ORDINARY SHAREHOLDERS' MEETING 2018

REPORT BY THE BOARD OF DIRECTORS ON THE PROPOSED RESOLUTIONS

Report of the Board of Directors on the resolution proposed under point first ("Review and approval, if appropriate, of the Annual Financial Statements and Management Report of Repsol, S.A. and the Consolidated Annual Financial Statements and Consolidated Management Report, for fiscal year ended 31 December 2017") and second ("Review and approval, if appropriate, of the proposal for the allocation of 2017 results in 2017") on the Agenda.

The Annual Financial Statements and the different documents comprising them in accordance with the Code of Commerce, the Companies Act and other applicable provisions, including sector provisions in place, consisting of both the individual financial statements of Repsol, S.A. and the consolidated financial statements of its Group of Companies, together with the Management Report of Repsol, S.A. and the Consolidated Management Report, were approved by the Board of Directors on 27 February 2018, after being reviewed by the Audit and Control Committee and the Internal Transparency Committee of Repsol, S.A., and after certification by the CEO and the CFO.

The Annual Corporate Governance Report 2017, drawn up according to the model approved by the National Securities Market Commission (CNMV) Circular 7/2015 of December 22 is annexed as a separate section to the individual and consolidated Management Reports. Additionally, pursuant to the Royal Decree 18/2017 dated November 24th 2017, related to non-financial information and diversity, it has been included in the individual and consolidated Management Reports, the Group's sustainability information that has also been reviewed by the Sustainability Committee.

These Annual Financial Statements and the Management Reports have been audited by the auditors of Repsol, S.A. and its Consolidated Group.

All these documents, together with the Auditors' Reports, are available for consultation by shareholders on the Company's website (www.repsol.com) and at the registered office, street Méndez Álvaro nº 44, 28045 Madrid, where shareholders may also request delivery of a copy or remittance, free of charge, to any address they may indicate.

Together with the approval of the Annual Financial Statements it is also proposed under second point of the Agenda, to approve the application of results of Repsol, S.A. for 2017, consisting of a loss of 820,758,710.86 euros, to be account prior year losses to be set off against the voluntary reserves of the Company, as shown in the Notes to the Company´s Individual Annual Financial Statements (Note 3 - Application of results).

In addition, under point fourth on the Agenda, a proposal is put to the Shareholders' Meeting within the framework of that programme, to authorise a capital increase against voluntary reserves derived from retained earnings (scrip dividend), equivalent to a remuneration of approx. 0.50 euros gross per share. If the proposal is approved, it is planned to implement this scrip dividend on the dates on which the final dividend has traditionally been paid.

Report of the Board of Directors on the resolution proposed under point third on the Agenda ("Review and approval, if appropriate, of the management of the Board of Directors of Repsol, S.A. corresponding to fiscal year 2017").

In accordance with article 164 of the Companies Act, the management developed by the Board of Directors during fiscal year 2017 is subjected to approval by shareholders, the remuneration of the directors is detailed in the Annual Financial Statements, in the Corporate Governance Annual Report and in the Annual Report on the Remuneration of Directors.

Report of the Board of Directors on the resolution proposed under points fourth and fifth on the Agenda relating to capital increases in a determinable amount 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 outstanding, charged to reserves, offering shareholders the possibility of selling the free-of-charge allocation rights to the Company itself or on the market. Delegation of powers to the Board of Directors or, by substitution, 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 admission of the newly issued shares to listing 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.

This report is issued by the Board of Directors of Repsol, S.A. (the "**Company**" or "**Repsol**") to justify the two proposals to increase the capital in the context of the shareholder remuneration program called "Repsol Flexible Dividend", which will be submitted for approval under the fourth and fifth points of the Agenda, respectively, at the Ordinary General Shareholder's Meeting called at 12:00 on 10 May 2018, on first call and at the same time on 11 May 2018, on second call.

This report is issued in compliance with Articles 286 and 296 of the Companies Act, by virtue of which the Board of Directors must issue a report justifying the proposals to be submitted to the General Shareholders' Meeting, insofar as the approval of those resolutions and their implementation necessarily require a modification of Articles 5 and 6 of the Company's By-Laws, on the capital and shares, respectively.

Since the two capital increases have the same purpose and are implemented identically, this report contains the justification of both proposals. In order to enable a clearer understanding of the operations behind the proposals to increase the capital submitted to the General Shareholders' Meeting, shareholders are provided firstly with a description of the purpose of and grounds justifying those capital increases, and secondly with a description of the main terms and conditions of the capital increases against reserves contemplated in this report.

1 PURPOSE AND JUSTIFICATION OF THE PROPOSALS

1.1 Purpose and justification of the proposals

The Company has traditionally remunerated its shareholders through the payment of cash dividends and intends to maintain a policy that allows the shareholders, if they wish, to receive all of his compensation in cash.

With this approach, in order to improve shareholder remuneration structure and in keeping

with the latest trends in this matter among other companies in IBEX-35, in 2012 the Company first offered its shareholders an option (called "Repsol Flexible Dividend") which, without affecting their right to receive the entire remuneration in cash if they so wished, gave them the possibility of receiving shares in the Company, with the tax benefits applicable to free-of-charge shares, as described below. This system was first implemented in the Company to replace it would have been the traditional payment of the final dividend for the year 2011 and was repeated to replace it would have been the traditional payment of the interim and final dividend for the years 2012, 2013, 2014, 2015, 2016, and the interim dividend for the year 2017. In view of the good response to this system by the shareholders, it is considered appropriate to offer the same opportunity this year.

Thus, the purpose of the capital increase proposals submitted to the Shareholders' Meeting is to offer again all the Company's shareholders the option, at their free choice, of receiving new free-of-charge shares in the Company, without altering the Company's policy of remunerating its shareholders in cash, since they may opt, as an alternative, to receive an amount in cash by selling their scrip dividend rights to the Company (if they do not sell on the market), as explained herein below.

1.2 Structure of the operations and options available to shareholders

The two proposals laid before the General Shareholders' Meeting under the fourth and fifth points of the Agenda contemplate offering the Company's shareholders the option to receive, at their choice, either free-of-charge shares of the Company or remuneration in cash.

These offers are structured in two capital increases against reserves (each on an "**Increase**" or a "**Capital Increase**" and jointly the "**Capital Increases**"). However, although they both correspond to the purpose described in section 1.1 above, both could be executed simultaneously o independently on different dates and Repsol could even decide not to make one or both, in which case the corresponding Increase would have no effect pursuant to section 2.7 below.

When the Board of Directors or, by substitution, the Delegate Committee or the CEO decides to implement one of the Capital Increases:

(a) The Company's shareholders will receive a free-of-charge allocation right for each share in the Company that they hold at that time. These rights will be tradable so may be traded, on the same conditions as the shares in respect of which they are issued, on the Madrid, Barcelona, Bilbao and Valencia stock exchanges for a period of at least fifteen (15) calendar days, after which the free-of-charge allocation rights will automatically become new shares in the Company, which will be allocated to the holders of the free-of-charge allocation rights at that date. The specific number of shares to be issued and, therefore, the number of rights needed for the allocation of one new share will depend on the price of the Company's share on the date of

implementation of the Capital Increase (the "**Share Price**"), calculated by the procedure described herein below. However, as will be explained later (i) the total number of shares to be issued in the first Capital Increase will be determined so that their market value calculated at the Share Price will be approximately 778 million euros; and (ii) the maximum number of shares to be issued in the Second Capital Increase will be determined so that their market value calculated at the Share Price will be the amount fix by the Board or, by substitution, the Delegate Committee or the CEO, with the limit established in section 1.4 below.

(b) The Company will irrevocably undertake to purchase the aforesaid free-of-charge allocation rights at a fixed price from whom receive them free due to appear entitled in the accounting registers of *Sociedad de Gestión de los Sistemas de Registro, Compensación and Liquidación de Valores, S.A. Unipersonal* (Iberclear) on the corresponding date according to the clearing and settlement rules applicable (the "**Purchase Commitment**"). The Purchase Commitment will only cover the allocation rights received by the Company's shareholders free of charge, not those purchased or otherwise acquired on the market or outside it. The fixed purchase price of the free-of-charge allocation rights will be calculated before trading of the rights commences, based on the Share Price (such that the price per right will be the result of dividing the Share Price by the number of rights needed to receive one new share, plus one). The Company thus guarantees that all shareholders will be able to monetize their free-of-charge allocation rights and thus receive the cash if they do not wish to receive new shares.

Therefore, when each Capital Increase is made, the Company's shareholders may choose freely between the following options[1]:

(a) Not to sell their free-of-charge allocation rights. In this case, at the end of the trading period the shareholder will receive the corresponding number of new free-of-charge shares.

(b) To sell all or part of their free-of-charge allocation rights to the Company under the Purchase Commitment at a guaranteed fixed price. Shareholders choosing this option would monetize their rights and receive a remuneration in cash dividend instead of shares.

(c) To sell all or part of their free-of-charge allocation rights on the market. Shareholders choosing this option would also monetize their rights, although in this case they would not receive a guaranteed fixed price, as in option (b) above, but instead the

[1] The options available to holders of *American Depositary Shares* and ordinary shares listed on different stock exchanges or securities markets of Madrid, Barcelona, Bilbao and Valencia may be subject to certain variations in respect of the options described here, due to the terms and conditions applicable to the programs in which those holders participate and the regulations of the stock markets on which those securities are traded.

consideration payable for the rights would depend on market conditions in general and the quotation price of those rights in particular.

The Company's shareholders may combine any or all of the alternatives mentioned in paragraphs (a) to (c) above. It should be noted in this regard that the alternatives receive different tax treatment.

The gross amount received by shareholders choosing options (a) and (b) will be equivalent, as the Share Price will be used to determine both the fixed price of the Purchase Commitment and the number of free-of-charge allocation rights needed for the allocation of one new share. In other words, the gross price received by a shareholder selling all his free-of-charge allocation rights to the Company under the Purchase Commitment will be approximately equal to the value of the new shares he will receive if he does not sell his rights, calculated at the market price of the Company's share at the date of the Capital Increase (i.e. the Share Price). However, the tax treatment of each alternative is different. The tax treatment of the sales contemplated in options (b) and (c) is also different (see section 2.6 below for a summary of the tax regime applicable to this operation in Spain).

1.3 Coordination with the traditional dividend

The Company plans to replace what would have been the traditional final dividend of 2017 and the interim dividend of 2018 with two issues of free-of-charge shares, although preserving its shareholders' right to receive a cash remuneration if they prefer.

1.4 Amount of the Alternative Option and price of the Purchase Commitment

The structure of the proposals consists of offering shareholders free-of-charge shares, the value of which, determined according to the Share Price, will be:

(a) in the first Increase, a total of 778,232,483 euros gross; and

(b) in the second Increase, the amount determined by the Board of Directors or, by substitution, the Delegate Committee or the CEO, with the limit of 965,008,278 euros gross.

Since, as mentioned earlier, the purpose of the Purchase Commitment is to enable shareholders to monetize the Amount of the Alternative Option of each Increase, and bearing in mind that shareholders will be assigned one free-of-charge allocation right for each outstanding share, the gross price per right at which the Purchase Commitment will be made in each Increase would be approximately equal, subject to the provisions of sections 2.1 and 2.3 below, to the amount per share of the Amount of the Alternative Option.

The final purchase price (and, in relation to the second Increase, the Amount of the Alternative

Option, if appropriate) will be determined and announced pursuant to section 2.3.

2 MAIN TERMS AND CONDITIONS OF THE CAPITAL INCREASE

2.1 Amount of each Capital Increase, number of shares to be issued and number of scrip dividend rights needed for the allocation of one new share

The maximum number of shares to be issued in each Capital Increase will be the result of dividing the Amount of the Alternative Option of the corresponding Increase between the value of the Company's share when the Board of Directors or, by substitution, the Delegate Committee or the CEO, decides to implement each Capital Increase (i.e. the Share Price). The number thus calculated will be rounded off to obtain a whole number of shares and a rights-shares conversion rate, also in a whole number. In addition and for the same purpose, the Company will waive the free-of-charge allocation rights corresponding to it, for the sole purpose of ensuring that the number of new shares to be issued in each Capital Increase is a whole number and not a fraction.

To determine the number of shares to be issued, it will be considered only the outstanding free-of-charge allocation rights at the end of the trading period, excluding those that were sold to the Company under the Purchase Commitment at a guaranteed fixed price (alternative b).

When it is decided to implement a Capital Increase, the Board of Directors or, by substitution, the Delegate Committee or the CEO will determine the maximum number of shares to be issued in each Increase and, therefore, the maximum amount of the Capital Increase and the number of free-of-charge allocation rights need for the allocation of one new share by applying the following formula (rounding the result down to the nearest whole number):

MNNS = NES / No. Rights per share

where,

"MNNS" = Maximum number of New Shares to be issued in the Capital Increase;

"NES" = number of outstanding shares in the Company at the date on which the Board of Directors or, by substitution, the Delegate Committee or the CEO resolves to implement the Capital Increase; and

"No. Rights per share" = number of free-of-charge allocation rights required for the allocation of one New Share in the Capital Increase, which will be the result of applying the following formula, rounded up to the nearest whole number:

No. Rights per Share = NES /Provisional no. shares

where,

"Provisional no. shares" = Amount of the Alternative Option / Share Price

For this purpose, "**Share Price**" will be the arithmetic mean of the weighted average prices of the Company's share on the Madrid, Barcelona, Bilbao and Valencia stock exchanges over the five (5) trading sessions prior to the date of the resolution adopted by the Board of Directors or, by substitution, the Delegate Committee or the CEO to implement the Capital Increase, rounded up or down to the nearest thousandth of a euro and, in the event of half a thousandth of a euro, rounded up to the nearest thousandth of a euro.

The final number of shares to be issued will be the ratio of the number of outstanding rights at the end of the negotiation period and the number of rights per share, and if this figure is not a whole number, the Company will waive the free-of-charge allocation rights necessary to do so.

Once determined the final number of shares to be issued, the amount of each Capital Increase will be the result of multiplying the number of the new shares by the par value of the Company's shares -one euro per share (1 €) -. The Capital Increases will be made, therefore, at par, with no share premium.

Example of the calculation of the number of new shares to be issued, the amount of a Capital Increase and the number of free-of-charge allocation rights needed for the allocation of one new share:

For the sole purpose of helping shareholders to understand its application, a sample calculation is set out below using the formula contemplated in this section. The results of these calculations are not representative of the possible real results in the event of making the Capital Increases, which will depend on the different variables used in the formula (essentially the Share Price of the Company's share at that time) and the rounding off to be made.

For the sole purpose of this example:

The Amount of the Alternative Option of the Increase to be made is 778,232,483 euros.

A Share Price of 15 euros is assumed.

The NES is 1,556,464,965 (number of Company shares at the date of this report).

Therefore:

Provisional no. shares = Amount of the Alternative Option / Share Price = 778,232,483 / 15 = 51,882,166

No. Rights per share = NES / Provisional no. shares = 1,556,464,965 / 51,882,166 = 29.99 = 30

(rounded up)

MNNS = NES / No. Rights per share = 1,556,464,965 / 30 = 51,882,165 (rounded down)

The free-of-charge allocation rights sold to the Company under the Purchase Commitment at a guaranteed fixed price (alternative b), are excluded from the computation of shares to be issued (NNS). In the example, if the Company had purchase 1,000,000,000 free-of-charge allocation rights, would be 556,464,965 of outstanding free-of-charge allocation rights at the end of the trading period. The calculation of the final number of new shares to be issued (NNS) would be:

NNS = Number of outstanding free-of-charge allocation rights / No. Rights per share = 556,464,965 / 30 = 18,548,832 (rounded down).

Consequently, in this example, (i) the final number of new shares to be issued in the Capital Increase would be 18,548,832, (ii) the amount of the Capital Increase would be 18,548,832 euros, and (iii) 30 free-of-charge allocation rights (or old shares) would be needed for the allocation of one new share in that Increase.

2.2 Free-of-charge allocation rights

In each Capital Increase each share of the Company in circulation will entitle its holder to one free-of-charge allocation right.

The number of free-of-charge allocation rights needed to receive one new share in each Capital Increase will be determined automatically according to the ratio of the number of new shares to the number of outstanding shares at that time, calculated using the formula established in section 2.1 above. In particular, shareholders will be entitled to receive one New Share for a number of free-of-charge allocation rights determined according to section 2.1 above, that they hold in the corresponding Increase.

If the number of free-of-charge allocation rights required for the allocation of one new share in the Capital Increase (30 in the example set out above) multiplied by the maximum number of new shares to be issued (MNNS) (51,882,165 in the example) is lower than the number of outstanding shares in the Company (NES) at the date of the execution of the Capital Increase (1,556,464,965 in the example), the Company will waive a number of free-of-charge allocation rights equal to the difference between the two figures (15 rights in the example) for the sole purpose of ensuring that the number of new shares is a whole number and not a fraction. In that case, there would be an incomplete allocation of the Capital Increase and the capital would be increased only by the amount corresponding to the free-of-charge allocation rights in respect of which no waiver has been made (for which the provisions of section 2.3 below must also be taken into consideration), pursuant to Article 311 of the Companies Act.

Free-of-charge allocation rights will be allocated to whom being entitled to receive them according to the accounting registers of *Sociedad de Gestión de los Sistemas de Registro, Compensación and Liquidación de Valores, S.A. Unipersonal* (Iberclear) on the corresponding date according to the clearing and settlement rules applicable. Such rights may be traded on the same conditions as the shares in respect of which they are granted and may be traded on the market for such time as may be determined by the Board of Directors or, by substitution, the Delegate Committee or the CEO, at least fifteen (15) calendar days. During that period, sufficient free-of-charge allocation rights may be acquired on the market in the necessary proportion to receive new shares.

The holders of any convertible debentures into Company shares that may be outstanding at the date on which the Board of Directors or, by substitution, the Delegate Committee or the CEO resolves to implement the Capital Increase will not have free-of-charge allocation right over the New Shares, notwithstanding the modifications to be made to the conversion rate by virtue of the terms of each issue.

2.3 Purchase Commitment of the free-of-charge allocation rights

As mentioned earlier, the Company irrevocably undertakes to purchase the free-of-charge allocation rights assigned in each Capital Increase (the "**Purchase Commitment**"), so those receiving free the free-of-charge allocation rights at the start of the trading period of those rights will have guaranteed the possibility of selling their rights to the Company and receiving, at their choice, all or part of their remuneration in cash. The Purchase Commitment will only cover the allocation rights received by the Company's shareholders free of charge, not those purchased or otherwise acquired on the market or outside it, and will be in force and may be accepted during such time, within the trading period of the rights, as may be determined by the Board of Directors or, by substitution, the Delegate Committee or the CEO. The purchase price under the Purchase Commitment will be fixed, calculated prior to opening of the trading period for the free-of-charge allocation rights applying the following formula (applying the definitions set out in section 2.1 above), rounded up or down to the nearest thousandth of a euro and, in the event of half a thousandth of a euro, rounded up to the nearest thousandth of a euro (the "**Purchase Price**"): Purchase Price = Share Price / (No. Rights per share +1).

The final Purchase Price thus calculated will be determined and announced on the date of implementation of each Capital Increase.

The Company will foreseeably waive the new shares corresponding to the free-of-charge allocation rights acquired under the Purchase Commitment. In that case there would be an incomplete allocation of each Capital Increase and the capital would be increased only by the amount corresponding to the free-of-charge allocation rights in respect of which no waiver has been made, pursuant to Article 311 of the Companies Act.

2.4 Rights of the new shares

The new shares issued in each Capital Increase will be ordinary shares with a par value of one euro (1 €) each, of the same class and series as those currently in circulation, issued in book-entry form, the accounting register of which will be assigned to *Sociedad de Gestión de los Sistemas de Registro, Compensación and Liquidación de Valores, S.A. Unipersonal* (Iberclear) and its members. The new shares will confer upon their holders the same voting and economic rights as the Company's ordinary shares currently in circulation as from the date on which the Capital Increase is declared subscribed and paid up.

The Capital Increases will be made free of charges and commissions for the allocation of new shares issued. The Company will bear the costs of issue, subscription, putting into circulation, listing and any others related with each Capital Increase.

Nevertheless, the Company's shareholders should bear in mind that the members of *Sociedad de Gestión de los Sistemas de Registro, Compensación and Liquidación de Valores, S.A. Unipersonal* (Iberclear) at which they have deposited their shares may, under prevailing laws, establish such administration charges and commissions as they may freely determine for the subscription of the new shares and the maintaining of the shares in the accounting registers. Moreover, these members may, under prevailing laws, establish such charges and commissions as they may freely determine for handling purchase and sale orders in respect of free-of-charge allocation rights.

2.5 Balance sheet and reserve against which the Capital Increases are made

The balance sheet on which the Capital Increases are based is the balance sheet for the year ended 31 December 2017, audited by Deloitte, S.L. on 27 February 2018 and laid before the Ordinary General Shareholders' Meeting for approval under the first point of the Agenda.

The Capital Increases will be made entirely against the voluntary reserves from retained earnings. When making the Capital Increase, the Board of Directors or, by substitution, the Delegate Committee or the CEO, will specify the reserve to be used and the amount of that reserve according to the balance sheet used as the basis for the Capital Increases.

2.6 Taxation

General comments

The principal tax implications deriving from the Capital Increase are set out below, based on the tax laws in place in the common territory and the interpretation made by the Spanish tax authorities (*Dirección General de Tributos*) in answers to several binding consultations.

Although the tax regime applicable to shareholders resident in Basque Country and Navarra,

Ceuta and Melilla is similar to that of the common territory, certain differences may arise in the tax treatment (particularly for individual shareholders resident in certain territories, in connection with the sale of their free-of-charge allocation rights in the market).

Shareholders not resident in Spain, the holders of *American Depositary Shares* representing shares in the Company and the holders of Company shares listed on markets or stocks exchanges other than the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges should consult their tax advisers on the effects deriving from the different options for the Capital Increase, including the right to apply the provisions of double taxation treaties signed by Spain.

It should be borne in mind that the taxation of the different options for the Capital Increase set out herein does not cover all possible tax consequences nor future potential changes in the legislation that may affect the applicable taxation.

Consequently, shareholders are recommended to consult their tax advisers on the specific tax impact of the proposed operation and to pay attention to any changes or amendments that may be made in both the laws in place at the date of this operation and the interpretation criteria, as well as the specific circumstances of each shareholder or holder of free-of-charge allocation rights.

Specific comments

The new shares delivered in each Capital Increase will, for tax purposes, be considered bonus shares and, as such, will not be considered income for personal income tax (“**IRPF”**), corporate income tax (“**IS”**) or non-resident income tax (“**IRNR”**), regardless of whether or not the recipients of those shares operate through a permanent establishment in Spain. In line with the foregoing, the delivery of new shares is not subject to withholding tax or payment on account (advance tax).

The acquisition value of both the new shares and the shares in respect of which they are issued will be determined by dividing the total cost by the number of shares, both old shares and bonus shares. The bonus shares will be considered to have the same age as the shares in respect of which they are issued.

Consequently, in the event of a subsequent sale, the income obtained will be calculated with reference to this new value.

If shareholders sell their free-of-charge allocation rights on the market, and in the case of the present program, the proceeds obtained from trading those rights on the market will be given the tax treatment described below:

a) For personal income tax and income tax of non-residents with no permanent establishment in Spain, the proceeds obtained from the sale of free-of-charge allocation

rights on the market will be given the same tax treatment as pre-emption subscription rights.

Consequently, the proceeds from selling the free-of-charge allocation on the market will be considered a capital gain for the seller who are IRPF (Personal Income Tax) taxpayers or IRNR (Non-Resident Income Tax) taxpayers without a permanent establishment in Spain. The capital gain shall be subject to IRPF (Personal Income Tax) withholding at the rate that is applicable at that time. This IRPF (Personal Income Tax) withholding shall be performed by the corresponding depositary institution (and, in its absence, by the financial intermediary or the notary public involved in the transfer of these rights).

The above without prejudice to the possible application to non-resident taxpayers with no permanent establishment in Spain of the double taxation treaties signed by Spain to which they may be entitled as well as the exemptions foresee by the IRNR legislation.

b) For corporate income tax and income tax of non-residents with a permanent establishment in Spain, since a full commercial cycle is closed, it will be taxed according to the applicable accounting standards and, where appropriate, any special tax regimes applicable to the shareholders subject to the taxes indicated.

Finally, if holders of the free-of-charge allocation rights decide to take up the Repsol Purchase Commitment, the proceeds from sale to Repsol of such rights received as shareholders will be given the same tax treatment as a cash dividend and, therefore, they will be subject to withholding tax and the corresponding taxation.

2.7 Authorization to make each Capital Increase

Pursuant to Article 297.1.a) of the Companies Act, it is proposed authorizing the Board of Directors, with express power to delegate to the Delegate Committee or the CEO, to determine the date on which each capital increase resolution adopted by the Ordinary General Shareholders' Meeting is to be implemented and to establish the conditions of each Capital Increase in any aspects not stipulated by the Shareholders' Meeting, within a period not exceeding one year from the date on which the resolutions are adopted by the Shareholders' Meeting in respect of the Capital Increases.

This notwithstanding, if the Board of Directors, with express powers of substitution, does not consider it convenient to make any of the Capital Increases, it may submit a proposal to the Shareholders' Meeting for revocation, in which case it will not be obliged to make the Capital Increase in question. In particular, the Board of Directors or, by substitution, the Delegate Committee or the CEO, will analyse and take account of the market conditions, circumstances of the Company and any deriving from a socially or economically important event or circumstance, as well as the level of acceptance of the first Capital Increase and, if in the opinion of the Board of Directors those or other considerations make it unadvisable to make

the corresponding Increase, it may submit a proposal to the Shareholders' Meeting to revoke any of the Capital Increases. Moreover, the Capital Increases will have no effect if the Board of Directors or, by delegation, the Delegate Committee or the CEO, does not exercise the powers delegated to it within the period of one year indicated by the Shareholders' Meeting for making the Capital Increase, in which case it will report on that at the first Shareholders' Meeting held thereafter.

When the Board of Directors or, by substitution, the Delegate Committee or the CEO, decides to make Capital Increase, defining the final terms thereof in any aspects not already specified by the Shareholders' Meeting, the Company will publish those terms. In particular, prior to commencement of the period for free allocation of the corresponding Increase, the Company will publish a document containing information on the number and nature of the shares and the reasons for the Capital Increase, in pursuance of Article 26.1.e) of Royal Decree 1310/2005 of 4 November, partly developing Royal Legislative Decree 4/2015 of October 23, approving the revised text of the Securities Market Act.

After the end of the trading period for free-of-charge allocation rights in respect of each Capital Increase:

(a) The new shares will be allocated to those shareholders who hold the free-of-charge allocation rights according to the registers kept by *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* (Iberclear) and its members in the necessary proportions.

(b) The Board of Directors or, by substitution, the Delegate Committee or the CEO, will declare the free-of-charge allocation rights trading period over and will apply the reserves in the Company's accounts in the amount of the corresponding Capital Increase, which will be deemed paid up by that application.

Finally, the Board of Directors or, by substitution, the Delegate Committee or the CEO, will adopt the corresponding resolution to modify the By-Laws in order to reflect the new amount of the capital following each Capital Increase and apply for listing of the new shares.

2.8 Listing of the new shares

The Company will apply for listing of the new shares issued in each Capital Increase 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, expressly putting on record that the Company submits to existing or future laws and regulations governing the stock market, particularly regarding trading, minimum time frames and delisting.

Report of the Board of Directors on the resolution proposed under sixth point on the Agenda ("Approval of a reduction of share capital for an amount to be determined in accordance with the resolution, through the cancellation of the Company's own shares. Delegation of powers to the Board of Directors or, as its replacement, to the Delegate Committee or the Chief Executive Officer, to set the other terms for the reduction in relation to everything not determined by the General Meeting, including, among other matters, the powers to redraft articles 5 and 6 of the Company's Articles of Association, relating to share capital and shares respectively, and to request the delisting and cancellation of the accounting records of the shares that are being cancelled.")

1 OBJECT OF THE REPORT

This report was prepared by the Board of Directors of Repsol, S.A. (the "**Company**" or "**Repsol**") to justify the proposed reduction of share capital through the cancellation of treasury shares that will be submitted, under point sixth on the Agenda, for approval by the shareholders of the Company at the General Shareholders´Meeting, called for 10 May 2018 at 12 PM on first call and for 11 May 2018 at the same time on second call.

This report is issued in compliance with that established in articles 286 and 318 of the Spanish Companies Act (*Ley de Sociedades de Capital*), in accordance with which the Board of Directors must prepare a report justifying the proposals to be submitted to the shareholders at the Shareholders´ Meeting to the extent that their approval and execution necessarily entail the amendment of articles 5 and 6 of the Company's Articles of Association, related to share capital and shares, respectively.

2 JUSTIFICATION OF THE PROPOSAL

Within the context of the shareholder remuneration policy, the Board of Directors considers that it is appropriate to reduce the share capital through the cancellation of treasury shares of the Company. The main effect of the aforementioned share capital reduction will be an increase in the Company's earnings-per-share, benefiting its shareholders.

In order to perform the aforementioned share capital reduction, treasury shares of the Company of €1 par value each are to be cancelled. At 4 April 2018 a portion of the aforementioned shares to be cancelled are treasury shares while the remaining shares to be cancelled will be acquired (a) through a share buy-back programme targeting all shareholders pursuant to article 5 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the criteria applicable to buy-back programmes and stabilisation measures (the "**Buy-back Programme**" or the "**Programme**") and that must be approved by the Board of Directors, and (b) through the

settlement, before the resolution to close and execute the share capital reduction object of the proposed resolution referred to in this report, of the derivatives instruments on own shares entered into by the Company prior to 4 April 2018 (the "**Derivatives**").

3 MAIN TERMS AND CONDITIONS OF THE SHARE CAPITAL REDUCTION

It is proposed that the share capital be reduced by the amount resulting from the sum of:

(i) 6,072,604 euros, through the cancelling of 6,072,604 shares currently held in treasury stock, of one euro par value each, acquired pursuant to the authorisation granted by the shareholders at the General Shareholders´ Meeting held on 28 March 2014 under agenda item twenty, and within the limits provided in articles 146 and related and 509 of the Spanish Companies Act (the "**Existing Treasury Stock**"); and

(ii) the aggregate par value, with the maximum indicated below, represented by the shares, of one euro par value each, that are acquired both through the Buy-back Programme and the settlement of the Derivatives, prior to the resolution to close and execute the share capital reduction object of the proposed resolution referred to in this report.

The maximum number of shares of the Company that will be acquired through the Buy-back Programme and settlement of the Derivatives will be the product of applying the following formula (the "**Joint Limit**"):

Joint Limit = 29,068,912 + (No. Shares Issued) – 6,072,604

where,

"No. Shares Issued" = the number of new shares of the Company finally issued as a consequence of the execution of the Capital Increase to which the proposed agreement on point four of the Agenda of this Shareholders´ Meeting.

The maximum number of Company shares that may be acquired through the settlement of the Derivatives may not exceed 30,982,004. These Derivatives will not be settled, under any circumstances, during the time the Buy-back Programme is taking place and, in all cases, must be settled prior to declaring the share capital reduction object of this proposed resolution closed and executed.

In turn, the Buy-back Programme will be subject to two quantitative limits relating to the investment amount and the number of shares to be acquired:

(a) The maximum number of shares to be acquired pursuant to the Programme (the "**MNS**") will be that determined by the Board of Directors prior to the start of negotiations of the Buy-back Programme and it will not under any circumstances exceed the Joint Limit.

(b) The maximum net investment of the Programme (the "**Maximum Investment**") will be the amount in euros calculated using the following formula:

Maximum Investment = MNS x (Quoted Price x 1.20)

where,

"Quote Price" = the quoted price of the Company's share on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia at the close of the trading session on the trading day prior to the date for the start of the Buy-Back Programme, rounded to the nearest hundredth of a euro, and in the case of half of one hundredth of a euro, up to the nearest hundredth of a euro.

Only the purchase price of the shares will be taken into account when calculating the amount of the Maximum Investment. Any expenses, fees or brokerages that, if applicable, could be passed on for the acquisition transactions will therefore not be included.

Consequently, the maximum amount of the capital reduction (the "**Capital Reduction**") will be the sum of the aggregate nominal value of the number of own shares with a nominal value of one euro each corresponding to the Existing Treasury Stock (that is to say 6,072,604 euros) and the aggregate nominal value of the maximum number of shares with a nominal value of one euro making up the Joint Limit.

If the shareholders at the General Meeting approve the proposed resolution object of this report, the definitive amount of the share capital reduction will be established by the Board of Directors or, by delegation, by the Delegate Committee and/or the CEO, based on the definitive number of shares that are acquired pursuant to the settlement of the Derivatives, and within the framework of the Buy-back Programme, provided that it does not exceed the aforementioned Joint Limit, and always adding the shares corresponding to the Existing Treasury Stock. Otherwise, and together with the shares corresponding to the Existing Treasury Stock, all of the shares acquired pursuant to the Buy-back Programme will be cancelled, as well as the number of shares acquired as a result of the settlement of the Derivatives resulting from the difference between the Joint Limit and the number of shares effectively acquired in the Buy-back Programme and, in the latter case, the remaining shares acquired as a result of the settlement of the derivatives will not be subject to cancellation.

Example calculation of the maximum amount of shares to be cancelled in the Capital Reduction and of the amount of the Maximum Investment of the Buy-back Programme:

Solely to facilitate the understanding of its application, the following is a calculation example using the formulas included in this section. The results of these calculations do not represent those that may actually arise as a result of carrying out the Capital Reduction that will depend on several variables used in the formula and any possible rounding.

Merely for the purposes of this example:

The Existing Treasury Stock consist of 6,072,604 Company shares.

The No. Shares Issued is assumed to be 33,723,407.

Likewise, the Quoted Price is assumed to be 15 euros.

Joint Limit = 29,068,912 + (No. Shares Issued) – 6,072,604 = 29,068,912 + 33,723,407 – 6,072,604 = 56,719,715 shares

Maximum Investment (Buy-back Programme) = MNS x (Quoted Price x 1.20) = 56,719,715 x (15 x 1.20) = 1,020,954,870 euros

Consequently, in this example, (i) the Joint Limit will be 56,719,715 shares, (ii) the MNS will not exceed 56,719,715 shares and (iii) the Maximum Investment will amount to 1,020,954,870 euros.

Therefore, in this example, the maximum amount of the share capital reduction would be 62,792,319 shares of one euro par value each.

The main characteristics of the Buy-back Programme, without prejudice to the timely public disclosure of all of the related details, which will be provided once approved by the Board of Directors and, in any case, before beginning with the acquisitions, will be the following:

1. The Company will acquire, for their cancellation, own shares for an amount no higher than that resulting from applying the formula foreseen for the calculation of the Maximum Investment. Furthermore, under no circumstances will the number of shares purchased under the Buy-Back Programme exceed the Joint Limit.

2. The acquisition of the shares will be carried out based on the price and volume terms established in article 3 of Commission Delegated Regulation (EU) 2016/1052, of 8 March 2016.

3. The Board of Directors will establish the duration of the Buy-Back Programme, which will under no circumstances exceed one year. Notwithstanding the foregoing, the Company may terminate the Buy-Back Programme prior to the deadline established if its purpose has been fulfilled and, in particular, if prior to the end of the Buy-Back Programme the Company has acquired under it the maximum number of shares (MNS), or shares for an acquisition price that reflects the amount of the Maximum Investment of the Buy-Back Programme, or if any other circumstance exists making it either advisable or necessary.

The acquisition of the shares will be carried out pursuant to article 144 a) of the Spanish Companies Act (relating to the free buy-back of own shares) and in accordance with articles 338 to 342 of the same Act, to the extent that they are applicable, of article 12.2 of Royal Decree 1066/2007, of 27 July, of article 5 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council, of 16 April 2014, on Market Abuse, and of Commission Delegated Regulation (EU) 2016/1052, of 8 March 2016, without it being necessary, therefore, to formulate a public takeover bid for the Company's shares acquired in the implementation of the Buy-Back Programme.

In addition, if the proposal is approved, articles 5 and 6 of the Company's Articles of Association will be amended in order to reflect the new share capital amount and the new number of outstanding shares after the treasury shares — the cancellation of which is proposed — are deducted.

Once the Buy-back Programme has finished, the Board of Directors, or the Delegate Committee or CEO, will determine the specific amount in which the capital will be reduced by adding the Existing Treasury Stock, the shares acquired pursuant to the Buy-Back Program and the shares acquired through the settlement of the Derivatives, according to the terms established in the proposed agreement.

The Capital Reduction will not entail the return of contributions to the shareholders, given that, at the time of the reduction, the Company will be the owner of the shares to be cancelled. For the purpose of that set forth in article 335 of the Spanish Companies Act, the capital reduction will be made with a charge to free reserves by setting up a reserve for an amount equal to the par value of the cancelled shares, which may only be used if the same requirements as those for the reduction of capital are met, pursuant to article 335.c) of the Spanish Companies Act. Consequently, in accordance with the aforementioned law, creditors will not have the right of opposition referred to in article 334.

Furthermore, it is proposed that the shareholders at the Shareholders´ Meeting authorise the Board of Directors to execute the resolution to reduce the share capital (with express authorisation to delegate to the Delegate Committee and/or the CEO pursuant to article 249 bis. l) of the Spanish Companies Act), within one month of the (early or schedule) completion of the Buy-back Programme and, in any event, within one year of the date on which the proposed resolution object of this report is adopted. This will allow the Board of Directors to

decide, within a reasonable period, the most appropriate time to proceed with executing the share capital reduction based on the situation of the market and the Company, as well as other factors, internal and external, that may be relevant.

Likewise, it is proposed that the Board be authorised to determine the matters that have not been expressly established in this proposed resolution or that arise as a result hereof and to carry out the actions and execute the public or private instruments necessary or appropriate for the most comprehensive execution of the share capital reduction. Specifically, it is proposed that the Board of Directors be authorised to carry out the procedures and actions necessary so that, once the share capital resolution is executed, the cancelled shares are delisted from the Madrid, Barcelona, Bilbao and Valencia stock exchanges, through the Stock Exchange Interconnection System (Continuous Market) and the corresponding accounting records are derecognised; and be authorised to request and carry out all procedures and actions necessary so that the cancelled shares are delisted from any other stock exchanges or securities markets where the Company's shares are traded or may be traded, in accordance with the procedures established in each of these stock exchanges or securities markets, and the corresponding accounting records are derecognised.

Lastly, it is proposed that the Board of Directors be in turn expressly authorised to delegate (with the power of substitution, where appropriate) to the Delegate Committee and/or the CEO, pursuant to article 249 bis.l) of the Spanish Companies Act, all the delegable powers referred to in the proposed resolution object of this report.

Report of the Board of Directors on the resolution proposed under point seventh on the Agenda ("Delegation to the Board of Directors, within the provisions of article 297.1.b) of the Companies Act, of the power to resolve the increase of the capital stock, once or on several occasions and at any time within a period of five years, through monetary contributions, up to the nominal maximum amount of 778,232,482 euros, leaving without effect the second resolution approved by the General Shareholders' Meeting held on March 28, 2014 under the nineteen point of the Agenda. Delegation of the powers to exclude the preemptive subscription rights in accordance with article 506 of the Companies Act")

This report is prepared in pursuance of Articles 286, 296.1, 297.1.b) and 506 of the Companies Act to justify the proposal to grant new powers to the Board of Directors of Repsol (the "**Company**") to increase the capital stock, pursuant to the provisions of Article 297.1.b) of Companies Act, including the delegation for exclusion the preemptive subscription rights under the terms of Article 506 of the Companies Act, which approval is proposed to the General Shareholders' Meeting under item seventh of the Agenda.

Article 297.1.b) of the Companies Act empowers the General Shareholders' Meeting, with the requisites laid down for the amendment of the By-Laws, to delegate to the Board of Directors the power to resolve the increase in capital stock up to a particular figure, on one or several occasions, on the opportunity and to the amount that the latter decides, without prior consultation of the General Shareholders' Meeting. These increases cannot under any circumstances exceed half the capital of the Company at the time of the authorization, and shall have to be done by monetary contributions within five years from the resolution of the General Shareholders' Meeting. According with the provisions of Article 286 in relation to Articles 296.1 and 297.1, the Board of Directors should prepare a written report justifying the proposal.

The Board of Directors considers that the proposal of resolution presented to the General Shareholders' Meeting is justified by the usefulness of the Board having a mechanism regulated by corporate regulations in force allowing it to resolve one or several capital increases, with no later calling and holding of a new Shareholders' Meeting, though within the limits, terms and conditions that this Shareholders' Meeting decides.

The dynamics of mercantile companies and in particular listed companies, requires that their governing and administrative bodies should be in a position to make use of the possibilities that they are allowed by corporate regulations to provide fast and effective responses to needs arising in the business in which big companies are at present involved. One of these requirements is of course, that of giving the Company new financial resources, a fact which will often be structured by new capital contributions.

Nevertheless, the impossibility of determining in advance what the Company's needs will be as regards provision of capital and the delays and rises in costs which may be entailed by the usual call to the General Shareholders' Meeting to increase the capital, making it hard for the

Company to respond to market demands effectively and promptly, makes it useful for the Board to be in a position to use the capital mechanism envisaged in our legislation. Indeed, recourse to delegation envisaged in article 297.1.b) of the Companies Act allows the Company to give the Board of Directors an agile and flexible instrument for catering for the Company's needs more appropriately, depending on market circumstances.

With all these aims in mind, the General Shareholders' Meeting is presented the proposal to delegate to the Board the power to resolve the increase the Company's capital by at most 778,232,482 euros (ie, half of the existing share capital on the date of this report, rounded down), giving the Board powers to proceed with any measures which may be required for the listing of the shares which may be issued in execution of the resolution. Furthermore the proposal includes leaving without effect the second resolution of the nineteen point on the Agenda of the General Shareholders' Meeting held on March 28, 2014, concerning the authorization to increase capital.

The proposal sets, in accordance with Article 297.1.b) of the Companies Act, that the shares issued in exercise of this delegation will be in consideration of monetary contributions, and contains the possibility of a non-complete subscription of the new shares, in accordance with Article 311.1 of the Companies Act.

On the other hand, in accordance with Article 506 of the Companies Act, the General Shareholders' Meeting, when required by the corporate interest, can also delegate to the Board the power to suppress, all or part, the preemptive subscription rights of shareholders in relation to share issues carried out under the delegation.

The power to suppress the preemptive subscription rights can only be exercised by the Board in those events required by the company interest, provided that the par value of the new shares plus, if applicable, the amount of the share premium, will correspond to the fair value determined by an independent expert, different from the auditor, appointed by the competent Commercial Register, in accordance with Article 506 of the Companies Act by reference to Articles 505 and 308 of that Law, such fair value being referred, unless the contrary is proved, to the quoted price of the shares.

Only the Board can determined in each moment whether the suppression of the preemptive subscription rights is proportionate to the benefits to be obtained by the Company and, therefore, decide the suppression because of the corporate interest. In any case, the Board will have to comply with the conditions required by Law.

The Board of Directors considers that this additional possibility, that considerably extends the leeway and capacity of response offered by a simple delegation of authority to increase the share capital in accordance with Article 297.1b) of the Companies Act, is justified by the flexibility and agility with which it is necessary to act in current financial markets in which the market conditions are more propitious. The exclusion of the preemptive subscription rights

may be also required when capturing financial resources is intended to be made on international markets or by techniques of demand prospecting or bookbuilding or when otherwise justified by company interests, including the cases provided in article 12bis of the Bylaws. Finally, the withdrawal of the preemptive subscription rights allows a relative reduction of the financial costs associated to the operation -including, in particular, the commissions of the financial entities that participate in the issue- in comparison with an issue in which preemptive subscription rights are given, and at the same time it has a lesser effect of distortion in the negotiation of company shares during the issue period, which is usually shorter than in a rights issue.

Although the Spanish Companies Act does not in any way limit the AGM's capacity to confer authority on the Board of Directors to eliminate preemptive subscription rights, within the maximum limit of 50% of the company's share capital at the time of authorisation, the Board of Directors has deemed it more suitable, in line with international recommendations and tendencies in best market practices, to limit this power to a maximum of 20% of the Company share capital at the moment of granting the resolutions, provided that, pursuant to article 506 of the Companies Act and as made manifest in this report, the Company's best interests are properly explained to the shareholders.

Even so, note should be taken that the exclusion of the preemptive subscription rights is a power that the General Shareholders' Meeting delegates to the Board of Directors and that the latter must, after taking into consideration the specific circumstances and in respect of the legal requirements, decide in each case if it is proper to exclude said right or not. In the event of the Board of Directors deciding to make use of the possibility of excluding the preemptive subscription rights in a specific capital increase to which it may resolve, making use of the authorisation granted by the General Shareholders' Meeting, it will when resolving the increase issue a report explaining the specific reasons of company interest which justify that decision to eliminate the right, which will in turn by covered by an independent expert report, different from the auditor, appointed by the competent Commercial Register, in accordance with Article 506 of the Companies Act by reference to Articles 505 and 308 of that Law. Both reports will be made available to the shareholders and made known to the first General Shareholders' Meeting to be held after the agreement for increase, according to what is laid down in said precept.

The capital increases made to perform the conversion of fixed income securities or warrants, pursuant to the authorizations granted by the Shareholders Meeting in force at each moment (currently, agreement of the point eight of the agenda of the Ordinary Shareholders´ Meeting of 19 May 2017), will be included in the maximum limits established in the proposal. Furthermore, the limit of 20% of share capital shall also be applied to the issuances that, in accordance with articles 417 and 511 of the Spanish Companies Act, exclude the preemptive subscription rights.

Likewise, the authorization granted by the Annual Shareholders´ Meeting, held on March 28, 2014, under the point nineteen on the Agenda, has a term of 5 years. Therefore, if the 2019 Annual Shareholders' Meeting would meet after March 28 of that year, such authorization would expire and Repsol could not increase its capital stock until the granting of a new authorization within the provision of article 297.1.b) of the Spanish Companies Act. To avoid that, it is considered advisable to submit to the Shareholders´ Meeting the approval of a new authorization to increase the capital in the terms set out in this proposal.

Finally, the proposal is completed with the possibility that the Board of Directors may delegate, in turn, the delegable powers granted to it in this proposal.

Report of the Board of Directors on the resolution proposed under point eighth on the Agenda (“Authorization to the Board of Directors, with express power of delegation, for the derivative acquisition of shares of Repsol, S.A., directly or through subsidiaries, within a period of 5 years from the resolution of the Shareholders’ Meeting, leaving without effect, in the part not used, the authorization granted by the General Shareholders’ Meeting held on March 28, 2014 under point twentieth on the Agenda.”)

The system governing derivative acquisition of own shares is regulated in articles 144 to 148 and 509 of the Companies Act. According to this system, the acquisition of own shares, except in cases of free acquisition pursuant to the provisions of Article 144 of the Companies Act, must be authorized by the General Shareholders’ Meeting by means of a resolution with content according to paragraph 1.a) of article 146 of the Companies Act. This authorization may not, under any circumstances, exceed 5 years.

In the case of shares of Repsol, S.A., listed on a secondary securities market, the nominal value of the shares acquired plus the ones directly or indirectly already owned cannot exceed 10% of the capital stock, according to Article 509 of the Companies Act.

Since 1996 the General Shareholders’ Meeting has authorized the Board of Directors to acquire shares of Repsol, S.A., either directly or through subsidiaries.

The reason for this proposal lies in that the authorization granted by the Ordinary General Shareholders’ Meeting, held on March 28, 2014, under point twentieth on the Agenda, has a term of 5 years. Therefore, if the 2019 Annual Shareholders’ Meeting would meet after March, 28 of that year, such authorization would expire before the aforementioned Shareholder´s Meeting and Repsol could not acquire own shares from that date until the granting of a new authorization, apart from the cases of free acquisition. To avoid this, it is prudent to propose to Shareholders’ Meeting the approval of a new authorization to acquire own shares under the terms of this proposal.

It should also be noted that the acquisition and sale of own shares by Repsol, S.A., is subject of strict regulation under the securities markets regulations (mainly, Royal Legislative Decree 4/2015, of 23 October, approving the Spanish Securities Market Law and Regulation (EU) 596/2014 of the European Parliament and of the Council of April 2014 on market abuse) and the Internal Code of Conduct of the Repsol Group in respect of the Securities Markets, in order to avoid any distortion in the market prices.

Report of the Board of Directors on the resolution proposals related to points ninth, tenth and eleventh on the Agenda, regarding the ratification and re-election of Mr. Jordi Gual Solé as Director, as well as those relating to the appointment of Ms. María del Carmen Ganyet I Cirera and Mr. Ignacio Martín San Vicente as Directors.

This report is prepared by the Board of Directors, in compliance the provisions of art. 529 *decies* of the Companies Act [*Ley de Sociedades de Capital*], to justify the proposal for ratification and re-election as Director of Mr. Jordi Gual Solé together with the proposals for the appointment of Ms. María del Carmen Ganyet I Cirera and Mr. Ignacio Martín San Vicente as Directors, all of them for a period of four years, valuing for such purpose the skills, experience and merits of persons whose appointment, ratification and/or re-election is proposed to the Shareholders' Meeting.

In view of the reports and proposals prepared by the Nomination Committee, at its meeting held on 4 April 2018, which the Board of Directors fully adopts and signs, the Board of Directors believes that Mr. Gual, Mr. Martín and Ms. Ganyet have right skills, experience and merits for the board member positions for which they have been proposed and their extensive experience in sectors relevant to Company and the Group and their extensive knowledge in different business fields guarantees the contribution of plural views to the matters debated by the Board of Directors. The abovementioned reports and proposals of the Nomination Committee, are attached as an **Appendix** to this directors' report, that as indicated above, subscribe to and incorporate the contents of those reports.

In accordance with the provisions of art. 529 *duodecies* of the Companies, art. 32 of the Bylaws and art. 3 of the Regulations of the Board of Directors:

- Mr. Jordi Gual Solé is considered a "Proprietary External Director".
- Ms. María del Carmen Ganyet I Cirera will be considered an "*Independent External Director*"
- Mr. Ignacio Martín San Vicente will be considered an "*Independent External Director*".

With the appointment of Ms. Ganyet and Mr. Martín as Directors, the 50% threshold of Independent Directors on the Board of Directors is restored, after having been temporarily reduced following Mr. Mario Fernández Pelaz's resignation from the Board on 20 February. Likewise, in respect of the composition of the Nomination and Remuneration Committees, it is the Board's intention to appoint at least one Independent Director to each one, in order to restore the majority of Independent External Directors in their composition, which had also been reduced due to Mr. Fernández's resignation.

REPSOL

Appendix

Reports and proposals by the Nomination Committee of Repsol, S.A. in relation to the appointment, ratification and re-election of Board members submitted to approval at the next Ordinary General Meeting.

These reports and proposals (in the case of the Independent Directors) are prepared by the Nomination Committee of the Board of Directors of Repsol, S.A. ("**Repsol**" or the "**Company**") in accordance with Article 529 *decies* of the Companies Act and art. 12, 15 and 35 of the Board Regulations.

Pursuant to the provisions of the said article of the Companies Act and the Board Regulations, the Board's proposal for the ratification of the appointment by co-optation and re-election of Mr. Jordi Gual Solé as *Proprietary External Director*, shall be submitted to the General Shareholders' Meeting at the proposal of the Nomination Committee.

On the other hand, the proposals of the Board of Directors for the appointment as Directors of Ms. María del Carmen Ganyet I Cirera and Mr. Ignacio Martín San Vicente, both of them as *Independent External Directors*, shall be submitted to the General Shareholders' Meeting at the proposal of the Nomination Committee.

Below are the most relevant considerations regarding each board member proposed for appointment, ratification and/or re-election by the General Shareholders' Meeting:

1) Mr. Jordi Gual Solé
External Proprietary Director

a) Summary of profile and professional experience

Mr. Gual holds a PhD in Economics (1987) from the University of California at Berkeley and is a professor of Economics at the IESE Business School and a Research Fellow at the Centre for Economic Policy Research (CEPR) in London.

He is Chairman of CaixaBank since July 2016. Previously, he was Head of Strategic Planning and Studies for CaixaBank and Director General of Planning and Strategic Development for CriteriaCaixa. He joined the “la Caixa” group in 2005.

He has served as an economic advisor for European Commission’s Directorate-General for Economic and Financial Affairs in Brussels and as a visiting professor at the University of California at Berkeley.

He is currently a member of the Board of Telefonica, S.A., member of the Supervisory Board of Erste Group Bank and of the Market Monitoring Group of the Insttute of Internatonal Finance (IIF). He is also a member of the Board of the European Corporate Governance Institute, Chairman of FEDEA, Vice President of the Círculo de Economía and serves on the boards of the CEDE Foundation, Institució Cultural del CIC, of the Real Instituto Elcano and the Fundación Cotec para la Innovación.

In 1999 he received the Research Award of the European Investment Bank, and in 1979 he graduated with honours in Economics and Business.

Mr. Gual was appointed Director at Repsol by agreement of the Board of Directors meeting held on 20 December 2017.

b) Complementary information

As of the date of this report, Mr. Gual does not hold, either directly nor indirectly, shares of Repsol, S.A.

Likewise, Mr. Gual has attended all the meetings held by the Board of Directors since his appointment.

c) Conclusion and report by the Nomination Committee

The Nomination Committee considers that Mr. Jordi Gual Solé has the skills, experience and merits that would be suitable for the position of Director of the Company and that he meets the requirements of trustworthiness, aptness, solvency, availability and commitment for the duties inherent to the office, allowing him to make a very positive contribution to the functioning of the Company's Board of Directors.

In regard to an evaluation of the work and effective dedication of the Director from the time he was appointed up to the present, this Committee believes that this has been proven by his performance in his position and his informed participation in the meetings of the Board of Directors.

Lastly in regard to his classification as a Director, Mr. Jordi Gual Solé was proposed at the request of the shareholder Caixabank, S.A and this Committee has deemed that Mr. Gual complies with the requirements set forth in Section 3 of art. 529 *duodecies* of the Companies Act, art. 32 of the Bylaws, and art. 3.4 of the Board Regulations, and that he should therefore be classified as a Proprietary External Director.

Based on all of the above, the Nomination Committee hereby resolves to propose the ratification of the appointment by co-option and re-election Mr. Jordi Gual Solé as a

Proprietary External Director of the Company for a statutory term of four years, and to submit this to the consideration of the General Shareholders' Meeting.

2) Ms. María del Carmen Ganyet i Cirera
Independent External Director

a) Summary of profile and professional experience

Ms. Ganyet holds a degree in Economics and Business Administration from the Universitat Autònoma de Barcelona. In addition, she has also completed postgraduate studies at ESADE.
She began her professional career at Arthur Andersen, specializing in auditing the financial sector. In 1995 she was appointed head of Investment and Management Control of the Financial, Real Estate and Insurance Group of Caixa Holding (current Criteria).

In 1999 she led the IPO of Colonial from Caixa and inn 2000, she was appointed Financial Director of Colonial, becoming part of its Management Committee.

In 2004, she led the takeover bid on Société Foncière Lyonnaise (real estate company listed on the Paris Stock Exchange), consolidating Colonial as a reference real estate property in Europe.
She has participated in the design of the takeover bid on Axiare, as well as in all the operations of organic and corporate growth that have allowed Colonial to be part of the Ibex 35 and a leading pan-European real estate office leader.

She is currently the Corporate General Director of Inmobiliaria Colonial and belongs to its Management Committee.

Ms. Ganyet is also a member of the Board of Directors of Société Foncière Lyonnaise, of ICF (Catalan Institute of Finance) and of SegurCaixa Adeslas.

Ms. Ganyet has teaching experience as a professor at the Faculty of Business Administration of the Ramon Llull University. She is a member of the Board of Directors of the Círculo de Economía, Founder of l'Espai Vicens Vives, member of the Board of Ethos Ramon Llull-Ethics and Business, member of the ULI-Barcelona Board and of the Esade-Alumni Board of Directors. She is also a specialist in finance and corporate finance, and has won several awards and recognitions for his professional career.

b) Proposal of the Nomination Committee

In accordance with the provisions of the Board Regulations, the Nomination Committee must submit proposal for the appointment of Independent External Directors to the Board of Directors. Accordingly, this Committee will evaluate the skills, knowledge and experience necessary for the Board of Directors, defining, in consequence, the functions and aptitudes

necessary for the candidates to fill each vacancy, and evaluating the time and dedication required for them to undertake their tasks properly.

In accordance with the Directors Selection Policy the Nomination Committee has assessed the independence of the candidates proposed as new Independent Directors and compliance with the requirements provided for by Law, the Bylaws and the Board Regulations.

For the purpose of assessing the independence of Ms. Ganyet, the Nomination Committee has considered the provisions of the Companies Act and the Code of Corporate Governance of Listed Companies, as well as the policies of our major shareholders and the main proxy advisors.

Subject to the above, among other requirements, Independent Directors should not maintain any significant business relationship with Repsol, either directly or as a significant shareholder, director, or senior executive of any institution that maintains or has maintained such a relationship with Repsol.

In this regard, it has been verified that Ms. Ganyet can exercise her position as Director of Repsol without being conditioned by the existence of business relations with the Company, since she is not nor has been, since 2006 when Colonial Group exit from Caixa, a significant shareholder, director, or senior executive of any institution with which Repsol maintains or he has maintained a relevant business relationship.

In terms of her contribution of knowledge and experience to the Board of Directors, this Committee would like to highlight the training and extensive experience of Ms. María del Carmen Ganyet i Cirera in the fields of accounting, financial management and risk control.

Pursuant to the foregoing, the Nominations Committee considers that Ms. María del Carmen Ganyet i Cirera has the skills, experience and merits that would be suitable for the position of Director of the Company and that her appointment would strengthen the accounting, financial management and risk control skills, in the Board of Directors as well as in the Audit and Control Committee, after the resignation of Mr. Mario Fernandez Pelaz. She also meets the requirements of trustworthiness, aptness, solvency, availability and commitment for the duties inherent to the office. Similarly, the appointment of Ms. Ganyet will contribute to promoting gender diversity in the composition of the Board, in accordance the objectives laid down in Repsol Director Selection Policy.

Lastly in regard to his classification as a Director, this Committee has deemed that Ms. Ganyet complies with the requirements set forth in Section 4 of art. 529 *duodecies* of the Companies Act, art. 32 of the Bylaws, and art. 3.5 and 13 of the Board Regulations and therefore, that she should be classified as an *Independent External Director*.

Based on all of the above, the Nomination Committee hereby resolves to propose appointment of Ms. María del Carmen Ganyet i Cirera as an Independent Director of the Company, for a statutory term of four years, and to submit this to the consideration of the General Shareholders' Meeting.

3) Mr. Ignacio Martín San Vicente
Independent External Director

a) Summary of profile and professional experience

Mr. Martín is an Electric Industrial Engineer qualified by the University of Navarra.

He has developed his professional career at different companies, mainly of the industrial sector as GKN Automotive International, where he was General Director, member of the Global Executive Committee and Chief Executive Officer in the United States.

Mr. Martín was also the Deputy General Manager to the Chairman of Alcatel España and, following his return to the GKN Driveline Group in 1999, he was appointed General Director of Operations in Europe, which was GKN's most important region. In 2001, he was appointed Executive Vicechairman of the GSB Group, where he led the merger with Corporación industrial Egaña, which was the origin of the company CIE Automotive, where he was Chief Executive Officer until 2012, when he joined Gamesa as Executive Chairman until it was merged with Siemens Wind Power in May 2017.

He is currently a Director at Bankoa-Credit Agricole.

b) Proposal of the Nomination Committee

In accordance with the provisions of the Board Regulations, the Nomination Committee must submit proposal for the appointment of Independent External Directors to the Board of Directors. Accordingly, this Committee will evaluate the skills, knowledge and experience necessary for the Board of Directors, defining, in consequence, the functions and aptitudes necessary for the candidates to fill each vacancy, and evaluating the time and dedication required for them to undertake their tasks properly.

In accordance with the Directors Selection Policy the Nomination Committee has assessed the independence of the candidates proposed as new Independent Directors and compliance with the requirements provided for by Law, the Bylaws and the Board Regulations.

For the purpose of assessing the independence of Mr. Martín, the Nomination Committee has considered the provisions of the Companies Act and the Code of Corporate Governance of

Listed Companies, as well as the policies of our major shareholders and the main proxy advisors.

In this regard, it has been verified that Mr. Martín can exercise his position as Director of Repsol without being conditioned by the existence of business relations with the Company, since he is not nor has been a significant shareholder, director, or senior executive of any institution with which Repsol maintains or he has maintained a relevant business relationship.

In terms of her contribution of knowledge and experience to the Board of Directors, this Committee would like to highlight the training and extensive experience of Mr. Ignacio Martín San Vicente in business management and renewable energies.

Pursuant to the foregoing, the Nominations Committee considers that Mr. Ignacio Martín San Vicente has the skills, experience and merits that would be suitable for the position of Director of the Company. His experience and knowledge on energy and renewables is highly valuable in view of the forthcoming challenges posed by the energy transition and he also has a solid track record in managing complex corporate situations on an international scale. Thus, he successfully matches the position's requirements of reputation, suitability, standing, availability and commitment.

Lastly in regard to his classification as a Director, this Committee has deemed that Mr. Martín complies with the requirements set forth in Section 4 of art. 529 duodecies of the Companies Act, art. 32 of the Bylaws, and art. 3.5 and 13 of the Board Regulations and therefore, that he should be classified as an Independent External Director.

Based on all of the above, the Nomination Committee hereby resolves to propose appointment of Mr. Ignacio Martín San Vicente as an Independent Director of the Company, for a statutory term of four years, and to submit this to the consideration of the General Shareholders' Meeting.

Report of the Board of Directors on the resolution proposed under point twelfth on the Agenda ("Advisory vote on the Repsol, S.A. Annual Report on Directors' Remuneration for 2017")

Pursuant to Article 541.4 of the Companies Act, it is submitted to an advisory vote by the Shareholders, as a separate point on the agenda. the Repsol, S.A. Annual Report on Directors' Remuneration 2017, prepared in accordance to the template set out in Circular 7/2015 of the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores – CNMV*).

This report was approved by the Board of Directors on 4 April 2018, upon recommendation by the Compensation Committee, which received independent counselling from EY, a firm specializing, among others, in compensation for directors and senior executives.

The Repsol, S.A. Annual Report on Directors' Compensation 2017 is available for consultation by shareholders on the Company's website (www.repsol.com) and at the registered office, situated at Calle Méndez Álvaro nº 44, 28045 Madrid, where shareholder may also request a copy in hand or delivered free of charge to any address they may indicate.

In addition, shareholders may consult the Director's remuneration voluntary report prepared by the Compensation Committee to provide detailed information about the implementation of the remuneration policy of the Directors and to help them to fully understand the information contained in the Annual Report on Director Remuneration drawn up in accordance with the template set out by Spanish Securities Market Commission.

Report of the Board of Directors on the resolution proposed under point thirteenth on the Agenda on the Agenda ("Share Acquisition Plan 2019-2021.")

The Board of Directors has approved, following a report from the Compensation Committee, a remuneration plan linked or referenced to the value of company shares, aimed at active employees of Repsol Group in Spain. To put this plan into practice, in accordance with corporate governance best practices, it must be submitted to the General Shareholders' Meeting.

The plan, called “Share Acquisition Plan 2019-2021” and that continues the similar plans approved by the General Shareholders’ Meeting held on 15 April 2011 (Share Acquisition Plan 2011-2012), on 31 May 2012 (Share Acquisition Plan 2013-2015) and on 30 April 2015 (Share Acquisition Plan 2016-2018), is aimed to allow those who wish to do so to receive up to €12,000 of their annual remuneration in company shares.

It is therefore a plan that does not involve additional remuneration, but it simply allows its beneficiaries to structure their remuneration in a different payment form —in shares—, at their own discretion. In the definition of the concrete characteristics of the Plan, the Company will try to comply with the tax legal requirements so as to obtain an exempted-tax consideration of the shares acquired under the Personal Income Tax, without prejudice of the individual treatment applicable to each beneficiary.

The proposal contemplates the maximum amount that can be dedicated to investment in shares, and the formula to determine the maximum number of shares to be given, and it is completed with the usual powers of development of the regulations of the Plan and interpretation in favour of the Board of Directors and, by delegation, of the Delegate Committee, of the Chief Executive Officer, of the General Counsel Director and of the Corporate Director of People and Organization.

Report of the Board of Directors on the resolution proposed under point fourteenth on the Agenda ("Delegation of powers to interpret, supplement, develop, execute, rectify and formalize the resolutions adopted by the General Shareholders' Meeting.")

This is the usual resolution granting to the Board of Directors the ordinary powers to execute the resolutions adopted at the Shareholders' Meeting, including the power to file the Annual Accounts and have the necessary resolutions entered in the Trade Register.

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