 10,000,000,000.

Under the scope of this program:

in December 2015, the Group, through the Company, closed a EUR 600 million 5-year bond at 99.897 per cent with a coupon of 2.125 per cent, listed on the regulated market of the Luxembourg Stock Exchange and guaranteed by Repsol, S.A.

On 25 March 2015, the Company issued two subordinated bonds for a total amount of 2,000 million euro, with the subordinated guarantee of Repsol, S.A.:

- A EUR 1,000 million perpetual subordinated bond (EURO 6-Year Non-Call Perpetual Securities) at 100 per cent of its face value.



- A EUR 1,000 million 60-years subordinated bond (EURO 10-Year Non-Call Securities Due 2075) at 100 per cent of its face value.

The subordinated bonds have been admitted to trading on the Luxembourg Stock Exchange upon the filing with the competent authorities of the relevant prospectus in accordance with laws and regulations governing public offers of securities and their admission to trading.

In addition, through the Company, the Group has a EUR 1,500 million Euro Commercial Paper (ECP) Program (arranged on March 26, 2010) which is guaranteed by Repsol, S.A. The ECP Program was increased to EUR 2,000 million on 25 October 2010.

The outstanding balances of issues made under this program as at December 31, 2015, were EUR 1,234 million, USD 271 million, GBP 21 million and CHF 7 million. ECPs are short-term in nature.

Guaranteed debt security issues

In general, the financial debt agreements include the early maturity clauses customary in agreements of this nature.

Bond issues of the Company and guaranteed by Repsol, S.A., face value of USD 9,208 million (2015: USD 10,828 million), contain clauses whereby Repsol undertakes to pay interest when due and liabilities before maturity (cross-default provisions) and to not constitute charges or guarantees on Repsol, S.A. assets for this issue or in future issues of debt securities.

In the event of default, the trustee, at its sole discretion or at the request of the holders of at least one-fifth of the debentures, or by means of an extraordinary resolution, can declare all the aforementioned debentures issues due and payable. In addition, the holders of the bonds issued in 2011 through 2016 may choose to have their bonds redeemed upon a change of control at Repsol and provided such change in control results in, if and only if Repsol's credit ratings fall below investment grade status as a result of the change of control.

As long as any of the notes remain outstanding, the Group will not create or have outstanding any mortgage, charge, pledge, lien or other security interest upon the whole or any part of its undertaking, assets or revenues or to secure any guarantee of or indemnity in respect to any relevant indebtedness.

The Group's directors believe that at this date there are no reasons, which will make it necessary to apply the clauses providing for early maturity of the debt.

At the date of preparation of the accompanying financial statements for issue, the Repsol Group was not in breach of any of its financial obligations or of any other obligation that could trigger the early repayment of any of its financial commitments.

Other financial liabilities

Mainly includes the loans granted by Group companies that are not eliminated upon consolidation; they consist primarily of transactions between equity-accounted investees in the amount of USD 4,591 million as at December 31, 2016 (2015: USD 7,133 million).

Derivative transactions

The table below reflects the impact on the balance sheet of derivative financial instruments as at December 31, 2016 and 2015 as a result of changes in their fair value since their origination and their maturities:



Classification as at December 31, 2016	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Fair value
Other derivative financial instruments					
Exchange rate	-	27,178	-	(27,906)	(728)
Total	-	27,178	-	(27,906)	(728)
Classification as at December 31, 2015	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Fair value
Other derivative financial instruments					
Exchange rate	-	27,409	-	(29,625)	(2,216)
Total	-	27,409	-	(29,625)	(2,216)

Below a detailed disclosure of the Group's most significant transactions related to financial instruments at year end 2016 and 2015 is set out.

Other derivative transactions

Repsol has arranged a series of derivatives to manage its exposure to foreign exchange and price risk that do not qualify as accounting hedge under IAS 39.

These derivatives include currency forward contracts which mature in less than a year, as part of the global strategy to manage the exposure to exchange-rate risk.

Guarantees

As at December 31, 2016, the Group does not have extended guarantees to third parties or Repsol Group companies whose assets, liabilities and earnings are not presented in the consolidated financial statements (joint-ventures and equity-accounted investees).

Measurement of fair values

The valuation methods and inputs used for financial assets are:

- valuations based on a quoted price in an active market for an identical instrument;
- 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.

The second type mainly corresponds to derivative financial instruments, based on the income approach, in accordance with accounting regulations, which entail the discounting to present value of future cash flows associated with said instruments, estimated using forward curves offered in the market, including adjustments for credit risk based on the duration of the instruments. In the case of options, price-setting models based on the Black & Scholes formula are used.

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

The valuation methods and inputs used for financial liabilities are:



- valuations based on a quoted price in an active market for an identical instrument;
- 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.

The techniques used to value the financial liabilities are based, in keeping with prevailing accounting rules, on an income approach and consist of discounting known or estimated future cash flows (estimated using implied forward curves provided by the market in the case of derivatives) to present value using discount curves built from benchmark market interest rates adjusted for credit risk as a function of the terms of the various instruments. Options are valued using pricing models based on the Black & Scholes formula.

The main inputs used to value financial liabilities vary by instrument but are mainly exchange rates (spot and forward), interest rate curves, counterparty risk curves, equity prices and volatility metrics for all of the listed inputs. In all instances the market data are obtained from reputed information providers or correspond to the prices published by official bodies.

19. Financial risk management

The Group identifies, evaluates and mitigates financial risks in close cooperation with its Parent Company's Financial Risk Department. This department, with the aim to promote best practices, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks.

The Group has procedures and policies in place to control risks related to financial instruments. These policies and procedures include a clear segregation of duties between operating, settlement, accounting and controlling of all financial instruments used. The management of each group entity is involved in the risk management process.

The main financial risks are market risk, credit risk and liquidity risk.

Market risk

The Group's activities expose it primarily to the market risks of changes in currency exchange rates, interest rates and credit ratings. Market risk (the risk that changes in market prices, such as currency exchange rates and interest rates) will affect the Company's income or the value of its holdings of financial instruments.

Exchange rate fluctuation risk

Fluctuations in exchange rates may adversely affect the result of transactions and the value of the Group's equity. In general this exposure to fluctuations in currency exchange rates stems from the fact that the Group has assets, liabilities and cash flows denominated in a currency other than the functional currency of the Group.

In order to mitigate the risk, and when considered appropriate, the Group performs investing and financing transactions, using the currency for which risk exposures have been identified. The Group can also carry out transactions by means of financial derivative instruments for currencies that have a liquid market, with reasonable transaction costs.

Sensitivity analysis

A reasonably possible strengthening (weakening) of the USD against all other currencies as at December 31, 2016 would have affected the measurement of financial instruments denominated in a foreign currency and



affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

USD (million)	Result for the year		Equity	
	2016	2015	2016	2015
USD strengthens 5%	(1)	(2)	-	-
USD weakens 5%	1	2	-	-

Interest rate risk

The market value of the Group's net financing and net interest expenses could be affected as a consequence of interest rate fluctuations which could affect the interest income and interest costs of financial assets and liabilities tied to floating interest rates, as well as the fair value of financial assets and financial liabilities tied to a fixed interest rate.

When considered appropriate, the Group may decide to mitigate the interest rate risk by means of derivative financial instruments for which there is a liquid market, these hedging mechanisms are limited and, therefore, could be insufficient. Consequently, changes in interest rates could have an adverse effect on the Group's business, results and financial position.

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to management of the Group is as follows:

USD (million)	2016	2015
Fixed-rate financial instruments	(2)	(11)
Variable rate financial instruments	1,386	3,382
Net interest bearing financial instruments	1,384	3,371

Sensitivity analysis

A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

USD (million)	Result for the year		Equity	
	2016	2015	2016	2015
Increase of 50 bps	7	13	-	-
Decrease of 50 bps	(7)	(13)	-	-

Credit rating risk

Credit ratings affect the pricing and other conditions under which the Group is able to obtain financing. Any downgrade in the credit rating could restrict or limit the Group's access to the financial markets, increase its new borrowing costs and have a negative effect on its liquidity.

Credit risk



Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Group's loans receivable from related parties and unsettled derivatives whose fair value is positive. The Group attempts to minimize the counterparty credit risk associated with the financial instruments used by selecting counterparties that it assumes to be creditworthy, given their credit ratings.

The carrying amount of financial assets represents the maximum credit exposure.

Loans receivable from related parties

The credit risk of each loan is influenced by the individual characteristics of each counterparty. However the Group is not exposed to a significant credit risk due to the credit rating and liquidity of the debtors. No loan was overdue as at December 31, 2016 and December 31, 2015 nor was impaired during 2016 and 2015.

Derivatives

The derivatives are entered into with high credit quality bank and financial institution counterparties that meet the standards of solvency in accordance with the market conventions regulating these kinds of financial transactions.

Cash and cash equivalents

The Group held cash and cash equivalents of USD 19,297 thousand as at December 31, 2016 (2015: USD 2,735 thousand). The cash and cash equivalents are held with bank and financial institution counterparties.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. In this regard, the Group has a positive net debt balance of USD 1,384 million as at December 31, 2016 (2015: USD 3,376 million) and a deficit of current assets over current liabilities of USD 998 million as at December 31, 2016 (2015: excess of USD 1,022 million).

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and excluding the impact of netting agreements:

USD (million)	Financial liabilities as at December 31, 2016						
	2017	2018	2019	2020	2021	subsequent	TOTAL
Bonds and other securities	1,257	1,702	1,401	2,088	1,198	7,623	15,269
Other liabilities	4,493	2	102	-	-	-	4,597
Total	5,750	1,704	1,503	2,088	1,198	7,623	19,866

USD (million)	Financial liabilities as at December 31, 2015						
	2016	2017	2018	2019	2020	subsequent	TOTAL
Bonds and other securities	2,769	1,290	1,096	1,333	2,151	8,938	17,577
Other liabilities	7,099	196	-	-	-	-	7,295
Total	9,868	1,486	1,096	1,333	2,151	8,938	24,872



20. Related parties

Parent and ultimate controlling party

The Company is a wholly owned subsidiary of Repsol, S.A, Madrid, Spain. Repsol, S.A. is a Spanish integrated oil company engaged in all aspects of the petroleum business and one of the largest industrial groups in Spain.

Repsol International Finance undertakes transactions with related parties on an arm's length basis. For the purposes of presenting this information, the following are considered to be related parties:

- Major shareholders: the Company's significant shareholder that is deemed a related party is Repsol, S.A. (100% share capital as at December 31, 2016) and its group companies.
- Executives and directors: includes members of the Board of Directors.
- People or Group Companies: includes transactions with Group companies or entities for the part not eliminated in the consolidation process (corresponding mainly to transactions undertaken with companies accounted for using the equity method).

Income, expenses and other transactions recorded in 2016 with related parties were as follows:

	Major shareholders USD 1,000	Executive and Directors USD 1,000	People, Group companies or entities USD 1,000	Total USD 1,000
Expense and income				
Financial expenses	70,091	-	-	70,091
Other expenses	2,860	289	-	3,149
Total expenses	72,951	289	-	73,240
Financial income	570,600	-	-	570,600
Derivative financial instruments	159,778	-	-	159,778
Dividends received	-	-	14,460	14,460
Other income	-	-	-	-
Total income	730,378	-	14,460	744,838
Other transactions				
Finance agreements: credits and capital contributions (lender)	16,919,475	-	-	16,919,475
Other receivables	13,055	-	-	13,055
Finance agreements: credits and capital contributions (borrower)	(4,591,280)	-	-	(4,591,280)
Other payables	(27,099)	-	-	(27,099)



Income, expenses and other transactions recorded in 2015 with related parties were as follows:

	Major shareholders USD 1,000	Executive and Directors USD 1,000	People, Group companies or entities USD 1,000	Total USD 1,000
Expense and income				
Financial expenses	60,766	-	-	60,766
Other expenses	5,101	392	-	5,493
Total expenses	65,867	392	-	66,259
Income				
Financial income	634,426	-	-	634,426
Dividends received	-	-	26,750	26,750
Other income	-	-	-	-
Total income	634,426	-	26,750	661,176
Other transactions				
Finance agreements: credits and capital contributions (lender)	21,713,244	-	-	21,713,244
Other receivables	13,325	-	-	13,325
Finance agreements: credits and capital contributions (borrower)	(7,287,552)	-	-	(7,287,552)
Other payables	(4,922)	-	-	(4,922)

The transactions performed by Repsol International Finance B.V. with its Group companies and those performed by the Group companies among themselves form part of the Company's ordinary business activities in terms of their purpose and terms and conditions. All transactions are considered to be at arm's length.

21. Subsequent events

No significant events, which could have a material impact, occurred between year-end 2016 and the date on which the Directors approved and authorized these consolidated financial statements for issue.



22. Signing of the financial statements

The Hague, April 26, 2017

The Board of Directors:

G.A.L.R. Diepenhorst

H.C. Vrolijk

S. Meseguer Calas

G. Miñano Fernández



Company-Only Financial statements



Company-only balance sheet as at December 31, 2016

(before appropriation of result)

ASSETS	Notes	2016 USD 1,000	2015 USD 1,000
Non-current assets			
Participating interests	25	224,249	791,481
Loans and borrowings	26	9,246,829	9,757,135
Total non-current assets		9,471,078	10,548,616
Current assets			
Loans and borrowings	26	3,074,587	4,338,927
Other trade and other receivables	27	86,810	75,398
Cash and cash equivalents		19,149	1,510
Total current assets		3,180,546	4,415,835
TOTAL ASSETS		12,651,624	14,964,451
EQUITY AND LIABILITIES			
EQUITY AND LIABILITIES	Notes	2016 USD 1,000	2015 USD 1,000
Shareholders' equity			
Issued share capital	28	356,316	356,316
Share premium reserve	28	337,272	337,272
Translation reserve	28	-	(135,054)
Retained earnings	28	725,438	2,630,529
Unappropriated result	28	16,502	182,904
Total equity		1,435,528	3,371,967
Non-current liabilities			
Loans and borrowings	29	8,252,878	8,607,249
Total non-current liabilities		8,252,878	8,607,249
Current liabilities			
Loans and borrowings	29	2,918,698	2,931,110
Trade and other payables	30	44,520	54,125
Total current liabilities		2,963,218	2,985,235
Total liabilities		11,216,096	11,592,484
TOTAL EQUITY AND LIABILITIES		12,651,624	14,964,451



Company-only income statement for the year ended December 31, 2016

	Notes	2016 USD 1,000	2015 USD 1,000
Other income	32	-	32
Employee benefit costs	33	(1,067)	(1,224)
Depreciation and amortisation		-	(10)
Other operating expenses		(2,441)	(8,005)
Operating expenses		(3,508)	(9,207)
Finance income	34	422,681	411,215
Finance costs	34	(358,672)	(347,721)
Changes in the fair value of financial instruments	34	131,094	240,142
Foreign currency translation difference	34	(214,368)	(228,071)
Financial result		(19,265)	75,565
Share in result from participating interests	35	59,360	127,835
Result before tax		36,587	194,193
Income tax expense	36	(20,085)	(11,289)
Result for the year		16,502	182,904



Notes to the company-only financial statements

23. General

The company-only financial statements are part of financial statements of Repsol International Finance B.V. (the 'Company') for the year ended December 31, 2016.

24. Principles for the measurement of assets and liabilities and the determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company-only financial statements, the Company makes use of the option provided in section 2:362(8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company-only financial statements of the Company are the same as those applied for the consolidated EU-IFRS financial statements. See pages 14 to 61 for a description of these principles.

Participating interests in group companies

Participating interests in group companies are accounted for in the company-only financial statements according to the equity method. Refer to the basis of consolidation accounting policy in the consolidated financial statements.

Result of participating interests

The share in the result of participating interests consists of the share of the Company in the result of these participating interests. In so far as gains or losses on transactions involving the transfer of assets and liabilities between the Company and its participating interests or between participating interests themselves can be considered unrealised, they have not been recognised.

25. Participating interests

Movements in participating interests were as follows:

	2016	2015
	USD 1,000	USD 1,000
Balance as at January 1	791,481	801,933
Proceeds from disposal of investments	(640,002)	-
Dividends / liquidation payments received	(14,460)	(64,177)
Share in result of participating interests	59,360	127,835
Translation difference	27,870	(74,110)
Balance as at December 31	224,249	791,481

For details on the accounts receivable from participating interests and the other receivables, reference is made to Note 26.



Repsol International Finance B.V., with its statutory seat in The Hague has the following participating interests:

Name	Location	Share in issued capital %
Consolidated participating interests		
<i>Direct</i>		
Repsol Netherlands Finance B.V.	The Netherlands	100
Other participating interests		
<i>Direct</i>		
Occidental de Colombia LLC	United States	25
<i>Indirect</i>		
Occidental Crude Sales LLC	United States	25

During the year, the group entity Repsol Capital S.L., has been transferred within the Repsol Group.

26. Loans and borrowings

The loans and borrowings can be specified as follows:

	2016	2015
	USD 1,000	USD 1,000
Loans to related parties	12,090,149	13,915,515
Accrued interest on loans	231,267	180,547
Total loans and borrowings	12,321,416	14,096,062

The maturity of the loans to related parties can be specified as follows:

	2016	2015
	USD 1,000	USD 1,000
Less than 1 year	2,843,320	4,158,380
1-5 years	6,523,827	7,049,326
More than 5 years	2,723,002	2,707,809
Total loans to related parties	12,090,149	13,915,515

Loans to related parties, denominated predominantly in Euros, bear an average interest of 3.2% per annum (2015: 3.3%).

Allowances for doubtful loans are individually assessed. During 2016 the Company did not recognize any impairment (2015: nil).

The movement during the year of the non-current portion of loans to related parties can be shown as follows:



	2016	2015
	USD 1,000	USD 1,000
Balance as at January 1	9,757,135	7,489,130
Loans issued	1,995,536	8,901,277
Loans redeemed	(1,721,804)	(4,290,723)
Translation difference	(336,158)	(837,553)
Transfer to/from current loans	(447,880)	(1,504,996)
Balance as at December 31	9,246,829	9,757,135

27. Other trade and other receivables

	2016	2015
	USD 1,000	USD 1,000
Accounts receivable from related parties	68,340	58,086
Derivative financial instruments	17,866	17,312
Other receivables	604	-
	86,810	75,398

The trade and other receivables are due within one year.

28. Shareholders' equity

	Issued share capital	Share premium reserve	Translation reserve	Retained earnings	Unappropriated result	Total equity
	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Balance as at December 31, 2014	356,316	337,272	(60,944)	2,470,616	159,913	3,263,173
Result for the year	-	-	-	-	182,904	182,904
Appropriation of prior years' result	-	-	-	159,913	(159,913)	-
Translation differences	-	-	(74,110)	-	-	(74,110)
Balance as at December 31, 2015	356,316	337,272	(135,054)	2,630,529	182,904	3,371,967
Result for the year	-	-	-	-	16,502	16,502
Appropriation of prior years' result	-	-	-	182,904	(182,904)	-
Dividend distribution	-	-	-	(2,087,995)	-	(2,087,995)
Translation differences	-	-	135,054	-	-	135,054
Balance as at December 31, 2016	356,316	337,272	-	725,438	16,502	1,435,528

Share capital and share premium

Ordinary shares

The authorized share capital of the Company consist of 300,577 shares with a par value of EUR 1,000 translated to U.S. Dollars at an exchange rate of EUR 0.8435 per U.S. Dollar.

There are no specific rights, preferences and/or restrictions applicable.



Share premium reserve

The share premium reserve concerns the income from the issuing of shares in so far as this exceeds the nominal value of the shares (above par income).

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

Other reserves

The other reserves comprise the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

Unappropriated result

At the General Meeting, the following appropriation of the result 2016 will be proposed: an addition of the result to the retained earnings.

29. Loans and borrowings

The loans and borrowings can be specified as follows:

	2016 USD 1,000	2015 USD 1,000
Bonds and other securities	8,242,878	8,607,249
Loans from related parties	10,000	-
Total non-current loans and borrowings	8,252,878	8,607,249
	2016 USD 1,000	2015 USD 1,000
Bonds and other securities	2,701,609	2,442,842
Loans from related parties	214,972	487,829
Accrued interest on loans from related parties	2,117	439
Total current loans and borrowings	2,918,698	2,931,110

Further information on Bonds and other securities is included in Notes 16, 18 and 19.

Loans from related parties, denominated predominantly in U.S. Dollars, bear an average interest of 0.8% per annum (2015: 0.2%).

The movement during the year of loans from related parties can be shown as follows:

	2016	2015
	USD 1,000	USD 1,000
Balance as at January 1	487,829	173,457
Loans received	1,013,971	1,605,249
Loans repaid	(1,252,737)	(1,294,444)
Translation difference	(24,091)	3,567
Balance as at December 31	224,972	487,829

30. Trade and other payables

	2016	2015
	USD 1,000	USD 1,000
Tax liabilities	16,876	47,823
Accounts payable to shareholder	228	482
Accounts payable to related parties	399	2,396
Derivative financial instruments	25,804	2,717
Other financial liabilities	1,213	707
	44,520	54,125

Trade and other payables are due within one year.

Tax liabilities

	2016	2015
	USD 1,000	USD 1,000
Corporate income tax	16,458	47,486
Value added tax	392	304
Wage tax and social securities	26	33
Total tax liabilities	16,876	47,823

31. Financial instruments

General

The Company has exposure to the following risks from its use of financial instruments:

- market risk.
- credit risk;
- liquidity risk.

In the notes to the consolidated financial statements information is included about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

These risks, objectives, policies and processes for measuring and managing risk, and the management of capital apply also to the company-only financial statements of Repsol International Finance B.V. Further quantitative disclosures are included below.



Fair value

The fair value of financial instruments can be presented as follows:

	Carrying amount		Fair value	
	2016 USD 1,000	2015 USD 1,000	2016 USD 1,000	2015 USD 1,000
Non-current assets				
Loans to related parties	9,246,829	9,757,135	9,686,214	9,634,300
Current assets				
Loans to related parties	3,074,587	4,338,927	3,080,185	4,338,927
Other financial assets	105,355	76,908	105,355	76,908
Non-current liabilities				
Bonds and other securities	(8,242,878)	(8,607,249)	(8,715,893)	(8,515,865)
Loans from related parties	(10,000)	-	(10,015)	-
Current liabilities				
Loans from related parties	(2,918,698)	(2,931,110)	(2,924,309)	(2,931,110)
Other financial liabilities	(26,431)	(5,595)	(26,431)	(5,595)
Total financial instruments	1,228,764	2,629,016	1,195,106	2,597,565

For further information, please refer to Note 18 and Note 25.

32. Other income

	2016 USD 1,000	2015 USD 1,000
Other income	-	32

Other income mainly relates to reimbursements of insurance companies.

33. Employee benefit costs

	2016 USD 1,000	2015 USD 1,000
Wages and salaries	960	1,025
Social security contributions	107	199
	1,067	1,224
Average number of employees	8	7

Defined contribution pension plans

Repsol International Finance B.V. has defined contribution plans for its employees, which conform to current legislation.

The annual cost charged to “Employee benefit costs” in the consolidated income statement in relation to the defined contribution plans detailed above amounted to USD 34 thousand in 2016 (2015: USD 61 thousand).



34. Financial result

	2016 USD 1,000	2015 USD 1,000
Interest income on:		
-Loans and receivables to shareholder	96,138	74,268
-Loans and receivables to related parties	325,883	335,044
Other financial income	660	1,903
Finance income	422,681	411,215
Interest expenses on:		
-Loans and borrowings from related parties	(2,928)	(769)
-Bonds and other securities	(354,058)	(346,068)
Other finance costs	(1,686)	(884)
Finance costs	(358,672)	(347,721)
Changes in the fair value of financial instruments	131,094	240,142
Reclassification adjustment translation reserve	(107,184)	-
Other foreign currency translation differences	(107,184)	(228,071)
Financial result	(19,265)	75,565

35. Share in results from participating interests

An amount of USD 47,105 thousand (2015: USD 127,835 thousand) of share in results from participating interests relates to group companies.

36. Income taxes

Corporate income tax

The Company is the parent company of a fiscal unity for Dutch corporate income tax purposes along with its Dutch subsidiary Repsol Netherlands Finance B.V. The Dutch corporate income tax due by the fiscal unity has been fully allocated to each company in proportion to its individual taxable result.

The Company is jointly and severally liable for the total Dutch corporate income tax payable by the fiscal unity.

The companies included in the fiscal unity are subject to Dutch corporate income tax at the general rate of 25% (20% on the first EUR 200,000 taxable profit).

The fiscal unity is entitled to calculate its taxable profits using USD as functional currency. The Dutch corporate income tax due on the taxable profit in USD is calculated in EUR against the average daily exchange rate for the book year concerned as published by the Dutch Central Bank (DNB).



Reconciliation of effective tax rate

	2016		2015	
	%	USD 1,000	%	USD 1,000
Result before tax		36,587		194,193
Tax using the Company's domestic tax rate	25.0	9,147	25.0	48,548
Tax effect of:				
· Non-deductible expenses	-	-	0.4	870
· Share in result of participating interests	(40.6)	(14,840)	(16.5)	(31,959)
· Reclassification adjustments translation reserve	73.2	26,796	-	-
Change in estimates related to prior years	-	-	(3.5)	(6,877)
Other impact	(2.8)	(1,018)	0.4	707
	54.8	20,085	5.8	11,289

37. Contingent liabilities

Fiscal unity

The Company is the parent company of a fiscal unity for Dutch corporate income tax purposes along with its Dutch subsidiary Repsol Netherlands Finance B.V. As a result, the Company is jointly and severally liable for the total Dutch corporate income tax payable by the fiscal unity.

38. Auditor's remuneration

The fees listed below relate to procedures applied to the Company and its consolidated group entities by Deloitte Accountants N.V., the Netherlands, the external auditor as referred to in Section 1(1) of the Dutch Accounting Firms Oversight Act (Dutch acronym: Wta), as well as by other Dutch and foreign-based Deloitte individual partnerships and legal entities, including their tax services and advisory groups:

	2016	2015
	USD 1,000	USD 1,000
Financial statements audit fees	129	226
Other assurance fees	50	109
Total auditor's remuneration	179	335

39. Related parties

Parent and ultimate controlling party

The Company is a wholly owned subsidiary of Repsol S.A, Madrid, Spain. Repsol, S.A. is a Spanish integrated oil company engaged in all aspects of the petroleum business and one of the largest industrial groups in Spain.

Repsol International Finance B.V. undertakes transactions with related parties on an arm's length basis. For the purposes of presenting this information, the following are considered to be related parties:

- Major shareholders: the Company's significant shareholder that is deemed a related party is Repsol, S.A. (100% share capital as at December 31, 2016) and its group companies.



- b. Executives and directors: includes members of the Board of Directors.
- c. People or Group Companies: includes transactions with Group companies or entities for the part not eliminated in the consolidation process (corresponding mainly to transactions undertaken with companies accounted for using the equity method).

The Company recorded an interest income from related parties of USD 422,021 thousand (2015: USD 409,312 thousand) of which USD nil (2015: USD 185,453 thousand) from consolidated group companies and USD 96,138 thousand (2015: USD 74,268 thousand) from its shareholder. The total interest expenses to related parties amounts to USD 2,928 thousand (2015: USD 769 thousand). The dividend received from equity accounted investees amounts to USD 14,460 thousand (2015: USD 26,750 thousand).

For further information, please refer to Note 20 in the consolidated financial statements.

The Company is statutory director of its subsidiary for which it receives no remuneration.

Except for the transaction disclosed above, all transactions with related parties are considered to be at arm's length.

40. Directors' remuneration

The emoluments, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the Company amounted to USD 289 thousand (2015: USD 392 thousand) for managing directors and former managing directors. Solely the managing directors qualify as key management personnel and all their emoluments regard short-term employee benefits. Supervisory directors do not receive any remuneration from the Company.

There are no loans, advances and guarantees granted by the Company to its managing and supervisory directors.

41. Corporate Governance

The board took into consideration the enactment of the EU Directive 2006/43/EU by a Royal Decree of 26 July 2008 ("the Decree") and the obligations, because of its listed securities, as a public interest organisation. The corporate governance compliance obligations in respect of article 2, section 2, sub a to f of the Decree has been delegated to the Audit Committee of its parent company, Repsol, S.A.



42. Signing of the financial statements

The Hague, April 26, 2017

The Board of Directors:

G.A.L.R. Diepenhorst

H.C. Vrolijk

S. Meseguer Calas

G. Miñano Fernández



Other information



1. Independent auditor's report

Reference is made to the independent auditor's report included hereafter.

2. Provisions in the Articles of Association governing the appropriation of profit

Under article 19 of the Company's Articles of Association, the profit is at the disposal of the General Meeting of Shareholders, which can allocate said profit either wholly or partly to the formation of – or addition to – one or more general or special reserve funds.

3. Appropriation of result for the financial year 2015

The Annual report 2015 was adopted in the General Meeting held on April 19, 2016. The General Meeting has determined the appropriation of result in accordance with the proposal being made to that end.

4. Proposal for appropriation of result

The General Meeting of Shareholders will be asked to approve the following appropriation of the result for the year 2016: an amount of USD 16,502 thousand to be added to the other reserves. The result for the year 2016 is included under the unappropriated result item in the shareholders' equity.

The Company can only make payments to the shareholders and other parties entitled to the distributable profit in so far as

- (1) the company can continue to pay its outstanding debts after the distribution (the so-called distribution test), and
- (2) the shareholders' equity exceeds the legal reserves and statutory reserves under the articles of association to be maintained (the so-called balance sheet test). If not, management of the company shall not approve the distribution. Preliminary tests carried out by management revealed no indications that the proposed distribution of dividend will not be possible, but these tests have to be finalized (and management has to approve the distribution) prior to the actual payment of the dividend.

5. Subsequent events

No significant events, which could have a material impact, occurred between year-end 2016 and the date on which the Directors approved and authorized these consolidated financial statements for issue.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended March 31, 2017

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



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

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

ASSETS	Note	€Million	
		03/31/2017	12/31/2016
Intangible assets:		5,111	5,109
a) Goodwill		3,079	3,115
b) Other intangible assets		2,032	1,994
Property, plant and equipment	4.1	26,762	27,297
Investment property		66	66
Investments accounted for using the equity method	4.2	10,256	10,176
Non-current financial assets	4.3	1,284	1,204
Deferred tax assets		4,690	4,746
Other non-current assets		309	323
NON-CURRENT ASSETS		48,478	48,921
Non-current assets held for sale		129	144
Inventories		3,755	3,605
Trade and other receivables		5,427	5,885
a) Trade receivables		2,790	3,111
b) Other receivables		1,636	1,785
c) Income tax assets		1,001	989
Other current assets		283	327
Other current financial assets	4.3	1,309	1,280
Cash and cash equivalents	4.3	3,722	4,687
CURRENT ASSETS		14,625	15,928
TOTAL ASSETS		63,103	64,849
LIABILITIES AND EQUITY			
		€Million	
	Note	03/31/2017	12/31/2016
NET EQUITY			
Issued share capital		1,496	1,496
Share premium and reserves		25,961	24,232
Treasury shares and own equity instruments		(128)	(1)
Profit attributable to the equity holders of the parent		689	1,736
Other equity instruments		995	1,024
EQUITY	4.4	29,013	28,487
Items reclassifiable to income for the period		2,160	2,380
Financial assets available for sale		5	6
Hedge transactions		(172)	(171)
Translation differences		2,327	2,545
OTHER COMPREHENSIVE INCOME		2,160	2,380
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT AND TO OTHER HOLDERS OF EQUITY INSTRUMENTS		31,173	30,867
MINORITY INTERESTS		252	244
TOTAL EQUITY		31,425	31,111
Grants		3	4
Non-current provisions	4.5	6,091	6,127
Non-current financial liabilities	4.3	8,433	9,482
Deferred tax liabilities		1,364	1,379
Other non-current liabilities		1,962	2,009
NON-CURRENT LIABILITIES		17,853	19,001
Liabilities related to non-current assets held for sale		144	146
Current provisions	4.5	689	872
Current financial liabilities	4.3	7,174	6,909
Trade and other payables:		5,818	6,810
a) Trade payables		1,860	2,128
b) Other payables		3,606	4,365
c) Current income tax liabilities		352	317
CURRENT LIABILITIES		13,825	14,737
TOTAL EQUITY AND LIABILITIES		63,103	64,849

Notes 1 to 6 are an integral part of the consolidated balance sheet at March 31, 2017.

REPSOL, S.A. and investees comprising the Repsol Group
Consolidated income statement for the three-month period ended March 31, 2017 and 2016

	Note	€Million	
		Q1 2017	Q1 2016
Sales		10,024	7,637
Services rendered and other income		97	30
Changes in inventories of finished goods and work in progress inventories		143	82
Reversal of provisions and gains on disposal of non-current assets	4.7	193	80
Other operating income		216	339
OPERATING REVENUE		10,673	8,168
Supplies		(7,234)	(5,318)
Personnel expenses		(460)	(542)
Other operating expenses		(1,300)	(1,372)
Depreciation and amortization of non-current assets		(599)	(575)
Impairment losses recognized and losses on disposal of non-current assets	4.7	(236)	(19)
OPERATING EXPENSES		(9,829)	(7,826)
OPERATING INCOME		844	342
Finance income		44	44
Finance expense		(163)	(182)
Change in fair value of financial instruments		34	(13)
Net exchange gains (losses)		(35)	43
Impairment and gains (losses) on disposal of financial instruments	4.3	-	50
FINANCIAL RESULT		(120)	(58)
Share of results of companies accounted for using the equity method after taxes	4.2	140	159
NET INCOME BEFORE TAX		864	443
Income tax	4.6	(166)	(2)
NET INCOME FOR THE PERIOD		698	441
Net income attributable to minority interests		(9)	(7)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT		689	434
PARENT (€/share)	4.8	Q1 2017	Q1 2016
Basic		0.46	0.29
Diluted		0.46	0.29

Notes 1 to 6 are an integral part of the consolidated income statement at March 31, 2017.

REPSOL, S.A. and investees comprising the Repsol Group
Consolidated statement of recognized income and expense for the three-month period ended March 31, 2017 and 2016

	€Million	
	Q1 2017	Q1 2016
CONSOLIDATED NET INCOME FOR THE PERIOD (from the consolidated income statement)	698	441
OTHER COMPREHENSIVE INCOME		
Items not reclassifiable to the income statement for the period:		
From actuarial gains and losses	(1)	(5)
Share in other comprehensive income recognized for investments in joint ventures and associates	-	(2)
Tax effect	-	-
TOTAL	(1)	(7)
OTHER COMPREHENSIVE INCOME		
Items reclassifiable to the income statement for the period:		
Financial assets available for sale	1	-
Measurement gains (losses)	1	-
Amounts transferred to the income statement	-	-
Cash flow hedges	9	(15)
Measurement gains (losses)	-	(21)
Amounts transferred to the income statement	9	6
Amounts transferred to the initial carrying amount of the hedged item	-	-
Translation differences	(216)	(863)
Measurement gains (losses)	(216)	(860)
Amounts transferred to the income statement	-	(3)
Share in other comprehensive income recognized for investments in joint ventures and associates	(2)	(41)
Measurement gains (losses)	(2)	(44)
Amounts transferred to the income statement	-	3
Tax effect	(12)	(3)
TOTAL	(220)	(922)
TOTAL RECOGNIZED INCOME FOR THE PERIOD	477	(488)
a) Attributable to the parent	469	(492)
b) Attributable to minority interests	8	4

Notes 1 to 6 are an integral part of the consolidated statement of recognized income and expense at March 31, 2017.

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In the event of discrepancy, the Spanish language version prevails*

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

Consolidated statement of changes in equity for the periods ended March 31, 2017 and December 31, 2016

	Equity attributable to equity holders of the parent company							Minority interests	Total equity
	Capital and reserves								
€Million	Issued share capital	Share premium and reserves	Treasury shares and own equity instruments	Total net income attributable to the parent	Other equity instruments	Other comprehensive income	Total equity attributable to the parent and to otherholders of equity instruments		
Closing balance at 12/31/2015	1,442	26,030	(248)	(1,398)	1,017	1,691	28,534	228	28,762
Total recognized income/(expense)	-	(11)	-	1,736	-	688	2,413	46	2,459
Transactions with partners and owners									
Increase/(decrease) of share capital	54	(54)	-	-	-	-	-	-	-
Dividend payments	-	-	-	-	-	-	-	(9)	(9)
Transactions with treasury shares or own equity instruments (net)	-	(61)	247	-	-	-	186	-	186
Increases/(decreases) due to changes in the scope of consolidation	-	-	-	-	-	-	-	(21)	(21)
Other transactions with partners and owners	-	(243)	-	-	-	-	(243)	-	(243)
Other changes in equity									
Transfers between equity accounts	-	(1,398)	-	1,398	-	-	-	-	-
Perpetual subordinated bond issues	-	(29)	-	-	7	-	(22)	-	(22)
Other changes	-	(2)	-	-	-	1	(1)	-	(1)
Closing balance at 12/31/2016	1,496	24,232	(1)	1,736	1,024	2,380	30,867	244	31,111
Total recognized income/(expense)	-	(1)	-	689	-	(219)	469	8	477
Transactions with shareholders or owners									
Increase/(decrease) of share capital	-	-	-	-	-	-	-	-	-
Dividend payments	-	-	-	-	-	-	-	-	-
Transactions with treasury shares or own equity instruments (net)	-	(1)	(127)	-	-	-	(128)	-	(128)
Increases/(decreases) due to changes in the scope of consolidation	-	-	-	-	-	-	-	-	-
Other transactions with partners and owners	-	-	-	-	-	-	-	-	-
Other changes in equity									
Transfers between equity accounts	-	1,736	-	(1,736)	-	-	-	-	-
Perpetual subordinated bond issues	-	(7)	-	-	(29)	-	(36)	-	(36)
Other changes	-	2	-	-	-	(1)	1	-	1
Closing balance at 3/31/2017	1,496	25,961	(128)	689	995	2,160	31,173	252	31,425

Notes 1 to 6 are an integral part of the consolidated statement of changes in equity at March 31, 2017.

REPSOL, S.A. and investees comprising the Repsol Group
Consolidated cash flow statement for the three-month period ended March 31, 2017 and 2016

	€Million	
	Q1 2017	Q1 2016
Net income before tax	864	443
Adjustments to net income:	595	397
Depreciation and amortization of non-current assets	599	575
Other adjustments to results (net)	(4)	(178)
Changes in working capital	(559)	(201)
Cash flows from operating activities:	(221)	263
Dividends received	8	124
Income tax received/(paid)	(115)	251
Other proceeds from/(payments for) operating activities	(114)	(112)
Cash flows from operating activities	679	902
Payments for investing activities:	(552)	(779)
Group companies and associates	(50)	(171)
Property, plant and equipment, intangible assets and investment property	(405)	(512)
Other financial assets	(97)	(96)
Proceeds of divestments:	12	164
Group companies and associates	(18)	87
Property, plant and equipment, intangible assets and investment property	29	76
Other financial assets	1	1
Other cash flows	-	-
Cash flows from investing activities	(540)	(615)
Proceeds from/(payments for) equity instruments:	(165)	(7)
Issues	-	-
Acquisition	(167)	(7)
Disposal	2	-
Proceeds from/(payments for) financial liabilities:	(591)	372
Issues	3,174	4,459
Repayment and redemption	(3,765)	(4,087)
Dividend payments and remuneration on other equity instruments	(138)	(271)
Other cash flows from financing activities:	(209)	(309)
Interest payments	(232)	(287)
Other proceeds from/(payments for) financing activities	23	(22)
Cash flows from financing activities	(1,103)	(215)
Effect of changes in exchange rates	(1)	(12)
Net increase/(decrease) in cash and cash equivalents	(965)	60
Cash and cash equivalents at the beginning of the period	4,687	2,448
Cash and cash equivalents at the end of the period	3,722	2,508
COMPONENTS OF CASH AND CASH-EQUIVALENTS AT THE END OF THE PERIOD		
Cash at bank and in hand	2,986	1,890
Other financial assets	736	618
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,722	2,508

Notes 1 to 6 are an integral part of the consolidated cash flow statement at March 31, 2017.

NOTES TO THE FINANCIAL STATEMENTS

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(1) GENERAL INFORMATION

1.1 About the Repsol Group

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

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

The Repsol Group prepares its consolidated financial statements including the investments in all of its subsidiaries, associates and joint arrangements. Appendix I of the consolidated financial statements at December 31, 2016 lists the main companies comprising the Repsol group and included in the scope of consolidation at said date. Appendix I of these interim financial statements list the main changes in Group composition that have taken place in the first three months of 2017.

The activities of Repsol, S.A. and its investees are subject to extensive regulation, which is described in Appendix IV of the consolidated financial statements at December 31, 2016. Appendix II describes the main changes in the regulatory framework in the period.

1.2 About the interim condensed consolidated financial statements

These interim condensed consolidated financial statements of Repsol, S.A. and its investees, comprising the Repsol Group, present fairly the Group’s equity and financial position at March 31, 2017, as well as the Group’s consolidated earnings performance, the changes in the consolidated equity and the consolidated cash flows in the three-month period then ended.

These interim financial statements were approved by the Board of Directors of Repsol, S.A. in its meeting of May 3, 2017.

(2) BASIS OF PRESENTATION

2.1 General principles

The financial statements are expressed in millions of euros (except in information for which another unit is specified), were prepared on the basis of the accounting records of the companies comprising the Group and are presented in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU) at March 31, 2017 and, specifically, in accordance with the requirements in International Accounting Standard (IAS) 34 “*Interim financial reporting*”.

In accordance with IAS 34, this interim financial information is prepared solely for the purpose of updating the content of the latest approved consolidated financial statements, with an emphasis on new activities, events and circumstances that have arisen in the first three months of the year, and not duplicating information previously disclosed in the consolidated financial statements of the preceding year. To properly understand the information included in these interim financial statements – and given that they do not include information required in complete financial statements prepared in accordance with the IFRS-EU – they must be read jointly with the consolidated financial statements of the Repsol Group for 2016, which will be presented for the approval of the Annual General Meeting of Repsol, S.A. to be held on May 19, 2017.

2.2 Comparative information

The earnings per share in the first quarter of 2016, in accordance with accounting standards, have been restated using the average number of outstanding shares after the capital increase carried out as part of the shareholder remuneration scheme known as “*Repsol Flexible Dividend*” described in Note 4.4 “*Equity*.”

2.3 Standards applicable to financial information

The standards applicable to the preparation of these financial statements have not changed with respect to those applied in the consolidated financial statements at December 31, 2016. The following regulatory changes are pending adoption by the European Union and, in principle, would be applicable in 2017:

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

The Group estimates that the above changes in accounting regulations are not going to have a significant impact on the financial statements, apart from certain new reporting requirements, as warranted.

2.4 Changes in accounting estimates and judgments

The preparation of these interim financial statements makes it necessary to make assumptions and estimates that affect the valuation of the amounts of the assets and liabilities recognized, the presentation of contingent assets and liabilities and the income and expenses recognized during the period. The results could be significantly affected depending on the estimates made.

These estimates are made on the basis of the best available information, as described in Note 3, “*Accounting estimates and judgments*” of the consolidated financial statements for 2016. In the first three months of 2017, there were no significant changes in the methodology of such estimates, compared to the methodology used at year-end 2016.

2.5 Seasonality

The businesses of liquefied petroleum gas (LPG) and of natural gas are the Group activities involving the highest degree of seasonal variation due to their connection with climate conditions, with activity at its height in the winter and decreasing in the summer of the northern hemisphere.

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

2.6 Segment reporting

Definition of segments

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

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

The operating segments of the Group are as follows:

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

Lastly, *Corporation and others* includes activities not attributable to the aforementioned segments, and specifically, corporate expenses, financial result, the earnings and other metrics related to the remaining interest in Gas Natural SDG¹, and inter-segment consolidation adjustments.

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

Presentation of segment results

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

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

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

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

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

The Current Cost of Supply (CCS) is commonly used in this industry to present the results of *Downstream* businesses which must work with huge inventories subject to continual price fluctuations. It is not a commonly-accepted European accounting regulation, yet it does enable the comparability with other sector companies as well as monitoring of businesses independently of the impact of price variations on their inventories. Using the CCS method, the cost of volumes sold during the reporting period is calculated using the costs of procurement and production incurred during that same period. Due to the above, the Adjusted Net Income does not include the “Inventory Effect”. This Inventory Effect is presented separately, net of tax and minority interests, and corresponds to the difference between income at CCS and that arrived at using the Weighted Average Cost approach, which is the method used by the Company to determine its earnings in accordance with European accounting regulations.

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

For each of the figures presented by segment (adjusted net income, inventory effect, special items, etc.), Appendix IV indicates the items and captions that allow for their reconciliation with the corresponding figures prepared in accordance with the IFRS-EU.

(3) RESULTS AND INDICATORS BY SEGMENTS¹

3.1 Key performance indicators

Financial indicators ⁽¹⁾	Q1 2017	Q1 2016	Macroeconomic environment	Q1 2017	Q1 2016
Results			Brent (\$/bbl) average	53.7	33.9
EBITDA	1,844	1,027	WTI (\$/bbl) average	51.8	33.6
Adjusted net income	630	572	Henry Hub (\$/MBtu) average	3.3	2.1
Net income	689	434	Algonquin (\$/MBtu) average	4.4	3.3
Earnings per share (€/share)	0.46	0.29	Exchange rate (\$/€) average	1.06	1.10
Capital employed	39,770	40,337			
ROACE (%) ⁽²⁾	8.5	4.5			
			Our business performance⁽¹⁾	Q1 2017	Q1 2016
Financial overview			Upstream		
Free cash flow	120	201	Net hydrocarbon production (kboe/d)	693	714
Debt interest/EBITDA (%)	5.1	11.2	Net production of liquids (kbbbl/d)	258	255
Net debt (ND)	8,345	11,978	Net gas production (kboe/d)	435	459
ND/EBITDA (x times) ⁽³⁾	1.1	2.9	Average crude oil realization price (\$/bbl)	49.4	30.3
ND/Capital employed (%)	21	30	Average gas realization price (\$/kscf)	3.1	2.4
Shareholder remuneration			EBITDA	921	404
Shareholder remuneration (€/share) ⁽⁴⁾	0.34	0.47	Adjusted net income	224	17
			Net investments	455	638
Main stock market indicators	Q1 2017	Q1 2016	Downstream		
Share price at closure (€/share)	14.5	9.9	Refining capacity (kbbbl/d)	1,013	998
Average share price of the period (€/share)	14.0	9.4	Conversion ratio in Spain (%)	63	63
Market capitalisation at closure (€million)	21,660	14,302	Refining margin indicator in Spain (\$/bbl)	7.1	6.3
			Oil product sales (kt)	12,064	11,125
Other indicators	Q1 2017	Q1 2016	Petrochemical product sales (kt)	712	764
People			LPG sales (kt)	436	631
Total employees ⁽⁵⁾	26,796	29,103	Gas sales in North America (Tbtu)	155.4	115.5
New employees ⁽⁶⁾	594	504	EBITDA	961	671
			Adjusted net income	500	556
Safety and environment			Net investments	91	86
Frequency rate of accidents ⁽⁷⁾	0.77	0.69			
Total frequency rate of accidents ⁽⁸⁾	1.37	1.46			
Reduction of CO ₂ emissions (thousand t)	64.18	68.80			

NOTE: The business measures and indicators have not been reviewed by the auditor.

⁽¹⁾ Where applicable, figure shown in millions of euros.

⁽²⁾ The ROACE has been annualized via simple extrapolation of the data of the period.

⁽³⁾ The EBITDA of this indicator has been annualized via simple extrapolation of the data of the period.

⁽⁴⁾ Fixed price guaranteed by Repsol for the bonus share rights under the “*Repsol Flexible Dividend*” program (see Note 4.4).

⁽⁵⁾ Includes the managed and non-managed workforce.

⁽⁶⁾ Fixed or temporary employees with no prior working relationship with the company are considered to be new hires. The % of permanent new hires in the first quarter of 2017 and 2016 amounts to 43% and 55%, respectively.

⁽⁷⁾ Lost time injury frequency rate: number of lost-time accidents and fatal accidents accumulated during the year, per million hours worked. The 2016 figure is for the year.

⁽⁸⁾ Total recordable incident rate: number of with and without lost-time accidents and fatal accidents accumulated during the year, per million hours worked. The 2016 figure is for the year.

¹ All the information presented in this Note has been prepared using the Group’s reporting model (see Note 2.6), unless expressly indicated otherwise. See definitions, composition and reconciliation of figures in Appendix IV, “*Alternative Performance Measures*”.

3.2 Macroeconomic outlook

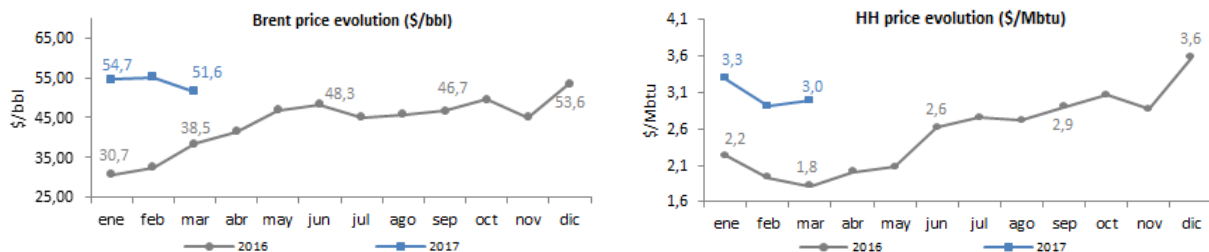
In the first quarter, the global economy showed greater dynamism, helping improve perspectives and moderate risks, although geopolitical uncertainty is high. This situation, jointly with ample global liquidity, underpinned a slight rise in commodities and greater activity in the emerging countries.

The upturn in global activity appears to be more robust because it is synchronized in different regions, also helping improve trade and inflation perspectives, although still at low levels. In fact, the stance of monetary policy remains accommodative, except in the case of the US Federal Reserve, which raised reference interest rates in December 2016 and March 2017. Financial markets maintained a favorable stance in the early months of the year, although it subsequently adopted a more cautious attitude owing to doubts as whether the new US administration might implement measures aimed at stimulating the economy. At the same time, fears have eased, in part, that restrictive trade measures might be adopted. Such measures would have been damaging to some important emerging countries. As a result, after the dollar tended to strengthen at the start of the year, it has recently stabilized, while emerging currencies have recovered some of their losses.

The price of Brent crude in the first quarter of 2017 averaged \$53.7/bbl, slightly more than four dollars above the average of the previous quarter. What lies behind this recovery in the quarterly price is the OPEC agreement of late 2016, which was joined by a group of non-member countries of the cartel, aimed at scaling back production by 1.2 million bbl/d and 600,000 bbl/d, respectively. The perspective of worldwide supply decreasing by nearly 1.8 bbl/d was a positive stimulus for the market, after two years of a policy of defense of market share in which OPEC production continuously increased. Throughout the months of January and February, in response to satisfactory figures on compliance with committed production cutbacks and, with a stable demand outlook, the Brent price stayed within a very narrow range of \$54-56/bbl. However, in about the second week of March, the price underwent a sharp correction of more than five dollars following the disclosure of a sustained increase in US inventories and, most of all, in the country's production, related to the recovery in the non-conventional shale industry.

In the first quarter, the price of Henry Hub US natural gas stood at \$3.3/MBtu, with a peak of \$3.4/MBtu on January 26. The quarterly average was in line with that of the previous quarter, albeit 59% above the average of the first quarter of 2016 (\$2.1/MBtu). The increase on last year was related to the improvement in the fundamentals. Basically, demand was strong, taking into account exports and with falling production of dry gas. This improvement in the fundamentals was reflected in inventory levels which, at the end of March 2017, were 21% below the level of the end of March 2016.

Monthly average Brent and Henry Hub prices



3.3 Results

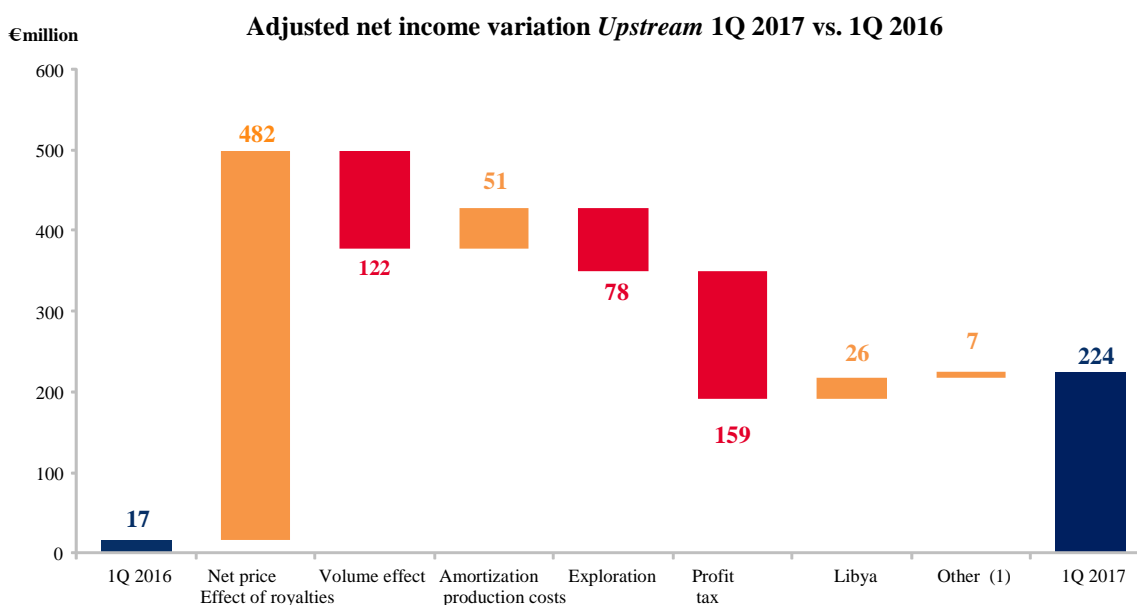
	€Million		
	Q1 2017	Q1 2016	Variation
Upstream	224	17	207
Downstream	500	556	(56)
Corporation and others	(94)	(1)	(93)
ADJUSTED NET INCOME	630	572	58
Inventory effect	84	(157)	241
Special items	(25)	19	(44)
NET INCOME	689	434	255

The first-quarter 2017 results, compared to the same period in the previous year, occur in a more favorable environment marked by higher crude oil and gas prices (Brent +58% and Henry Hub +59%), the improvement of the refining margin indicator (above \$7/bbl) and the good international environment for the petrochemical business. Against this backdrop, Repsol has continued with its projects for enhancement of operating efficiency and implementation of synergies, thus lending greater flexibility and resilience to its integrated model.

Adjusted Net Income in the quarter amounted to €630 million, which is 10% higher than in the same period of the previous year, due to better income in *Upstream*.

Upstream

The adjusted net income of *Upstream* amounted to €224 million, which is far higher than in the same quarter of the previous year (€17 million). This significant improvement was driven mainly by the recovery in crude oil and gas realization prices, which were up 63% and 30%, respectively, and by the cost reduction arising from improvements in the efficiency of operations, in addition to the contribution of Libya. These positive effects were partially offset by higher taxes, lower volumes sold and higher expenses in exploration.



(1) This mainly comprises the exchange rate effect.

The EBITDA of *Upstream* amounted to €21 million, which is 128% higher than in the same period of the previous year.

The average production in the quarter of 693 Kboe/d is 3% lower than in the same period of 2016. The natural decline and cease of activity of the fields in Norway and the United States, and the loss of production corresponding to disposed-of assets (in Trinidad and Tobago and in Indonesia) were largely offset by the resumption of production in Libya, the incorporation of new wells in Sapinhoá and Lapa in Brazil and the increase in transmission capacity in Peru.

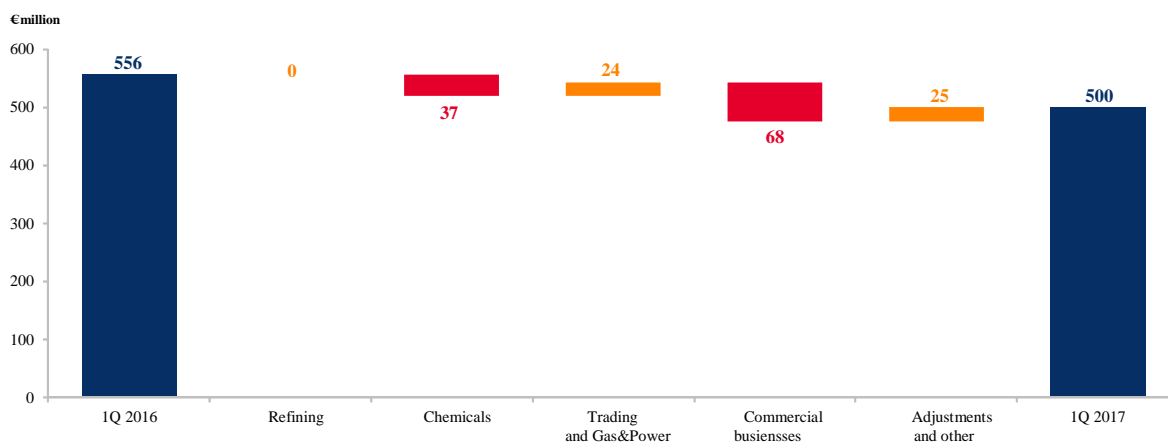
In exploration activity, drilling was completed for two exploration wells and two appraisal wells in the period. Two of them were declared positive (one exploration well and one appraisal well) and two were negative. Noteworthy is the important discovery of the Horseshoe-1 and the Horseshoe-1A appraisal wells, which confirm Nanashuk as one of the formations with the greatest potential in the prolific North Slope area of Alaska. The discovery of Horseshoe extends the Nanshuk formation by more than 32 kilometers beyond previous discoveries. Total contingent resources are estimated at about 1.2 billion recoverable barrels of light crude. Currently pending completion is the work of delineation that will enable defining of the development plan, with entry into production not expected before 2022.

Net investments of the period (€455 million) were 29% lower than in 2016.

Downstream

Adjusted net income in the first quarter of 2017 amounted to €500 million, compared to €556 million in the same period of 2016.

Adjusted net income variation *Downstream* Q1 2017 vs. Q1 2016



Change in result due mainly to:

- Refining continued to see strong income figures, as favorable international trends (better refining margin indicator, stronger dollar) offset the effects of multi-year shutdowns for maintenance in the industrial plants of Bilbao and Coruña.
- In Chemicals, where the good international margins from the previous year have continued, maintenance of the Tarragona plant caused production declines and costs that affected income in the period.
- Better results in Trading and Gas & Power are largely due to the recovery of the Gas & Power business in North America, backed by higher volumes sold and lower costs.
- The lower income in commercial businesses (Marketing, LPG, Lubricants, etc.) were due to a significant reduction in income in the LPG business, which was adversely affected by

the regulated bottled LPG price formula and by the disposal of the piped-gas assets. In contrast, the rest of the commercial businesses showed better results, particularly service stations in Spain, which saw higher volumes of activity and a reduction in fixed costs.

The EBITDA of *Downstream* amounted to €61 million (compared to €71 million in 2016).

Corporation and others

The result of the segment (-€4 million) was lower than in the first quarter of 2016. In spite of the reduction of corporate costs and of debt interest, the lower income was due to the comparative effect of the gains obtained in 2016 from the repurchase of bonds from ROGCI, the negative impact of trends in the EUR/USD exchange rate and the lower income contributed by Gas Natural Fenosa (following the reduction of the stake in 2016, and owing to the worse performance of the electricity supply business, which was partially offset by the improvement in gas supply in Latin America owing to the positive effect of the exchange rate).

The **inventory effect** amounted to €4 million, due to upward trend in prices during the quarter.

Special items, amounting to €25 million, mainly relate to the impairment of exploration assets, gains from the disposal of assets and changes in litigation provisions during the period.

€ Million	TOTAL	
	Q1 2017	Q1 2016
Divestments	18	59
Workforce restructuring charges	(4)	(29)
Impairment	(28)	-
Provisions and other	(11)	(11)
TOTAL	(25)	19

Consequently, **Net Income** of the first quarter amounted to €89 million, which is 59% higher than in the same period of 2016.

The **EBITDA** of the period of €1,844 million, is 80% higher than in the previous year, driven mainly by the outstanding performance of *Upstream* and of the industrial businesses in *Downstream* (including the positive inventory effect).

Free cash flow in the first quarter of 2017 amounted to €20 million, as the significant improvement of EBITDA and the decrease in investments were offset by the increase in working capital and taxes.

	Q1 2017	Q1 2016
EBITDA	1,844	1,027
Changes in working capital	(875)	(357)
Dividends received	3	123
Income tax receipts/(payments)	(129)	269
Other receipts/(payments) of operating activities	(126)	(119)
I. CASH FLOWS FROM OPERATING ACTIVITIES	717	943
Payments on investments	(610)	(854)
Proceeds from divestments	13	112
II. CASH FLOW FROM INVESTING ACTIVITIES	(597)	(742)
FREE CASH FLOW (I+II)	120	201
Dividend payments and remuneration from other equity instruments	(138)	(271)
Net interest and leasing	(247)	(300)
Treasury shares	(165)	(7)
CASH GENERATED IN PERIOD	(430)	(377)

Net debt at the end of the quarter was €8,345 million, which is significantly lower than at March 31, 2016 (€11,978 million), as a result of better cash flows generated by businesses during the period, discipline in investments and liquidity obtained in divestments. The change in the debt figure compared to December 31, 2016 (€8,144 million), was mainly due to the payment of dividends and purchases of treasury shares in the period.

Group **liquidity**, including committed and undrawn credit facilities, stood at €8,333 million at March 31, 2017, which is enough to cover its short-term debt maturities by a factor of 1.91. Repsol had undrawn credit facilities amounting to €4,368 million and €4,429 million at March 31, 2017 and December 31, 2016, respectively.

3.4 Information by geographical area

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

€ Million	First quarter of 2017 and 2016							
	Revenue ⁽¹⁾		Adjusted net income ⁽¹⁾		Net operating investments ⁽¹⁾		Capital employed ⁽¹⁾	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016	03/31/2017	03/31/2016
Upstream	1,598	1,084	224	17	455	638	23,865	23,053
Europe, Africa and Brazil	556	258	82	24	91	113	-	-
Latin America-Caribbean	420	374	106	65	162	189	-	-
North America	336	224	(10)	(68)	115	169	-	-
Asia and Russia	286	228	53	6	46	22	-	-
Exploration and other	-	-	(7)	(10)	41	145	-	-
Downstream	9,457	7,110	500	556	91	86	9,822	9,692
Europe	8,812	6,364	446	528	77	52	-	-
Rest of World	1,507	1,124	54	28	14	34	-	-
Adjustments	(862)	(378)	-	-	-	-	-	-
Corporation and other	(410)	(145)	(94)	(1)	(2)	(15)	6,083	7,592
TOTAL	10,645	8,049	630	572	544	709	39,770	40,337

⁽¹⁾ To see the reconciliation between these figures and IFRS-EU figures, please refer to Appendix III and IV.

(4) OTHER INFORMATION

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

4.1 Property, plant and equipment

The Group's most significant investments are detailed in Note 3.4 "Information by geographical area", which is presented using the Group's reporting model.

4.2 Investments accounted for using the equity method

Repsol uses the equity method to account for all investments and results in joint ventures and associates in which it participates. Investments in joint ventures relate mainly to Repsol Sinopec Brasil, S.A., YPFB Andina, S.A., BBRY Caribbean Ventures, Llc. (BPRY), Petroquiriquire, S.A., Cardón IV, S.A. and Equion Energía, Ltd., and in associated companies mainly to Gas Natural SDG, S.A.

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

	Million euros			
	Carrying amount of the investment		Share of results ⁽¹⁾	
	03/31/2017	12/31/2016	Q1 2017	Q1 2016
Joint ventures	6,735	6,713	79	152
Associates	3,521	3,463	61	7
TOTAL	10,256	10,176	140	159

⁽¹⁾ Corresponds to the net income for the period from continuing and discontinued operations. Does not include "Other comprehensive income" of €73 million (€70 million corresponding to joint ventures and €3 million to associates) and €327 million (€325 million corresponding to joint ventures and €2 million corresponding to associates) in 2017 and 2016, respectively.

Breakdown in this heading during the period was as follows:

Million euros	2017	2016
Balance at January 1	10,176	11,797
Net investments	49	104
Share of results of companies accounted for using the equity method after taxes	140	159
Dividends distributed	(8)	(1)
Translation differences	(62)	(324)
Reclassification and other changes	(39)	(59)
Balance at March 31	10,256	11,676

4.3 Financial instruments

Financial assets

€Million	2017	2016
Non current financial assets	1,284	1,204
Non current derivatives on trading transactions ⁽¹⁾	2	-
Other current financial assets	1,309	1,280
Current derivatives on trading transactions ⁽²⁾	130	64
Cash and cash equivalents	3,722	4,687
Total financial assets	6,447	7,235

⁽¹⁾ Recognized in "Other non-current assets" of the consolidated balance sheet.

⁽²⁾ Recognized in "Other receivables" of the consolidated balance sheet.

Financial liabilities

€Million	2017	2016
Non-current financial liabilities	8,433	9,482
Current financial liabilities	7,174	6,909
Current derivatives on trading transactions	160	282
Total financial liabilities	15,767	16,673

⁽¹⁾ Recognized in "Other payables" of the consolidated balance sheet.

For further information about the financial instruments recognized on the Group's balance sheet, classified into the various categories of financial assets and liabilities, see Appendix III. The main changes relating to financial liabilities are shown below.

Bonds and other securities

The main issues, repayments and repurchases of bonds and other securities in the first three months of 2017 were as follows:

- In February 2017, €886 million of fixed-annual 4.75% bonds issued by Repsol International Finance, B.V. within the EMTN Program in February 2007 were repaid at maturity.

The outstanding balance of bonds and other securities at March 31 is as follows:

ISIN	Issuer	Date of issue	Currency	Face value (million)	Average rate %	Maturity	Listed ⁽⁵⁾
US87425EAE32 ⁽³⁾	Repsol Oil & Gas Canada Inc.	oct-97	Dollar	55	7.250%	oct-27	-
XS0145515655	Repsol Oil & Gas Canada Inc.	abr-02	Pounds	250	6.625%	dic-17	LSE
US87425EAH62 ⁽³⁾	Repsol Oil & Gas Canada Inc.	may-05	Dollar	90	5.750%	may-35	-
US87425EAJ29 ⁽³⁾	Repsol Oil & Gas Canada Inc.	ene-06	Dollar	131	5.850%	feb-37	-
US87425EAK91 ⁽³⁾	Repsol Oil & Gas Canada Inc.	nov-06	Dollar	119	6.250%	feb-38	-
US87425EAL74 ⁽³⁾	Repsol Oil & Gas Canada Inc.	jun-09	Dollar	364	7.750%	jun-19	-
US87425EAM57 ⁽³⁾	Repsol Oil & Gas Canada Inc.	nov-10	Dollar	241	3.750%	feb-21	-
XS0733696495 ⁽¹⁾	Repsol International Finance, B.V.	ene-12	Euro	1,000	4.875%	feb-19	LuxSE
US87425EAN31 ⁽³⁾	Repsol Oil & Gas Canada Inc.	may-12	Dollar	97	5.500%	may-42	-
XS0831370613 ⁽¹⁾	Repsol International Finance, B.V.	sep-12	Euro	750	4.375%	feb-18	LuxSE
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.	dic-14	Euro	500	2.250%	dic-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.	dic-15	Euro	600	2.125%	dic-20	LuxSE
XS1352121724 ⁽¹⁾	Repsol International Finance, B.V.	ene-16	Euro	100	5.375%	ene-31	LuxSE
XS1442286008 ⁽¹⁾	Repsol International Finance, B.V.	jul-16	Euro	600	Euro 3M +70 b.p.	jul-18	LuxSE
XS1451452954 ⁽¹⁾	Repsol International Finance, B.V.	jul-16	Euro	100	0.125%	jul-19	LuxSE

- ⁽¹⁾ Issues made under RIF's EMTN Program, which is guaranteed by Repsol, S.A., as renewed in September 2016.
- ⁽²⁾ A subordinated bond issued by Repsol International Finance, B.V. Guaranteed by Repsol, S.A. This issue does not correspond to any open-ended or shelf program.
- ⁽³⁾ Issues placed by Repsol Oil & Gas Canada, Inc., under the scope of the Universal Shelf Prospectus program in the United States and the Medium-Term Note Shelf Prospectus program in Canada.
- ⁽⁴⁾ Coupon scheduled for reset on March 25, 2025 and March 25, 2045.
- ⁽⁵⁾ LuxSE (Luxembourg Stock Exchange) and LSE (London Stock Exchange). No multilateral trading systems or other trading systems or over-the-counter (OTC) markets are taken into account.

Additionally, Repsol International Finance B.V. (RIF) holds a Euro Commercial Paper (ECP), arranged on May 16, 2013 and guaranteed by Repsol, S.A., with a limit up to €2,000 million and updated on July 29, 2016. A number of issues and repayments have been made under this program during the period, and the outstanding balance at March 31, 2017 is €1,993 million.

4.4 Equity

	€Million	
	03/31/2017	12/31/2016
Net equity	29,013	28,487
Issued share capital	1,496	1,496
Share premium and reserves	25,961	24,232
Share premium ⁽¹⁾	6,428	6,428
Legal reserve ⁽²⁾	259	259
Retained earnings and other reserves ⁽³⁾	19,373	17,644
Dividends and remuneration	(99)	(99)
Treasury shares and own equity instruments	(128)	(1)
Total net income attributable to the parent	689	1,736
Other equity instruments	995	1,024
Other comprehensive income	2,160	2,380
Minority interests	252	244
TOTAL EQUITY	31,425	31,111

⁽¹⁾ The restated Spanish Companies Act expressly permits the use of the share premium account balance to increase capital and establishes no specific restrictions as to its use.

⁽²⁾ Under the restated Spanish Companies Act, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

⁽³⁾ Includes the adjustments related to the differences between the previous accounting principles and the IFRS, from events and transactions before the transition date to IFRS (January 1, 2004)

4.4.1 Share capital

At March 31, 2017, Repsol share capital amounts to €1,496,404,851, fully subscribed and paid up and represented by 1,496,404,851 shares with a nominal value of 1 euro each.

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

Significant shareholders	total % of share capital
Fundación Bancaria Caixa d'Estalvis y Pensions de Barcelona ⁽¹⁾	9.84
Sacyr, S.A. ⁽²⁾	8.2
Temasek Holdings (Private) Limited ⁽³⁾	4.34
Blackrock, Inc. ⁽⁴⁾	3.04

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

⁽²⁾ Sacyr, S.A. holds its interest through Sacyr Investments II S.A.U., Sacyr Investments, S.A.U. and Sacyr Securities, S.A.U.

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

⁽⁴⁾ Blackrock, Inc. holds its stake through various funds and accounts managed by investment managers under their control. The information on Blackrock, Inc. is based on a declaration filed by the entity in the CNMV on January 15, 2016 on its share capital at said date.

4.4.2 Treasury shares and own equity instruments

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

	No. of shares	Amount (€M)	% capital
Balance at January 1	94,185	1	0.010%
Market purchases	11,767,307	165	0.79%
Market sales	(2,690,000)	(38)	0.18%
Share Acquisition Plan ⁽¹⁾	142,330	2	0.01%
Balance at March 31 ⁽²⁾	9,171,492	128	0.61%

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

⁽²⁾ Between the months of January and March, Repsol Tesorería y Gestión Financiera, S.A. arranged equity swaps with financial institutions over a total notional of 11 million Repsol, S.A. shares under which the voting rights and economic risk intrinsic to the underlying were transferred to the Group, of which, as of March 31, equity swaps over a notional of 8 million shares remain outstanding.

4.4.3 Shareholder remuneration

The following table breaks down the dividend payments received by Repsol, S.A.'s shareholders during the three-month period ended on March 31, 2017 through the “Repsol Flexible Dividend” program:

	No. of bonus share rights sold to Repsol	Purchase commitment price (€/right)	Cash payout (€million)	New shares issued	Payment in shares (€million)
December 2016/January 2017	296,735,539	0.335	99	30,760,751	392

The Board of Directors has resolved, at a meeting held on March 29, 2017, to submit to the Company's shareholders for approval at the Annual General Meeting scheduled for May 18 and 19, 2016, on first and second call, respectively, within the “Repsol Flexible Dividend” Program and on the dates on which the Company has traditionally paid its final dividend, a capital increase proposal charged to voluntary reserves from retained earnings equivalent to shareholder remuneration of about €0.45 per share.

4.5 Provisions

The changes in current and non-current provisions in the first three months of 2017 and 2016 are as follows:

€Million	2017	2016
Balance at January 1	6,999	7,204
Allowances of provisions charged to results	63	67
Reversals of provisions with credit to results	(52)	(4)
Provisions released due to payment	(145)	(72)
Translation differences	(74)	(179)
Reclassifications and other changes	(11)	(36)
Balance at March 31	6,780	6,980

4.6 Tax situation

Income tax

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

The effective tax rate applicable to the net adjusted income of the period has been estimated at 28.2%. The rate is significantly higher compared to the same period of the previous year (2%), mainly due to the increased income in *Upstream* businesses with high tax rates and the impact on deferred taxes of the exchange rate of local currencies in countries with businesses whose functional currency is the dollar.

The effective tax rate applicable to income from continuing operations (before tax and before the share of results of companies accounted for using the equity method) was 23%. This rate is significantly higher compared to the first quarter of 2016 (0.7%) for the same reasons given above.

Administrative and legal proceedings with tax implications

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

Canada

Pursuant to administrative proceedings by the Canada Revenue Agency (CRA) on the situation of Talisman Group companies resident in Canada for the years 2006-2010, a notice of re-assessment resulting in adjustments to the 2006 tax return under several items was received. The company does not expect this claim to have a significant impact for the Group and, in any case, it will file the appropriate appeals as it considers some of the item adjustments to be incorrect.

Spain

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

East Timor

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

4.7 Asset impairment

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

4.8 Earnings per share

The earnings per share figures for the first quarter of 2017 and 2016 are detailed below:

EARNINGS PER SHARE (EPS)	Q1 2017	Q1 2016
Net income attributed to the parent company (€million)	689	434
Adjustment of interest expense for subordinated perpetual bonds (€million)	(7)	(7)
Weighted average number of shares outstanding at March 31 (millions of shares) ⁽¹⁾	1,490	1,478
EPS basic/diluted (€/share)	0.46	0.29

⁽¹⁾ Share capital at March 31, 2016 stood at 1,441,783,307 shares. However, the weighted average number of shares outstanding used to calculate earnings per share at year-end includes the effect of the bonus share issues carried out under the scope of the “*Repsol Flexible Dividend*” shareholder remuneration scheme, as stipulated in applicable accounting regulations (see Note 2.2 “*Comparative information*”).

4.9 Geopolitical risks

The information herein updates the content of Note 22.3 of the 2016 consolidated financial statements.

Venezuela

High inflation (the IMF forecasts 720% in 2017¹) and difficulties in the supply of some basic products have triggered episodes of popular discontent.

In addition, the opposition political parties have organized protests demanding, among other things, elections for state governors whose term has expired and the restoration of the powers of the National Assembly.

Libya

On December 20, 2016, production resumed in the NC115 block (fields A, M and H). On January 4, 2017, production also resumed in the I/R field (shared field between blocks NC-186 and NC-115), with output reaching 227 kbb/d in March. However, due to external causes, there have been two shutdowns: the first one from March 28 to April 2, and the second one from April 9 to April 27.

4.10 Legal contingencies

The information herein updates the legal contingencies reported in Note 29 of the 2016 consolidated financial statements in the following countries:

United Kingdom

“Galley” pipeline lawsuit

The arbitration taking place in London proceeding is currently in the pleadings stage, after which the arbitration court will decide on the calendar for the trial phase, among other procedural matters.

¹ Source: Perspectives on world economy by IMF (April 2017).

United States of America

The Passaic River / Newark Bay lawsuit

The Presiding judge decided on April 5, 2016 to uphold all of the recommendations issued by the Special Master, thereby dismissing in full OCC suit against Repsol. His decision can be appealed. On June 16, 2016, the Special Master agreed to hear the motion for summary judgment presented by Repsol with regard to its claim against OCC for the \$65 million paid as part of the settlement reached with the State of New Jersey. OCC filed an appeal against the recommendation of the Special Master on January 30, 2017. On June 17, 2016, Maxus filed for bankruptcy protection before the United States Bankruptcy Court for the District of Delaware, also seeking release from its main litigation liability, a petition the Court must rule on. The main litigation is currently suspended, with OCC's claim for \$65 million having been reintroduced.

4.11 Other information

The Board of Directors, in its meeting of March 29, 2017, resolved to submit to the Annual General Meeting scheduled for May 18 and 19, 2017, in first and second call, respectively:

- re-election of Manuel Manrique Cecilia, Rene Dahan and Luis Suárez de Lezo Mantilla as Directors for a new statutory term of four years;
- ratification of the appointment by cooptation of Antonio Massanell Lavilla as Director for a statutory term of four years;
- appointment as independent external Directors for a statutory term of four years of María Teresa Ballester Fornés, Isabel Torremocha Ferrezuelo and Mariano Marzo Carpio, replacing Javier Echenique Landiribar, María Isabel Gabarró Miquel and Henri Philippe Reichstul.
- re-election of Deloitte, S.L. as the auditor of Repsol, S.A. and the Group for 2017, and the appointment of PricewaterhouseCoopers Auditores, S.L. as the auditor of Repsol, S.A. and the Group for 2018, 2019 and 2020.

(5) SUBSEQUENT EVENTS

There were no subsequent events to highlight.

(6) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

APPENDIX I: GROUP COMPOSITION

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

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

03.31.2017								
Name	Country	Parent Company	Description	Date	Consolidation method ⁽¹⁾	% voting rights acquired	% of voting rights held in the entity post-acquisition ⁽²⁾	
Repsol Exploración Aitolokarmania, S.A.	Spain	Repsol Exploración, S.A.	Incorporation	February-17	F.C.:	100.0%	100.0%	
Repsol Exploración Ioamina, S.A.	Spain	Repsol Exploración, S.A.	Incorporation	February-17	F.C.:	100.0%	100.0%	
Air Miles España, S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Acquisit. Interest	February-17	E.M.:	1.7%	26.7%	

⁽¹⁾ Consolidation method:
F.C.: Full consolidation.
E.M.: Equity method.

⁽²⁾ Percent stake in acquiree.

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

03.31.2017								
Name	Country	Parent Company	Description	Date	Consolidation method ⁽¹⁾	% voting rights sold or retired	% of voting rights held in the entity after sale	Profit/(loss) generated (€ million) ⁽²⁾
Talisman North Jabung, Ltd.	Canada	Talisman (Asia), Ltd.	Absorption	January -17	F.C.:	100.00%	0.00%	-
Talisman (Ogan Komering) Ltd.	Canada	Repsol Oil & Gas Canada, Inc.	Disposal	March -17	F.C.:	100.00%	0.00%	3

⁽¹⁾ Consolidation method:
F.C.: Full consolidation.
E.M.: Equity method.

⁽²⁾ Recognized income before tax.

APPENDIX II: REGULATORY FRAMEWORK

The activities of Repsol, S.A. and its investees are subject to extensive regulation. The information in this appendix updates the regulatory framework of the 2016 consolidated financial statements in Appendix IV, “Regulatory Framework”.

Indonesia

The government of Indonesia, on January 16, 2017, introduced via Regulation 8/2017, of the Ministry of Energy and Mineral Resources (MEMR) a new model of Gross Split production sharing contract (PSC). The Gross Split PSC has no mechanism for cost recovery, but it does have two components for determining production sharing, that is base split components, subject to additional adjustments in development plan phase.

Under Regulation 8/2017, since there is no cost recovery, the functions of the public regulatory body *Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi* (“SKK Migas”) are reduced solely to the approval of contractors’ work programs. The model of Regulation 8/2017 does not revoke existing PSCs and only applies to new PSCs or renewals of previous PSCs. Contractors, under any PSCs that can be extended instead of replaced by a Gross Split PSC, have the option of maintaining the prior PSC model, although this will be subject to the approval of the MEMR.

Venezuela

The Economic State of Emergency has been extended six times. On March 13, 2017, there was issued Presidential Decree No. 2,742, published in the Official Gazette 41112, extending by 60 days the term prescribed in Presidential Decree No. 2667 of January 13, 2017, published in the Official Gazette No. 41,074 of the same date.

On March 29, 2017, the Constitutional Chamber of the Supreme Court of Venezuela issued a ruling under which it declared the National Executive had the power to incorporate mixed enterprises in accordance with the spirit of article 33 of the Organic Hydrocarbons Law, without requiring the prior authorization of the National Assembly. Pursuant to the sentence, the aforementioned Constitutional Chamber must be informed of all circumstances pertinent for such incorporation and the conditions, including special advantages provided in favor of the Republic, as well as any subsequent modification of the incorporation conditions, following a favorable report by the Ministry of Energy and Petroleum.

APPENDIX III: OTHER DETAILED INFORMATION

Financial instruments

Financial assets

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

March 31, 2017 and December 31, 2016														
€Million	Financial assets held for trading ⁽³⁾		Other financial assets at fair value with changes through profit or loss ⁽³⁾		Financial assets available for sale ⁽³⁾		Loans and receivables ⁽²⁾		Held to maturity investments ⁽²⁾		Hedging derivatives ⁽³⁾		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Equity instruments	-	-	-	-	126	123	-	-	-	-	-	-	126	123
Derivatives	2	-	-	-	-	-	-	-	-	-	-	-	2	-
Other financial assets	-	-	56	56	-	-	1,102	1,025	-	-	-	-	1,158	1,081
Long-term/Non-current	2	-	56	56	126	123	1,102	1,025	-	-	-	-	1,286	1,204
Derivatives	166	95	-	-	-	-	-	-	-	-	-	-	166	95
Other financial assets	-	-	10	10	-	-	1,271	1,247	3,714	4,679	-	-	4,995	5,936
Short-term/Current	166	95	10	10	-	-	1,271	1,247	3,714	4,679	-	-	5,161	6,031
TOTAL⁽¹⁾	168	95	66	66	126	123	2,373	2,272	3,714	4,679	-	-	6,447	7,235

(1) There are also trade receivables included in "Other non-current assets" and "Trade and other receivables" at March 31, 2017, €07 million under non-current and €4,296 million under current and, at December 31, 2016, €23 million under non-current and €4,832 million under current.

(2) The fair value coincides with their carrying amount.

(3) The section "Fair value of financial instruments" in this appendix discloses the classification of financial instruments by fair value hierarchy.

Financial liabilities

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

March 31, 2017 and December 31, 2016											
€Million	Financial liabilities held for trading ⁽²⁾		Loans and payables		Hedging derivatives ⁽²⁾		Total		Fair value		
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	
Bank borrowings	-	-	1,212	1,491	-	-	1,212	1,491	1,216	1,496	
Bonds and other securities	-	-	7,138	7,905	-	-	7,138	7,905	7,596	8,328	
Derivatives	-	-	-	-	81	86	81	86	81	86	
Other financial liabilities	-	-	2	-	-	-	2	-	2	-	
Long-term/Non-current	-	-	8,352	9,396	81	86	8,433	9,482	8,895	9,910	
Bank borrowings	-	-	827	837	-	-	827	837	827	837	
Bonds and other securities	-	-	3,130	2,855	-	-	3,130	2,855	3,159	2,875	
Derivatives	202	303	-	-	2	3	204	306	204	306	
Other financial liabilities ⁽³⁾	-	-	3,173	3,193	-	-	3,173	3,193	3,173	3,193	
Short-term/Current	202	303	7,130	6,885	2	3	7,334	7,191	7,363	7,211	
TOTAL⁽¹⁾	202	303	15,482	16,281	83	89	15,767	16,673	16,258	17,121	

(1) Liabilities under financial leases at March 31, 2017 and December 31, 2016 amount to €1,518 and €1,550 million, recorded in "Other non-current liabilities" and €205 and €208 million under "Other payables".

(2) The section "Fair value of financial instruments" in this appendix discloses the classification of financial instruments by fair value hierarchy.

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

Fair value of financial instruments

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

€Million	March 31, 2017 and December 31, 2016							
	Level 1		Level 2		Level 3		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Financial assets								
Financial assets available for sale	1	6	167	89	-	-	168	95
Other financial assets at fair value with changes through profit or loss	66	66	-	-	-	-	66	66
Financial assets available for sale ⁽¹⁾	1	1	-	-	-	-	1	1
Total	68	73	167	89	-	-	235	162
Financial liabilities								
Financial liabilities held for trading	31	215	171	88	-	-	202	303
Hedging derivatives	-	-	83	89	-	-	83	89
Total	31	215	254	177	-	-	285	392

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

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

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

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

⁽¹⁾ Does not include €125 and €122 million at March 31, 2017 and December 31, 2016, respectively, related to investments in shares of companies that are recorded at acquisition cost in accordance with IAS 39.

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

The basic variables for measurement of financial instruments depend according to the type of instrument measured, but are mainly: exchange rates (spot and forward), interest rate curves, counterparty risk curves, prices of equity securities and the volatilities of all the aforementioned factors. In all cases, market data is obtained from reputed information agencies or correspond to quotes issued by official bodies.

Segment reporting

Revenue, broken down between customers and inter-segment transactions, is as follows:

Segments	€Million					
	Revenue from customers		Inter-segment revenue		Total revenue	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016
Upstream	1,194	943	404	141	1,598	1,084
Downstream	9,451	7,106	6	4	9,457	7,110
Corporation and other	-	-	-	2	-	2
(-) Inter-segment adjustments and eliminations of operating income	-	-	(410)	(147)	(410)	(147)
TOTAL	10,645	8,049	-	-	10,645	8,049

The reconciliation of other figures presented in Note 3.4 with the IFRS-EU figures of the first quarter of 2017 and 2016 is as follows:

	€Million	
	Q1 2017	Q1 2016
Revenue ⁽¹⁾	10,645	8,049
<i>Adjustments for joint ventures or other companies managed as such:</i>		
Upstream	(519)	(377)
Downstream	(5)	(5)
Corporation and other	-	-
Revenue IFRS-EU ⁽²⁾	10,121	7,667
Capital employed ⁽¹⁾	39,770	40,337
<i>Adjustments for joint ventures or other companies managed as such:</i>		
Upstream	973	1,099
Downstream	15	16
Corporation and other	-	-
Capital employed according to balance sheet	40,758	41,452

⁽¹⁾ Figures compiled in keeping with the Group reporting model described in Note 2.6 “Segment reporting”.

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

APPENDIX IV: ALTERNATIVE PERFORMANCE MEASURES

Repsol's financial information contains indicators and measures prepared in accordance with the applicable accounting regulations, as well as other measures prepared in accordance with the Group's Reporting Model¹ defined as Alternative Performance Measures (APM). APMs are measures with are "adjusted" compared to those presented under IFRS-EU or with Supplementary Information on Oil and Gas Exploration and Production Activities (hereinafter "E&P Information")², and therefore should be considered by the reader in addition to, but not instead of, the GAAP information.

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

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

1. Financial performance measures

Adjusted net income

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

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

Adjusted net income is calculated as the **Result from continuing operations at Current Cost of Supply** (*Current Cost of Supply* or CCS⁴) net of taxes and the result from investments minority interests. It does not include certain income and expense (*Special Items*), and the **Inventory effect**. **Financial income** corresponds to adjusted net income in the segment "Corporation and others".

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 using different inventory measurement methods (see the following section).

¹ See Note 2.6.

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

³ See Note 4.2 "Investments accounted for using the equity method", where the Group's main joint ventures are identified.

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

Inventory effect

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

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

Special items

Significant items of which separate presentation is considered convenient to easily monitor the ordinary management of business operation. It includes capital gains/losses arising from divestitures, restructuring costs, impairments, and provisions for risks and expenses. Special items are presented net of taxes and minority interests. The following is the breakdown for the first quarter of 2017 and 2016:

€ million	Upstream		Downstream		Corporation		TOTAL	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016
Divestments	6	(1)	11	60	1	-	18	59
Workforce restructuring charges	-	(16)	(1)	(1)	(3)	(12)	(4)	(29)
Impairment	(28)	2	-	(2)	-	-	(28)	-
Provisions and other	(20)	(23)	9	(9)	-	21	(11)	(11)
TOTAL	(42)	(38)	19	48	(2)	9	(25)	19

The following is a reconciliation of the Adjusted Income under the Group's reporting model under IFRS-EU.

€ million	First quarter ADJUSTMENTS											
	Adjusted Result		Joint Arrangements reclassification		Special items		Inventory Effect ⁽²⁾		Total Adjustments		Profit/loss under EU-IFRS	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Operating income	942 ⁽¹⁾	560 ⁽¹⁾	(125)	(25)	(86)	22	113	(215)	(98)	(218)	844	342
Financial result	(155)	(77)	31	(3)	4	22	-	-	35	19	(120)	(58)
Income from equity affiliates	73	111	67	48	-	-	-	-	67	48	140	159
Profit before tax	860	594	(27)	20	(82)	44	113	(215)	4	(151)	864	443
Income tax	(222)	(10)	27	(20)	57	(25)	(28)	53	56	8	(166)	(2)
Net income from continuing operations	638	584	-	-	(25)	19	85	(162)	60	(143)	698	441
Income attributable to minority interests	(8)	(12)	-	-	-	-	(1)	5	(1)	5	(9)	(7)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT COMPANY	630	572	-	-	(25)	19	84	(157)	59	(138)	689	434

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

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

EBITDA:

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

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

€ million	First quarter							
	Group Reporting Model		Joint arrangements reclassification and others		Inventory effect		Cash flow statement IFRS-EU ⁽¹⁾	
	2017	2016	2017	2016	2017	2016	2017	2016
Upstream	921	404	(391)	(182)	-	-	530	222
Downstream	961	671	(2)	(1)	-	-	959	670
Corporation and others	(38)	(48)	8	(4)	-	-	(30)	(52)
EBITDA	1,844	1,027	(385)	(187)	-	-	1,459	840
EBITDA CCS	1,731	1,242	(385)	(187)	113	(215)	1,459	840

⁽¹⁾ Corresponds to "Profit before tax" and "Result adjustments" on the consolidated Cash Flow Statement 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 invested capital (equity and debt).

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

	<u>Q1 17</u>	<u>Q1 16</u>	
NUMERATOR (€ million)			
Operating profit EU-IFRS	844		342
Reclassification of joint ventures	125		25
Special items	86		(22)
Income tax ⁽¹⁾	(292)		22
Income of entities accounted for using the equity method - net of tax	73		111
I. ROACE result at average weighted cost	836	3,345 ⁽²⁾	478
			1,816 ⁽²⁾
DENOMINATOR (€ million)			
Total equity		31,425	28,359
Net financial debt		8,345	11,978
Capital employed at year end		39,770	40,337
II. Average capital employed ⁽³⁾		39,512	40,589
CCS ROACE (I/II)		8.5%	4.5%

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

⁽²⁾ Annualized via simple extrapolation of the data of the period.

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

2. Cash flow measures

Free cash flow, cash generated and liquidity:

The two main metrics used by Group management to measure cash generation in the period are *Free cash flow* and *Cash generated*.

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

Cash generated is equal to *free cash flow* less dividend payments and remuneration of other equity instruments such as net interest and payments for leases and treasury shares. This APM measures the funds generated by the Company prior to financial transactions (mainly issues and cancellations).

The following is a reconciliation of Adjusted Cash Flow and Free Cash Flow with the consolidated statements of cash flow prepared under IFRS-EU:

€ million	First quarter					
	Cash flow		Joint arrangements reclassification and others		Cash Flow Statement IFRS-EU	
	2017	2016	2017	2016	2017	2016
I. Cash flows from / (used in) operating activities	717	943	(38)	(41)	679	902
II. Cash flows from / (used in) investing activities	(597)	(742)	57	127	(540)	(615)
Free cash flow (I+II)	120	201	19	86	139	287
Cash generated	(430)	(377)	20	86	(410)	(291)
III. Cash flows from / (used in) financing activities and others ⁽¹⁾	(1,073)	(205)	(31)	(22)	(1,104)	(227)
Net increase / (decrease) in cash and cash equivalents(I+II+III)	(953)	(4)	(12)	64	(965)	60
Cash and cash equivalents at the beginning of the period	4,918	2,769	(231)	(321)	4,687	2,448
Cash and cash equivalents at the end of the period	3,965	2,765	(243)	(257)	3,722	2,508

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

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

€ million	Group Reporting Model		Joint arrangements reclassification and others (1)		IFRS-EU	
	Mar-17	Dec-16	Mar-17	Dec-16	Mar-17	Dec-16
	Cash and cash equivalents	3,965	4,918	(243)	(231)	3,722
Undrawn credit lines	4,368	4,429	-	-	4,368	4,429
Liquidity	8,333	9,347	(243)	(231)	8,090	9,116

Net operating investments:

Group management uses this APM to measure investment in each period, and the allocation of investment by business segment, and it corresponds to investments, net of divestments, made by different Group businesses. It includes that which corresponds to joint ventures or other companies whose operations are generated as such.

€ million	First quarter					
	Net operating investments		Joint arrangements reclassification and others		Cash flow statement IFRS-EU ⁽¹⁾	
	2017	2016	2017	2016	2017	2016
Upstream	455	638	(101)	(178)	354	460
Downstream	91	86	-	(2)	91	84
Corporation and others	(2)	(15)	1	(9)	(1)	(24)
TOTAL	544	709	(100)	(189)	444	520

⁽¹⁾ This corresponds to “Proceeds from divestments” and “Payments on investments” on 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 is the main APM used by management to measure the Company's level of debt. It is comprised of financial liabilities less financial assets, cash and cash equivalents, and the effect arising from net market valuation of financial derivative (ex - exchange rates). It also includes the net debt corresponding to joint ventures and other companies operationally managed as such.

€ million	Net Debt		Joint arrangements reclassification and others ⁽¹⁾		Figure according to IFRS-EU balance sheet	
	Mar-17	Mar-16	Mar-17	Mar-16	Mar-17	Mar-16
Non-current assets						
Non-current financial instruments ⁽²⁾	439	93	719	545	1,158	638
Current assets						
Other current financial assets	68	62	1,241	1,143	1,309	1,205
Cash and cash equivalents	3,965	2,765	(243)	(257)	3,722	2,508
Non-current liabilities⁽³⁾						
Non-current financial debt	(8,490)	(11,130)	57	129	(8,433)	(11,001)
Non-current liabilities⁽³⁾						
Current financial liabilities	(4,412)	(3,879)	(2,762)	(2,675)	(7,174)	(6,554)
Other items						
Net mark to market valuation of financial derivatives (ex: exchange rate) ⁽⁴⁾	85	111	-	-	85	111
NET DEBT	(8,345)	(11,978)			(9,333)	(13,093)

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

March 2016: Cash and cash equivalents of €17 million and current financial liabilities as a result of an intra-group loan of €2,699 million, less a €329 million third-party loan.

March 2017: Cash and cash equivalents of €20 million and current financial liabilities as a result of an intra-group loan of €2,890 million, less a €93 million third-party loan.

⁽²⁾ Corresponds to the consolidated balance sheet heading, "Non-current financial assets" (but does not include available-for-sale financial assets).

⁽³⁾ Does not include finance lease obligations.

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

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

€ million	Net Debt		Joint arrangements reclassification and others (1)		Figure according to IFRS-EU balance sheet	
	Mar-17	Mar-16	Mar-17	Mar-16	Mar-17	Mar-16
Current financial liabilities	(4,368)	(3,820)	(2,762)	(2,672)	(7,130)	(6,492)
Net valuation at the market rates of financial derivative, such as current exchange rate	(4)	(7)	-	-	(4)	(7)
Current gross debt	(4,372)	(3,828)	(2,762)	(2,672)	(7,134)	(6,500)
Non-current financial liabilities	(8,408)	(11,020)	57	128	(8,351)	(10,892)
Non-current gross debt	(8,408)	(11,020)	57	128	(8,351)	(10,892)
TOTAL GROSS DEBT	(12,780)	(14,847)	(2,705)	(2,544)	(15,485)	(17,392)

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

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

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

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 handle its current debt using its existing liquidity.

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

€ million	Group Reporting Model		First quarter Reclassif. Joint Arrangements		Figure according to IFRS - EU balance sheet	
	2017	2016	2017	2016	2017	2016
Interest	95	115	(18)	(17)	77	98
EBITDA	1,844	1,027	(385)	(187)	1,459	840
Interest cover	5.1%	11.2%			5.2%	11.6%



Q1 2017 RESULTS

4 May, 2017

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BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

The definition of the Repsol Group's operating segments is based on the different activities performed and from where the Group earns revenue or incurs expenses, as well as on the organizational structure approved by the Board of Directors for business management purposes. Using these segments as a reference point, Repsol's management team (the Corporate Executive, E&P and Downstream Committees) analyzes the main operating and financial indicators in order to make decisions about segment resource allocation and to assess how Repsol ("the Company") is performing. In 2016, following the closing of the sale of 10% of *Gas Natural SDG, S.A* and termination of the shareholder agreement with *La Caixa* on September 21, 2016, *Gas Natural Fenosa* no longer qualifies as an operating segment. From that date on, the remaining interest in *Gas Natural Fenosa* is included under **Corporate and others**.

The Group's operating segments are:

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

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

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

Repsol presents its operating segments results by including those corresponding to its joint ventures² and other managed companies operated as such³, in accordance with the percentage interest held by the Group, considering their business and financial metrics in the same manner and with the same level of detail as for fully-consolidated companies. The Group believes that so doing adequately reflects the nature of its businesses and the way in which their performance is analyzed for decision-making purposes.

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

Although this measure of profit CCS, widely used in the industry to report the earnings generated in Downstream businesses which necessarily work with significant volumes of inventories that are subject to constant price fluctuations, is not accepted in *European accounting standards* but it does facilitate comparison with the earnings of sector peers and enables analysis of the underlying business performance by stripping out the impact of price fluctuations on reported inventory levels. In net income

¹ It includes the net income of the company according to the equity method. The other metrics (EBITDA, Free Cash Flow, etc.) only reflect the cash flows generated in the Group as shareholder of *Gas Natural SDG, S.A*.

² In Repsol Group's operating segments model, joint ventures are consolidated proportionally in accordance with the Group's percent holding.

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

from continuing operations *CCS*, the cost of volumes sold during the reporting period is calculated using the costs of procurement and production incurred during that same period. As a result, Adjusted Net Income does not include the so-called *Inventory Effect*. This *Inventory Effect* is presented separately, net of tax and minority interests, and corresponds to the difference between income at *CCS* and that arrived at using the Average Weighted Cost accounting method (*AWC*, which is an inventory valuation method used by the Company to determine its results in accordance with *European accounting regulations*).

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

All of the information presented in this *Q1 2017 Results Earnings Release* has been prepared in accordance with the abovementioned criteria, with the exception of the information provided in Appendix II “*Consolidated Financial Statements*” which has been prepared according to the *International Financial Reporting Standards adopted by the European Union (IFRS-EU)*.

Appendix III provides a reconciliation of the segment reported metrics and those presented in the consolidated financial statements (IFRS-EU).

In October 2015, the European Securities Markets Authority (ESMA) published the Guidelines on Alternative Performance Measures (APM), of mandatory application for the regulated information to be published from 3 July 2016. Information and disclosures related to APM used on the present Q1 2017 Results Earnings Release are included in Appendix IV “*Alternative Performance Measures*” of the Interim Condensed Consolidated Financial Statements for the 1Q 2017 and Repsol’s website.

Repsol will publish today the Interim Condensed Consolidated Financial Statements for the Q1 2017 and they will be available on Repsol’s and CNMV’s (Comisión Nacional del Mercado de Valores) websites.

KEY METRICS FOR THE PERIOD

(Unaudited figures)

Results (€ Million)	Q1 2016	Q4 2016	Q1 2017	% Change Q1 17/Q1 16
Upstream	17	17	224	-
Downstream	556	554	500	(10.1)
Corporate and others	(1)	127	(94)	-
ADJUSTED NET INCOME	572	698	630	10.1
Inventory effect	(157)	137	84	-
Special items	19	(219)	(25)	-
NET INCOME	434	616	689	58.8

Economic data (€ Million)	Q1 2016	Q4 2016	Q1 2017	% Change Q1 17/Q1 16
EBITDA	1,027	1,668	1,844	79.6
EBITDA CCS	1,242	1,475	1,731	39.4
NET INVESTMENT	709	107	544	(23.3)
NET DEBT	11,978	8,144	8,345	(30.3)
NET DEBT / EBITDA CCS (x)	2.41	1.38	1.21	(50.0)

Operational data	Q1 2016	Q4 2016	Q1 2017	% Change Q1 17/Q1 16
LIQUIDS PRODUCTION (Thousand bbl/d)	255	233	258	1.4
GAS PRODUCTION ^(*) (Million scf/d)	2,579	2,506	2,442	(5.3)
TOTAL PRODUCTION (Thousand boe/d)	714	679	693	(2.9)
CRUDE OIL REALIZATION PRICE (\$/Bbl)	30.3	44.7	49.4	63.2
GAS REALIZATION PRICE (\$/Thousand scf)	2.4	2.8	3.1	30.2
DISTILLATION UTILIZATION Spanish Refining (%)	85.8	97.4	86.9	1.1
CONVERSION UTILIZATION Spanish Refining (%)	103.0	109.2	97.0	(6.0)
REFINING MARGIN INDICATOR IN SPAIN (\$/Bbl)	6.3	7.2	7.1	12.7

 (*) 1,000 Mcf/d = 28.32 Mm³/d = 0.178 Mboe/d.

KEY MILESTONES FOR THE FIRST QUARTER OF 2017

- **Adjusted net income** in the first quarter was €630 million, 10% higher year-on-year. **Net income** amounted to €689 million, 59% higher year-on-year.
- Quarterly results for the business units are summarized as follows:
 - In **Upstream**, adjusted net income was €224 million, €207 million higher than in the same period of 2016, mainly due to higher realized prices, resumption of production in Libya and lower production costs partially offset by lower volumes, higher exploration expenses and higher taxes due to higher results.

- In **Downstream**, adjusted net income was €500 million, 10% lower year-on-year mainly because of a fall in regulated LPG bottle margins, due to the pricing formula, and the sale of the piped LPG segment, as well as lower absolute results in Chemicals, although underlying margins remain strong. These effects were partially offset by better results in the Marketing, Trading and Gas & Power businesses.
- In **Corporate and others**, adjusted net income was €-94 million, €93 million lower than in the same period in 2016, principally due to higher financial expenses and the reduced equity stake in **Gas Natural Fenosa**. These effects were partially offset by lower corporate expenses.
- Upstream **production** reached an average of 693 kboe/d in the first quarter of 2017, 3% lower year-on-year mainly due to the sale of TSP and Tangguh in December 2016, the cessation of production in Varg in June 2016 and the decline of assets partially compensated by the resumption of production in Libya, higher production in Peru and the ramp up of Lapa in Brazil, on stream since the fourth quarter of 2016.
- **EBITDA CCS** in the first quarter of 2017 was €1,731 million, 39% higher compared to that of the first quarter of 2016.
- The Group's **net debt** at the end of the quarter stood at €8,345 million, €201 million higher than at the end of the fourth quarter 2016, mainly due to an increase of working capital. The **net debt to capital employed ratio** stood at 21.0%.
- Material progress was made towards our **Synergies and Efficiency** Strategic Targets, with the project expected to deliver €2.1 billion this year. In the first quarter projects already underway have realized and booked more than €0.5 billion of the 2017 target.

NET INCOME PERFORMANCE BY BUSINESS SEGMENT
UPSTREAM

(Unaudited figures)

Results (€ Million)	Q1 2016	Q4 2016	Q1 2017	% Change Q1 17/Q1 16
ADJUSTED NET INCOME	17	17	224	-
Operating income	(95)	(72)	335	-
Income tax	106	101	(115)	-
Income from equity affiliates and non-controlling interests	6	(12)	4	(33.3)
EBITDA	404	637	921	128.0
NET INVESTMENT	638	164	455	(28.7)
EFFECTIVE TAX RATE (%)	(112)	(138)	34	146.0
International prices	Q1 2016	Q4 2016	Q1 2017	% Change Q1 17/Q1 16
Brent (\$/Bbl)	33.9	49.3	53.7	58.4
WTI (\$/Bbl)	33.6	49.3	51.8	54.2
Henry Hub (\$/MBtu)	2.1	3.0	3.3	58.6
Average exchange rate (\$/€)	1.10	1.08	1.06	(3.6)
Realization prices	Q1 2016	Q4 2016	Q1 2017	% Change Q1 17/Q1 16
CRUDE OIL (\$/Bbl)	30.3	44.7	49.4	63.2
GAS (\$/Thousand scf)	2.4	2.8	3.1	30.2
Exploration (*)	Q1 2016	Q4 2016	Q1 2017	% Change Q1 17/Q1 16
G&A and Amortization of Bonus and Dry Wells	18	270	56	211.1
Production	Q1 2016	Q4 2016	Q1 2017	% Change Q1 17/Q1 16
LIQUIDS (Thousand bbl/d)	255	233	258	1.4
GAS (**) (Million scf/d)	2,579	2,506	2,442	(5.3)
TOTAL (Thousand boe/d)	714	679	693	(2.9)

(*) Only direct costs attributable to exploration projects. For more information about this change in the accounting policies, see the *Consolidated Financial Statements and Management Report* for the full year 2016. (**) 1,000 Mcf/d = 28.32 Mm³/d = 0.178 Mboe/d

Adjusted net income in the quarter was €224 million, €207 million higher than in the same period in 2016, mainly due to higher realized prices, resumption of production in Libya, which had an impact of €26 million, and lower production costs partially offset by lower volumes, higher exploration expenses and higher taxes due to higher results.

The principle impacts on the year-on-year performance in the Upstream division excluding the contribution of Libya are as follows:

- Higher **crude oil and gas realization prices**, net of royalties, had a positive impact on the operating income of €482 million.
- Lower **volumes** contributed negatively to the operating income by €122 million.
- **Higher exploration expenses**, excluding the exchange rate effect, impacted the operating income negatively by €36 million, mainly as a result of higher amortization of dry wells.
- **Depreciation and amortization** charges were broadly in line mainly due to lower volumes in Indonesia and USA, lower rate and production in Colombia and lower rate in Norway, offset by higher amortization in the UK, Brazil and Malaysia.
- **Income tax expense** has impacted the adjusted net income negatively by €158 million, mainly due to the better results during this quarter.
- **Income of equity affiliates and non-controlling interests, exchange rate and others** explains the remaining differences compared to the first quarter of last year.

Upstream **production** reached an average of 693 kboe/d in the first quarter of 2017, 3% lower year-on-year mainly due to the sale of TSP and Tangguh in December 2016, the cessation of production in Varg in June 2016 and the decline of assets partially compensated by the resumption of production in Libya, higher production in Peru and the ramp up of Lapa in Brazil, on stream since the fourth quarter of 2016.

During the first quarter of 2017, two exploratory and two appraisal wells were concluded. The two wells drilled in Alaska (one exploratory and one appraisal) were declared positive and the two other wells were considered unsuccessful. Additionally, one well concluded in April 2017 was declared negative impacting the results of the first quarter. Moreover, three wells are currently in progress.

The Horseshoe-1 and 1A wells drilled during the winter campaign confirmed the potential of the Nanushuk play in Alaska's North Slope. The contingent resources identified with the existing data could amount to approximately 1.2 billion gross barrels of recoverable light oil on the acreage we share with Armstrong Energy. Next winter's appraisal programme will further define the discovery and allow finalization of a development plan with a projected start of production by 2022.

Net investment

Net investment in Upstream in the first quarter of 2017 amounted to €455 million; €183 million lower than the first quarter of 2016.

Excluding divestments, **Development investment** accounted for 89% of the total investment and was concentrated mainly in Trinidad and Tobago (26%), the U.S. (16%), Canada (13%), Algeria (10%), UK (8%), Brazil (8%) and Bolivia (6%); and **Exploration investment** represented 11% of the total and was allocated primarily in the U.S. (16%), Russia (16%), Colombia (14%), Bolivia (13%), Indonesia (10%), Peru (9%) and Algeria (7%).

DOWNSTREAM

(Unaudited figures)

Results (€ Million)	Q1 2016	Q4 2016	Q1 2017	% Change Q1 17/Q1 16
ADJUSTED NET INCOME	556	554	500	(10.1)
Operating income	718	716	663	(7.7)
Income tax	(156)	(155)	(164)	(5.1)
Income from equity affiliates and non-controlling interests	(6)	(7)	1	-
AVERAGE WEIGHTED COST ADJUSTED NET INCOME	399	691	584	46.4
Inventory effect	(157)	137	84	-
EBITDA	671	1,094	961	43.2
EBITDA CCS	886	901	848	(4.3)
NET INVESTMENT	86	(42)	91	5.8
EFFECTIVE TAX RATE (%)	22	22	25	2.8

Operational data	Q1 2016	Q4 2016	Q1 2017	% Change Q1 17/Q1 16
REFINING MARGIN INDICATOR IN SPAIN (\$/Bbl)	6.3	7.2	7.1	12.7
DISTILLATION UTILIZATION Spanish Refining (%)	85.8	97.4	86.9	1.1
CONVERSION UTILIZATION Spanish Refining (%)	103.0	109.2	97.0	(6.0)
OIL PRODUCT SALES (Thousand tons)	11,125	13,526	12,064	8.4
PETROCHEMICAL PRODUCT SALES (Thousand tons)	764	714	712	(6.8)
LPG SALES (Thousand tons)	631	368	436	(30.9)
NORTH AMERICA NATURAL GAS SALES (TBtu)	115.5	102.9	155.4	34.5

International prices (\$/Mbtu)	Q1 2016	Q4 2016	Q1 2017	% Change Q1 17/Q1 16
Henry Hub	2.1	3.0	3.3	57.1
Algonquin	3.3	3.8	4.4	33.3

Adjusted net income in the first quarter of 2017 amounted to €500 million, 10% lower compared to the first quarter of 2016.

The principal impacts, from the Downstream business activities, on the quarterly earnings performance year-on-year are:

- In **Refining**, a higher refining margin indicator offset by lower activity due to planned maintenance at La Coruña and Bilbao resulted in lower utilization rates in the conversion units generating a negative

effect on the operating income of €25 million. The refining margin indicator increased in the period mainly thanks to better middle distillates and light-heavy crudes spreads.

- In **Chemicals**, lower sales, while still high, generated a negative effect on the operating income of €33 million. However, absolute operating income for the business remained strong and in line with fourth quarter 2016.
- In the commercial businesses, **Marketing, Lubricants and LPG**, operating income was €45 million lower in the first quarter of 2017 mainly due to lower results in the LPG business, mainly because of a fall in regulated LPG bottle margins, due to the pricing formula, and the sale of the piped LPG segment, compensated by better results in the Marketing business thanks to higher sales.
- In **Trading and Gas & Power**, the operating income was €41 million higher than the first quarter of 2016. Higher results in Gas & Power were mainly due to the improvement of this business in North America supported by the increase in volumes sold and the reduction of costs.
- **Results in other activities, equity affiliates and non-controlling interests, exchange rate and taxes** cover the remaining difference.

Net investment

Net investment amounted to €91 million, including €23 million of divestments proceeds received from the prior sale of part of the piped LPG businesses in Spain.

CORPORATE AND OTHERS

[Unaudited figures]

Results (€ Million)	Q1 2016	Q4 2016	Q1 2017	% Change Q1 17/Q1 16
ADJUSTED NET INCOME	(1)	127	(94)	-
Corporate and adjustments	(63)	(80)	(56)	11.1
Financial result	(77)	70	(155)	(101.3)
Income tax	40	51	57	42.5
Gas Natural Fenosa	99	86	60	(39.4)
EBITDA	(48)	(63)	(38)	20.8
NET INTERESTS	(115)	(98)	(95)	17.4
NET INVESTMENT	(15)	(15)	(2)	86.7
EFFECTIVE TAX RATE (%)	(29)	(522)	(27)	2.0

CORPORATE AND ADJUSTMENTS

Corporate and adjustments accounted for €-56 million in the first quarter of 2017, compared to €-63 million in the same quarter of the previous year mainly thanks to lower corporate costs.

FINANCIAL RESULTS

The financial result in the first quarter of 2017 amounted to €-155 million, lower than the first quarter of 2016 mainly due to exchange rate positions and the gain obtained from the second repurchase of ROGCI⁴ bonds during the first quarter of 2016. These effects were partially offset by lower net interest in the first quarter of 2017.

GAS NATURAL FENOSA

Adjusted net income attributable to Repsol, in the first quarter of 2017, amounted to €60 million, 39% lower year-on-year principally due to the lower equity stake in the company since September 2016. Notwithstanding with this reduction, lower results during the quarter were due to lower electricity commercialization results, partially offset by higher gas distribution results in Latin America positively affected by the exchange rate effect.

NET INCOME ANALYSIS: SPECIAL ITEMS
SPECIAL ITEMS

(Unaudited figures)

Results (€ Million)	Q1 2016	Q4 2016	Q1 2017	% Change Q1 17/Q1 16
Divestments	59	104	18	(69.5)
Indemnities and workforce restructuring	(29)	(22)	(4)	86.2
Impairment of assets	-	(400)	(28)	-
Provisions and others	(11)	99	(11)	-
SPECIAL ITEMS	19	(219)	(25)	-

Special items in the first quarter of 2017 resulted in a net expense of €25 million, mainly due to the impairment of exploratory assets, partially compensated by the reversal of the fiscal provisions and the sale of Groundbirch and Sturn, in Canada, and of the Ogan Komering block, in Indonesia.

CASH FLOW ANALYSIS: ADJUSTED CASH FLOW STATEMENT

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

(Unaudited figures)

	JANUARY - MARCH	
	2016	2017
I. CASH FLOWS FROM OPERATING ACTIVITIES		
EBITDA CCS	1,242	1,731
Changes in working capital ¹	(572)	(762)
Dividends received	123	3
Income taxes received/ (paid)	269	(129)
Other proceeds from/ (payments for) operating activities	(119)	(126)
	943	717
II. CASH FLOWS USED IN INVESTMENT ACTIVITIES		
Payments for investment activities	(854)	(610)
Proceeds from divestments	112	13
	(742)	(597)
FREE CASH FLOW (I. + II.)		
	201	120
Payments for dividends and payments on other equity instruments	(271)	(138)
Net interest payments and leases	(300)	(247)
Treasury shares	(7)	(165)
CASH GENERATED IN THE PERIOD		
	(377)	(430)
Financing activities and others	373	(523)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	(4)	(953)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		
	2,769	4,918
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
	2,765	3,965

(1) It includes an inventory effect pretax of €113 million and €-215 million for first quarter 2017 and 2016 respectively.

Free cash flow in the first quarter of 2017 amounted to €120 million; the improvement in EBITDA CCS and the reduction of investments have been offset by the increase in working capital and taxes.

NET DEBT ANALYSIS: NET DEBT EVOLUTION

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

[Unaudited figures]

NET DEBT EVOLUTION (€ Million)	Q1 2017
NET DEBT AT THE START OF THE PERIOD	8,144
EBITDA CCS	(1,731)
CHANGE IN WORKING CAPITAL ⁽¹⁾	762
INCOME TAX RECEIVED /PAID	129
NET INVESTMENT ⁽²⁾	577
DIVIDENDS PAID AND OTHER EQUITY INSTRUMENTS PAYOUTS	138
FOREIGN EXCHANGE RATE EFFECT	(95)
INTEREST AND OTHER MOVEMENTS ⁽³⁾	421
NET DEBT AT THE END OF THE PERIOD	8,345
	2017
CAPITAL EMPLOYED CONTINUED OPERATIONS (€ Million)	39,770
NET DEBT / CAPITAL EMPLOYED (%)	21.0
ROACE (%)	8.5
NET DEBT / EBITDA CCS (x)	1.21

(1) It includes an inventory effect pretax of €113 million and €-215 million for first quarter 2017 and 2016 respectively.

(2) As of 31 March 2017, there were net financial investments amounting to €20 million, not included in this caption.

(3) Principally includes interest expense on borrowings, dividends received, provisions used and companies' acquisition/sale effect.

The Group's **net debt** at the end of the quarter stood at €8,345 million, €201 million higher than at the end of the fourth quarter 2016, mainly due to an increase of working capital. The **net debt to capital employed ratio** stood at 21.0%.

The Group's **liquidity** at the first quarter of 2017 stood at €8,333 million (including undrawn committed credit lines); representing 1.9 times gross debt maturities in the short term.

RELEVANT EVENTS

Material company-related events since the fourth quarter 2016 results release were as follows:

In **Upstream**, on 9 March, Repsol and partner Armstrong Energy, announced the largest U.S. onshore conventional hydrocarbons discovery in 30 years in Alaska. The Horseshoe-1 and 1A wells drilled during the 2016-2017 winter campaign confirm the Nanushuk play as a significant emerging play in Alaska's North Slope. The contingent resources currently identified in the Nanushuk play in Alaska amount to approximately 1.2 billion barrels of recoverable light oil. Preliminary development concepts anticipate first production there from 2022, with a potential rate approaching 120,000 barrels of oil per day.

In **Corporation**, on 29 March, the Repsol Board of Directors agreed to call the Annual Shareholders' Meeting, which will take place, likely at second call, on May 19th, at the Palacio Municipal de Congressos, Avenida de la Capital de España-Madrid, Campo de las Naciones, Madrid.

Regarding shareholder remuneration and under points six and seven of the Agenda, the Board of Directors has agreed to propose to the Shareholders' Meeting a continuation of the "Repsol Flexible Dividend" Program in substitution of the final 2016 dividend and the interim 2017 dividend. In particular, the Board has approved submitting to the Annual Shareholders' Meeting, under point six of the Agenda and in substitution of the final 2016 dividend, a proposal of a capital increase charged to voluntary reserves from retaining earnings, equivalent to a remuneration of approximately 0.45 gross euros per share.

The implementation of a CEO compensation scheme based on changes in Repsol's share price as compared to a sample of five comparable international companies will also be submitted for approval during the Annual General Meeting. In addition, following the recommendations of the Code of Good Governance and the best practices, the AGM will be asked to approve the delivery of shares to Executive Directors as part of the payment of their Long Term Multi-year Variable Remuneration.

The Board has also agreed to propose to the Annual General Meeting the re-election of Rene Dahan, Manuel Manrique Cecilia and Luis Suárez de Lezo Mantilla as Directors, as well as the ratification of the appointment of Antonio Massanell Lavilla by co-optation and re-election. The Board also will pose to shareholders the appointments of María Teresa Ballester Fornés, Isabel Torremocha Ferrezuelo and Mariano Marzo Carpio as independent external directors, replacing Javier Echenique Landiribar, María Isabel Gabarró Miquel and Henri Philippe Reichstul. These appointments have duration of four years.

Additionally, the Board of Directors resolved to submit to the Annual General Meeting the re-election of Deloitte as the auditor of Repsol, S.A. and of the Group for 2017, and the appointment of PricewaterhouseCoopers Auditores, S.L. as the auditor of Repsol, S.A. and of the Group for 2018, 2019 and 2020.

On 10 April 2017, Repsol's "Trading Statement" was published; it provided provisional information for the first quarter of 2017, including data on the economic environment as well as company performance during the period.

Madrid, 4 May, 2017

A conference call has been scheduled for research analysts and institutional investors for today, 4 May 2017 at 13.00 (CET) to report on the Repsol Group's first quarter 2017 results. Shareholders and other interested parties can follow the call live through Repsol's corporate website (www.repsol.com). A full recording of the event will also be available to shareholders and investors and any other interested party at www.repsol.com for a period of no less than one month from the date of the live broadcast.

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

Q1 2017

ADJUSTED NET INCOME BY BUSINESS SEGMENTS

[Unaudited figures]

€ Million	Q1 2016							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Special Items	Net Income
Upstream	(95)	-	106	6	17	-	(38)	(21)
Downstream	718	-	(156)	(6)	556	(157)	48	447
Corporation & Others	(63)	(77)	40	99	(1)	-	9	8
TOTAL	560	(77)	(10)	99	572	(157)	19	434
NET INCOME							19	434

€ Million	Q4 2016							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Special Items	Net Income
Upstream	(72)	-	101	(12)	17	-	(517)	(500)
Downstream	716	-	(155)	(7)	554	137	(6)	685
Corporation & Others	(80)	70	51	86	127	-	304	431
TOTAL	564	70	(3)	67	698	137	(219)	616
NET INCOME							(219)	616

€ Million	Q1 2017							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Special Items	Net Income
Upstream	335	-	(115)	4	224	-	(42)	182
Downstream	663	-	(164)	1	500	84	19	603
Corporation & Others	(56)	(155)	57	60	(94)	-	(2)	(96)
TOTAL	942	(155)	(222)	65	630	84	(25)	689
NET INCOME							(25)	689

OPERATING RESULT BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS

[Unaudited figures]

€ Million	QUARTERLY DATA		
	Q1 16	Q4 16	Q1 17
UPSTREAM	(95)	(72)	335
Europe, Africa & Brazil	(21)	73	170
Latin America & Caribbean	40	57	178
North America	(103)	(8)	(11)
Asia & Russia	5	64	86
Exploration & Others	(16)	(258)	(88)
DOWNSTREAM	718	716	663
Europe	690	706	578
Rest of the World	28	10	85
CORPORATE AND OTHERS	(63)	(80)	(56)
TOTAL	560	564	942

ADJUSTED NET INCOME BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS

[Unaudited figures]

€ Million	QUARTERLY DATA		
	Q1 16	Q4 16	Q1 17
UPSTREAM	17	17	224
Europe, Africa & Brazil	24	58	82
Latin America & Caribbean	65	44	106
North America	(68)	134	(10)
Asia & Russia	6	(36)	53
Exploration & Others	(10)	(183)	(7)
DOWNSTREAM	556	554	500
Europe	528	550	446
Rest of the World	28	4	54
CORPORATE AND OTHERS	(1)	127	(94)
TOTAL	572	698	630

EBITDA BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS

[Unaudited figures]

€ Million	QUARTERLY DATA		
	Q1 16	Q4 16	Q1 17
UPSTREAM	404	637	921
Europe, Africa & Brazil	65	164	299
Latin America & Caribbean	172	193	311
North America	77	167	182
Asia & Russia	106	144	195
Exploration & Others	(16)	(31)	(66)
DOWNSTREAM ⁽¹⁾	671	1,094	961
Europe	640	1,044	857
Rest of the World	31	50	104
CORPORATE AND OTHERS	(48)	(63)	(38)
TOTAL ⁽¹⁾	1,027	1,668	1,844
(1) EBITDA CCS M€			
DOWNSTREAM	886	901	848
TOTAL	1,242	1,475	1,731

NET INVESTMENTS BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS

[Unaudited figures]

€ Million	QUARTERLY DATA		
	Q1 16	Q4 16	Q1 17
UPSTREAM	638	164	455
Europe, Africa & Brazil	113	150	91
Latin America & Caribbean	189	52	162
North America	169	128	115
Asia & Russia	22	(247)	46
Exploration and Others	145	81	41
DOWNSTREAM	86	(42)	91
Europe	52	(110)	77
Rest of the World	34	68	14
CORPORATE AND OTHERS	(15)	(15)	(2)
TOTAL	709	107	544

CAPITAL EMPLOYED BY BUSINESS SEGMENTS

(Unaudited figures)

€ Million	CUMULATIVE DATA	
	Q4 16	Q1 17
Upstream	23,853	23,865
Downstream	9,469	9,822
Corporate and others	5,933	6,083
TOTAL	39,255	39,770
		2017
ROACE (%)		8.5
ROACE at CCS (%)		7.6

OPERATING INDICATORS

Q1 2017

UPSTREAM OPERATING INDICATORS

	Unit	Q1 2016	Q2 2016	Q3 2016	Q4 2016	January - December 2016	Q1 2017	% Variation 2017/2016
HYDROCARBON PRODUCTION	kboe/d	714	697	671	679	690	693	(2.9)
Liquids production	kboe/d	255	246	239	233	243	258	1.4
Europe, Africa & Brazil	kboe/d	94	89	90	88	90	121	28.6
Latin America & Caribbean	kboe/d	69	69	66	67	68	60	(12.4)
North America	kboe/d	58	57	54	50	54	51	(12.2)
Asia & Russia	kboe/d	35	32	28	28	31	27	(22.5)
Natural gas production	kboe/d	459	451	432	446	447	435	(5.3)
Europe, Africa & Brazil	kboe/d	22	19	16	18	18	15	(30.6)
Latin America & Caribbean	kboe/d	233	238	227	238	234	229	(1.8)
North America	kboe/d	130	129	126	125	127	125	(3.5)
Asia & Russia	kboe/d	74	64	63	66	67	65	(11.9)
Natural gas production	(Million scf/d)	2,579	2,530	2,423	2,506	2,509	2,442	(5.3)

DOWNSTREAM OPERATING INDICATORS

	Unit	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Jan -Dec 2016	Q1 2017	% Variation 2017/2016
PROCESSED CRUDE OIL	Mtoe	10.4	9.4	11.3	12.2	43.2	10.9	5.3
Europe	Mtoe	9.6	8.6	10.3	11.0	39.4	9.6	0.4
Rest of the world	Mtoe	0.8	0.8	0.9	1.2	3.8	1.3	62.8
SALES OF OIL PRODUCTS	kt	11,125	10,926	12,471	13,526	48,048	12,064	8.4
Europe Sales	kt	9,927	9,810	11,155	11,895	42,787	10,473	5.5
Own network	kt	4,854	5,109	5,319	5,186	20,468	5,042	3.9
Light products	kt	4,021	4,260	4,506	4,327	17,114	4,280	6.4
Other Products	kt	833	849	813	859	3,354	762	(8.5)
Other Sales to Domestic Market	kt	1,920	1,965	2,069	2,129	8,083	2,081	8.4
Light products	kt	1,873	1,895	2,024	2,075	7,867	2,035	8.6
Other Products	kt	47	70	45	54	216	46	(2.1)
Exports	kt	3,153	2,736	3,767	4,580	14,236	3,350	6.2
Light products	kt	1,370	940	1,428	2,201	5,939	1,172	(14.5)
Other Products	kt	1,783	1,796	2,339	2,379	8,297	2,178	22.2
Rest of the world sales	kt	1,198	1,116	1,316	1,631	5,261	1,591	32.8
Own network	kt	570	508	569	591	2,238	523	(8.2)
Light products	kt	518	470	538	546	2,072	481	(7.1)
Other Products	kt	52	38	31	45	166	42	(19.2)
Other Sales to Domestic Market	kt	312	328	341	360	1,341	353	13.1
Light products	kt	252	271	286	297	1,106	288	14.3
Other Products	kt	60	57	55	63	235	65	8.3
Exports	kt	316	280	406	680	1,682	715	126.3
Light products	kt	128	130	126	177	561	215	68.0
Other Products	kt	188	150	280	503	1,121	500	166.0
CHEMICALS								
Sales of petrochemical products	kt	764	713	702	714	2,892	712	(6.8)
Europe	kt	641	615	589	584	2,428	609	(5.0)
Base	kt	238	224	213	218	893	215	(9.6)
Derivative	kt	402	391	376	366	1,535	393	(2.2)
Rest of the world	kt	124	98	112	130	464	104	(16.2)
Base	kt	35	21	18	27	101	19	(44.9)
Derivative	kt	89	76	95	103	363	85	(5.1)
LPG								
LPG sales	kt	631	422	327	368	1,747	436	(30.9)
Europe	kt	427	256	215	363	1,261	430	0.8
Rest of the world	kt	204	166	112	5	487	5	(97.5)

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

Exports: expressed from the country of origin

**APPENDIX II – CONSOLIDATED FINANCIAL
STATEMENTS**

Q1 2017

STATEMENT OF FINANCIAL POSITION

(€ millions)

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

	DECEMBER	MARCH
	2016	2017
NON-CURRENT ASSETS		
Goodwill	3,115	3,079
Other intangible assets	1,994	2,032
Property, plant and equipment	27,297	26,762
Investment property	66	66
Investments accounted for using the equity method	10,176	10,256
Non-current financial assets :		
Non-current financial instruments	1,081	1,158
Others	123	126
Deferred tax assets	4,746	4,690
Other non-current assets	323	309
CURRENT ASSETS		
Non-current assets held for sale	144	129
Inventories	3,605	3,755
Trade and other receivables	5,885	5,427
Other current assets	327	283
Other current financial assets	1,280	1,309
Cash and cash equivalents	4,687	3,722
TOTAL ASSETS	64,849	63,103
TOTAL EQUITY		
Attributable to equity holders of the parent company	30,867	31,173
Attributable to minority interests	244	252
NON-CURRENT LIABILITIES		
Grants	4	3
Non-current provisions	6,127	6,091
Non-current financial debt	9,482	8,433
Deferred tax liabilities	1,379	1,364
Other non-current liabilities		
Non-current debt for finance leases	1,550	1,518
Other	459	444
CURRENT LIABILITIES		
Liabilities related to non-current assets held for sale	146	144
Current provisions	872	689
Current financial liabilities	6,909	7,174
Trade payables and other payables:		
Current debt for finance leases	208	205
Other payables	6,602	5,613
TOTAL LIABILITIES	64,849	63,103

INCOME STATEMENT

[€ millions]

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

	QUARTERLY DATA		
	Q1 16	Q4 16	Q1 17
Operating income	342	493	844
Financial result	(58)	54	(120)
Income from equity affiliates	159	(58)	140
Net income before tax	443	489	864
Income tax	(2)	(159)	(166)
Net income from continuing operations	441	330	698
Net income from non-controlling interest	(7)	(13)	(9)
NET INCOME FROM CONTINUING OPERATIONS	434	317	689
Net income for the year from discontinuing operations	-	299	-
NET INCOME	434	616	689
Earning per share attributable to the parent company (*)			
Euros/share (*)	0.29	0.41	0.46
USD/ADR	0.33	0.43	0.49
Average number of shares (**)	1,478,200,253	1,484,013,180	1,489,680,075
Exchange rates USD/EUR at the end of each quarter	1.14	1.05	1.07

(*) To calculate EPS the interest expense from the perpetual obligations (€7 million after taxes in Q1 16, Q4 16 and Q1 17) has been adjusted.

(**) A capital increase for the shareholder's remuneration scheme known as "Repsol dividendo flexible" was carried out in January 2015 and in January and December 2016 accordingly, thus share capital is currently represented by 1,496,404,851 shares. The average weighted number of outstanding shares for the presented periods was recalculated in comparison with the previous periods to include the impact of this capital increase in accordance with IAS 33 "Earnings per share". The average number of shares held by the company during each period was also taken into account.

CASH FLOW STATEMENT

(€ millions)

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

	JANUARY - MARCH	
	2016	2017
I. CASH FLOWS FROM OPERATING ACTIVITIES (*)		
Net income before taxes	443	864
Adjustments to net income		
Depreciation and amortisation of non current assets	575	599
Other adjustments to results (net)	(178)	(4)
EBITDA	840	1,459
Changes in working capital	(201)	(559)
Dividends received	124	8
Income taxes received/ (paid)	251	(115)
Other proceeds from/ (payments for) operating activities	(112)	(114)
OTHER CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES	263	(221)
	902	679
II. CASH FLOWS USED IN INVESTMENT ACTIVITIES (*)		
Payments for investment activities		
Companies of the Group, equity affiliates and business units	(171)	(50)
Fixed assets, intangible assets and real estate investments	(512)	(405)
Other financial assets	(96)	(97)
Payments for investment activities	(779)	(552)
Proceeds from divestments	164	12
Other cashflow	-	-
	(615)	(540)
III. CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES (*)		
Issuance of own capital instruments	-	-
Proceeds from/(payments for) equity instruments	(7)	(165)
Proceeds from issue of financial liabilities	4,459	3,174
Payments for financial liabilities	(4,087)	(3,765)
Payments for dividends and payments on other equity instruments	(271)	(138)
Interest payments	(287)	(232)
Other proceeds from/(payments for) financing activities	(22)	23
	(215)	(1,103)
Effect of changes in exchange rates from continued operations	(12)	(1)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUED OPERATIONS	60	(965)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,448	4,687
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,508	3,722

(*) Cash flows from continued operations

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

Q1 2017

RECONCILIATION OF ADJUSTED RESULTS AND THE CORRESPONDING CONSOLIDATED FINANCIAL STATEMENT HEADINGS

(Unaudited figures)

Q1 2016						
€ Million	Adjusted result	ADJUSTMENTS			Total adjustments	Total consolidated
		Joint arrangements reclassification	Special Items	Inventory Effect		
Operating income	560	(25)	22	(215)	(218)	342
Financial result	(77)	(3)	22	-	19	(58)
Income from equity affiliates	111	48	-	-	48	159
Net income before tax	594	20	44	(215)	(151)	443
Income tax	(10)	(20)	(25)	53	8	(2)
Net income from continued operations	584	-	19	(162)	(143)	441
Income attributed to minority interests	(12)	-	-	5	5	(7)
NET INCOME FROM CONTINUED OPERATIONS	572	-	19	(157)	(138)	434
Income from discontinued operations	-	-	-	-	-	-
NET INCOME	572	-	19	(157)	(138)	434

Q4 2016						
€ Million	Adjusted result	ADJUSTMENTS			Total adjustments	Total consolidated
		Joint arrangements reclassification	Special Items	Inventory Effect		
Operating income	564	214	(478)	193	(71)	493
Financial result	70	(63)	47	-	(16)	54
Income from equity affiliates	77	(135)	-	-	(135)	(58)
Net income before tax	711	16	(431)	193	(222)	489
Income tax	(3)	(16)	(90)	(50)	(156)	(159)
Net income from continued operations	708	-	(521)	143	(378)	330
Income attributed to minority interests	(10)	-	3	(6)	(3)	(13)
NET INCOME FROM CONTINUED OPERATIONS	698	-	(518)	137	(381)	317
Income from discontinued operations	-	-	299	-	299	299
NET INCOME	698	-	(219)	137	(82)	616

Q1 2017						
€ Million	Adjusted result	ADJUSTMENTS			Total adjustments	Total consolidated
		Joint arrangements reclassification	Special Items	Inventory Effect		
Operating income	942	(125)	(86)	113	(98)	844
Financial result	(155)	31	4	-	35	(120)
Income from equity affiliates	73	67	-	-	67	140
Net income before tax	860	(27)	(82)	113	4	864
Income tax	(222)	27	57	(28)	56	(166)
Net income from continued operations	638	-	(25)	85	60	698
Income attributed to minority interests	(8)	-	-	(1)	(1)	(9)
NET INCOME FROM CONTINUED OPERATIONS	630	-	(25)	84	59	689
Income from discontinued operations	-	-	-	-	-	-
NET INCOME	630	-	(25)	84	59	689

RECONCILIATION OF OTHER ECONOMIC DAA AND THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited figures)

	DECEMBER 2016			MARCH 2017		
	Adjusted Net Debt	Reclasification of JV ⁽¹⁾	IFRS-EU	Adjusted Net Debt	Reclasification of JV ⁽¹⁾	IFRS-EU
NON-CURRENT ASSETS						
Non-current financial instruments	424	657	1,081	439	719	1,158
CURRENT ASSETS						
Other current financial assets	52	1,228	1,280	68	1,241	1,309
Cash and cash equivalents	4,918	(231)	4,687	3,965	(243)	3,722
NON-CURRENT LIABILITIES						
Non-current financial debt	(9,540)	58	(9,482)	(8,490)	57	(8,433)
CURRENT LIABILITIES						
Current financial liabilities	(4,085)	(2,824)	(6,909)	(4,412)	(2,762)	(7,174)
CAPTIONS NOT INCLUDED IN THE BALANCE SHEET						
Net mark-to-market valuation of financial derivatives (excluding exchange rate) ⁽²⁾	87	-	87	85	-	85
NET DEBT	(8,144)		(9,256)	(8,345)		(9,333)

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

2016: "Cash and cash equivalents" amounting to €43 million and "Current financial liabilities" for intragroup loans amounting to €2,942 million, reduced in €344 million due to loans with third parties. 2017: "Cash and cash equivalents" amounting to €20 million; "Current financial liabilities" for intragroup loans amounting to €2,890 million, reduced in €393 million in loans with third parties.

(2) This caption does not consider net market value of financial derivatives other than exchange rate ones

	January - March					
	2016			2017		
	Adjusted Cash flow	Reclasification of JV & Others	IFRS-EU	Adjusted Cash flow	Reclasification of JV & Others	IFRS-EU
I. CASH FLOWS FROM OPERATING ACTIVITIES	943	(41)	902	717	(38)	679
II. CASH FLOWS USED IN INVESTMENT ACTIVITIES	(742)	127	(615)	(597)	57	(540)
FREE CASH FLOW (I. + II.)	201	86	287	120	19	139
III. CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES AND OTHERS ⁽¹⁾	(205)	(22)	(227)	(1,073)	(31)	(1,104)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(4)	64	60	(953)	(12)	(965)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,769	(321)	2,448	4,918	(231)	4,687
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,765	(257)	2,508	3,965	(243)	3,722

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

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

Repsol does not undertake to publicly update or revise these forward-looking statements even if experience or future changes make it clear that the projected performance, conditions or events expressed or implied therein will not be realized.

This document mentions resources which do not constitute proved reserves and will be recognized as such when they comply with the formal conditions required by the system "SPE/WPC/AAPG/SPEE Petroleum Resources Management System" (SPE-PRMS) (SPE – Society of Petroleum Engineers).

This document does not constitute an offer or invitation to purchase or subscribe shares, pursuant to the provisions of the Royal Legislative Decree 4/2015 of the 23rd of October approving the recast text of the Spanish Securities Market Law and its implementing regulations. In addition, this document does not constitute an offer to purchase, sell, or exchange, neither a request for an offer of purchase, sale or exchange of securities in any other jurisdiction.

The information contained in the document has not been verified or revised by the External Auditors of Repsol.

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Official Notice

Madrid, March 29, 2017

The Board of Directors of Repsol, S.A., in its meeting held today, has resolved to call the Annual Shareholders' Meeting which will be held at the **Palacio Municipal de Congresos, Avenida de la Capital de España-Madrid, Campo de las Naciones, Madrid** on May 18, 2017 at 12:00 noon on first call, and at the same time and place **on May 19, 2017, on second call**, according to the following

AGENDA

POINTS REGARDING THE ANNUAL ACCOUNTS, RESULTS ALLOCATION, MANAGEMENT BY THE BOARD AND THE RE-ELECTION AND APPOINTMENT OF THE ACCOUNTS AUDITOR

First. Review and approval, if appropriate, of the Annual Financial Statements and Management Report of Repsol, S.A., the Consolidated Annual Financial Statements and Consolidated Management Report, for fiscal year ended 31 December 2016.

Second. Review and approval, if appropriate, of the proposed results allocation for 2016.

Third. Review and approval, if appropriate, of the management of the Board of Directors of Repsol, S.A. during 2016.

Fourth. Appointment of the Accounts Auditor of Repsol, S.A. and its Consolidated Group for fiscal year 2017.

Fifth. Appointment of the Accounts Auditor of Repsol, S.A. and its Consolidated Group for fiscal years 2018, 2019 and 2020.

POINTS REGARDING SHAREHOLDER'S REMUNERATION

Sixth. Increase of share capital in an amount determinable pursuant to the terms of the resolution, by issuing new common shares having a par value of one (1) euro each, of the same class and series as those currently in circulation, charged to voluntary reserves, offering the shareholders the possibility of selling the scrip dividend rights to the Company itself or on the market. Delegation of authority to the Board of Directors or, by delegation, to the Delegate Committee or the CEO, to fix the date the increase is to be implemented and the terms of the increase in all respects not provided for by the General Meeting, all in accordance with article

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297.1.(a) of the Companies Act. Application for official listing of the newly issued shares on the Madrid, Barcelona, Bilbao and Valencia stock exchanges through the Spanish Automated Quotation System (Sistema de Interconexión Bursátil), as well as on any other stock exchanges or securities markets where the Company's shares are or could be listing.

Seventh. Second capital increase in an amount determinable pursuant to the terms of the resolution, by issuing new common shares having a par value of one (1) euro each, of the same class and series as those currently in circulation, charged to voluntary reserves, offering the shareholders the possibility of selling the free-of-charge allocation rights to the Company itself or on the market. Delegation of authority to the Board of Directors or, by delegation, to the Delegate Committee or the CEO, to fix the date the increase is to be implemented and the terms of the increase in all respects not provided for by the General Meeting, all in accordance with article 297.1.(a) of the Companies Act. Application for official listing of the newly issued shares on the Madrid, Barcelona, Bilbao and Valencia stock exchanges through the Automated Quotation System (Sistema de Interconexión Bursátil), as well as on any other stock exchanges or securities markets where the Company's shares are or could be listing.

POINT REGARDING THE AUTHORISATION AND EXPRESS DELEGATION REQUIRED FOR THE BOARD OF DIRECTORS

Eighth. Delegation to the Board of Directors on the power to issue fixed income, convertible and/or exchangeable securities for Company shares, as well as warrants (options to subscribe new shares or acquire circulating Company shares). Setting of criteria to determine the terms and types of the conversion and/or exchange and allocation to the Board of Directors of the powers to increase capital as necessary, as well as fully or partially remove shareholders' pre-emptive subscription rights in these issuances. Authorisation for the Company to guarantee security issuances made by its subsidiaries. Nullify the portion of resolution thirteen B) of the General Shareholders' Meeting held on 31 May 2012 that were not used.

POINTS REGARDING THE COMPOSITION OF THE BOARD OF DIRECTORS

Ninth. Re-election of Mr. Rene Dahan as Director.

Tenth. Re-election of Mr. Manuel Manrique Cecilia as Director.

Eleventh. Re-election of Mr. Luis Suárez de Lezo Mantilla as Director.

Twelfth. Ratification of the appointment by co-optation and re-election as Director of Mr. Antonio Massanell Lavilla.

Thirteenth. Appointment of Ms. Maite Ballester Fornés as Director.

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Fourteenth. Appointment of Ms. Isabel Torremocha Ferrezuelo as Director.

Fifteenth. Appointment of Mr. Mariano Marzo Carpio as Director.

POINTS REGARDING REMUNERATION OF THE COMPANY DIRECTORS

Sixteenth. Advisory vote on the Repsol, S.A. Annual Report on Directors' Remuneration for 2016.

Seventeenth. Implementation of a compensation system referred to the share value for the CEO of the Company.

Eighteenth. Approval, if appropriate, of the inclusion of a target related to the performance of total shareholder returns in the 2017-2020 Long Term Multi-Year Variable Remuneration Plan.

Nineteenth. Approval, if appropriate, of the delivering of shares to the Executive Directors in partial payment of their remuneration under the Long-Term Multi-Year Remuneration Plans.

Twentieth. Examination and approval, if appropriate, of the Remuneration Policy for Directors of Repsol, S.A. (2018-2020)

POINT REGARDING GENERAL MATTERS

Twenty-first. Delegation of powers to interpret, supplement, develop, execute, rectify and formalize the resolutions adopted by the General Shareholders' Meeting.

The General Shareholders' Meeting will foreseeably be held on **SECOND CALL**, that is, on **19 May 2017**, at the place and date indicated above.

During the Shareholders' Meeting the shareholders will be informed on the amendment to the Regulations of the Board of Directors, pursuant to Article 528 of the Companies Act.

Regarding shareholder remuneration and under points six and seven of the Agenda, the Board of Directors of Repsol, S.A. has agreed to propose to the Shareholders' Meeting a continuation of the "Repsol Flexible Dividend" Program in substitution of the final 2016 dividend and the interim 2017 dividend. In particular, the Board has approved submitting to the Annual Shareholders' Meeting, under point five of the Agenda and in substitution of the final 2016 dividend, a proposal of a capital increase charged to voluntary reserves from retaining earnings, equivalent to a remuneration of approximately 0.45 gross euros per share.

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The Company plans to implement this first capital increase, which will be submitted to the Annual Shareholders' Meeting under point six of the Agenda, during June and July 2017, and that the record date in relation to this capital increase, as well as the first trading session of the free of charge allocation rights, will occur prior June 16, 2017.

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Madrid, March 9, 2017

REPSOL MAKES THE LARGEST U.S. ONSHORE OIL DISCOVERY IN 30 YEARS

- **The contingent resources currently identified in the Nanushuk play in Alaska amount to approximately 1.2 billion barrels of recoverable light oil.**
- **The Horseshoe wells extend by 20 miles (32 kilometers) a play already uncovered in previous campaigns in an area known as Pikka.**
- **Preliminary development concepts for Pikka anticipate first production there from 2021, with a potential rate approaching 120,000 barrels of oil per day.**
- **The Horseshoe-1 and Horseshoe-1A wells drilled in the 2016-2017 winter campaign confirm Nanushuk as a significant emerging play in Alaska's North Slope.**

Repsol and partner Armstrong Energy have made in Alaska the largest U.S. onshore conventional hydrocarbons discovery in 30 years. The Horseshoe-1 and 1A wells drilled during the 2016-2017 winter campaign confirm the Nanushuk play as a significant emerging play in Alaska's North Slope.

The contingent resources identified with the existing data in Repsol and Armstrong Energy's blocks in the Nanushuk play in Alaska could amount to approximately 1.2 billion barrels of recoverable light oil.

Repsol has been actively exploring Alaska since 2008, and since 2011 the company has drilled multiple consecutive discoveries on the North Slope along with partner Armstrong.

The successive campaigns in the area have added significant new potential to what was previously viewed as a mature basin. Additionally Alaska has significant infrastructure which allows new resources to be developed more efficiently.

Repsol holds a 25% working interest in the Horseshoe discovery and a 49% working interest in the Pikka Unit. Armstrong holds the remaining working interest and is currently the operator.

Prior to drilling Horseshoe, Repsol as operator drilled 13 exploration and appraisal wells on the North Slope, which led to multiple reservoir discoveries currently included in the Pikka Unit.

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The Horseshoe discovery extends the Nanushuk play more than 20 miles south of the existing discoveries achieved by Repsol and Armstrong in the same interval within the Pikka Unit during 2014 and 2015, where permitting for development activities are underway. A significant percentage of the above noted resources are expected to be reclassified as proven and probable reserves upon sanctioning of the Nanushuk Development Project.

Preliminary development concepts for Pikka anticipate first production there from 2021, with a potential rate approaching 120,000 barrels of oil per day.

The Horseshoe-1 discovery well was drilled to a total depth of 6,000 ft. (1,828 meters) and encountered more than 150 ft. of net oil pay in several reservoir zones in the Nanushuk section. The Horseshoe-1A sidetrack was drilled to a total depth of 8,215 ft. and encountered more than 100 ft. of net oil pay in the Nanushuk interval as well.

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

Repsol does not undertake to publicly update or revise these forward-looking statements even if experience or future changes make it clear that the projected performance, conditions or events expressed or implied therein will not be realized.

This document mentions resources which do not constitute proved reserves and will be recognized as such when they comply with the formal conditions required by the system "SPE/WPC/AAPG/SPEE Petroleum Resources Management System" (SPE-PRMS) (SPE – Society of Petroleum Engineers).

This document does not constitute an offer or invitation to purchase or subscribe shares, pursuant to the provisions of the Royal Legislative Decree 4/2015 of the 23rd of October approving the recast text of the Spanish Securities Market Law and its implementing regulations. In addition, this document does not constitute an offer to purchase, sell, or exchange, neither a request for an offer of purchase, sale or exchange of securities in any jurisdiction.

The information contained in the document has not been verified or revised by the External Auditors of Repsol.