



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

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



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

REPORT ON LIMITED REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

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

Scope of Review

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

Conclusion

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



Emphasis of Matter

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

Other matters

Interim consolidated directors' Report

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

Preparation of this review report

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

PricewaterhouseCoopers Auditores, S.L.



Inaki Goiriena Basualdu

July 24, 2019

REPSOL Group

2019 Interim consolidated
financial statements
First Half

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



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

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

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

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

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

Repsol, S.A. and Investees comprising the Repsol Group

Income statement corresponding to the second quarter of 2019 and 2018, and the interim periods ending June 30, 2019 and 2018

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

⁽¹⁾ Net of taxes.

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

Repsol S.A. and Investees comprising the Repsol Group

Statement of recognized income and expense corresponding to the second quarter of 2019 and 2018 and the interim periods ending June 30, 2019 and 2018

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

⁽¹⁾ Constituting the sum of the following consolidated income statement headings: “Profit from continuing operations” and “Profit from discontinued operations attributable to the parent”.

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

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

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

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

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

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

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

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

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(1) GENERAL INFORMATION

1.1 About the Repsol Group

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

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

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

1.2 About the interim condensed consolidated financial statements

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

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

1.3 Composition of the Group

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

(2) BASIS OF PRESENTATION

2.1 General principles

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

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

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

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

2.2 Comparative information

2.2.1 Application of new accounting standards

During the first six months of 2019, different accounting standards applicable from January 1, 2019 were adopted¹, and other accounting standards, previously adopted by the European Union, have begun to be applied², of which IFRS 16 *Leases* and IFRIC 23 *Uncertainty over income tax treatments* should be mentioned, due to their impact.

IFRS 16 *Leases*

Application

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

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

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

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

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

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

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

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

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

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

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

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

Financial impact

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

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

⁽¹⁾ Includes the finance lease liabilities in accordance with the previous accounting standard, recognized in 2018 under "Other non-current liabilities" and "Trade and other payables" in the consolidated balance sheet. In 2019, the Group, as a result of the application of IFRS 16, decided to present its lease payables under "Current financial liabilities" and "Non-current financial liabilities" in the consolidated balance sheet.

⁽²⁾ The onerous burden provision associated with certain operating lease agreements was canceled against the corresponding asset.

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

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

⁽¹⁾ Includes service stations, gas pipelines and operation platforms.

⁽²⁾ Includes vessels and land transport vehicles.

⁽³⁾ Includes offices and parking facilities.

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

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

Other impacts of IFRS 16

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

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

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

IFRIC 23 Uncertainty over income tax treatments

IFRIC 23⁴ clarifies how the recognition and measurement requirements of IAS 12 *Income taxes* should be applied in those circumstances where there is uncertainty. The application of this interpretation has led the Group to reevaluate certain tax liabilities for an additional amount of €79 million. This change is a result of having determined that various uncertain tax treatments, in accordance with the information available and the expectation of resolution of the situation: (i) must be considered jointly instead of individually, and (ii) it is more appropriate to measure the amount of the liability to be recognized in accordance with the expected value instead of the most likely value. This impact was recognized retrospectively, and cumulative as of January 1, 2019, under "*Equity - Retained earnings and other reserves*" in the consolidated balance sheet (see Note 4.1.4). For presentation purposes, uncertain tax treatments arising from the recognition of income tax liabilities are recognized in the consolidated balance sheet under "*Non-current provisions*" and "*Current provisions*", which did not undergo significant changes in the period⁵.

2.2.2 Accounting estimates and judgments

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

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

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

2.2.3 Seasonality

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

2.2.4 Earnings per share

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

⁴ International Financial Reporting Interpretations Committee No. 23

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

2.3 Information by business segments

Definition of the Group's presentation model and segments

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

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

(3) RESULTS BY SEGMENT AND INFORMATION BY GEOGRAPHICAL AREA⁶

3.1 Results by segment

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

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

3.2 Information by geographical area

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

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

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

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

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

(4) MAIN CHANGES IN THE FINANCIAL STATEMENTS

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

4.1 Balance Sheet

4.1.1 Property, plant and equipment

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

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

4.1.2 Investments accounted for using the equity method

Repsol accounts for investments in joint ventures and associates in which it has a stake using the equity method. Note 13 to the consolidated financial statements for 2018 describes the Group's most significant investments⁷. The breakdown of the balance at June 30 is as follows:

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

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

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

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

⁽¹⁾ In 2018, includes mainly the divestment in Naturgy (see Note 4.2 to the consolidated financial statements for 2018).

⁽²⁾ See Note 4.2.3.

⁽³⁾ In 2018, includes mainly the reclassification of the negative value of the equity of Petroquiriquire and Cardón IV.

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

4.1.3 Financial assets

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

⁽¹⁾ Recognized under "Other non-current liabilities" on the balance sheet.

⁽²⁾ The variation is due mainly to the cancellation of deposits during the period.

⁽³⁾ Recognized under "Other receivables" of the balance sheet.

⁽⁴⁾ The variation is explained by the change in cash and cash equivalents in the period (see the consolidated statement of cash flows).

For further details on financial assets, see Appendix II.

4.1.4 Equity

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

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

Capital

On May 31, 2019, the Annual General Meeting approved two paid-up capital increases for the purpose of implementing the "Repsol Flexible Dividend" shareholders' remuneration program, which replaces the final dividend for 2018 and the interim dividend for 2019. This allows shareholders to choose between taking the dividend in cash (by selling their free-of-charge allocation rights to the Company or in the market) or in the company's shares. The first of these paid-up capital increases took place in June and July, when 28.31% of the rights holders accepted the binding purchase commitment⁸.

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

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

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

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

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

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

Shareholder remuneration

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

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

The Annual General Meeting, at its meeting held on May 31, 2019, approved a capital reduction⁹ through the retirement of treasury shares for the purpose of offsetting the dilutive effect of the the paid-up capital increases carried out in 2019 shown in the table above.

Treasury shares and own equity investments

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

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

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

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

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

4.1.5 Financial liabilities

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

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

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

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

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

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

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

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

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

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

⁽¹⁾ Issues made under the EMTN Program, which is guaranteed by Repsol, S.A.

⁽²⁾ Subordinated bond issued by RIF and guaranteed by Repsol, S.A. This issue does not correspond to any open-ended or shelf program.

⁽³⁾ Repsol Oil & Gas Canada, Inc. issues guaranteed by Repsol, S.A.

⁽⁴⁾ Coupon scheduled for reset on March 25, 2025 and March 25, 2045.

⁽⁵⁾ LuxSE (Luxembourg Stock Exchange). Multilateral trading systems or other trading centers or non-official over-the-counter markets are not considered.

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

4.2 Income statement

4.2.1 Revenue from ordinary activities

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

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

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

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

4.2.2 Operating profit and financial results

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

4.2.3 Profit from investments accounted for using the equity method

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

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

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

4.2.4 Income tax

The effective tax rate¹¹ applicable to profit from continuing operations (before tax and before considering the profit/(loss) of entities accounted for using the equity method) was 38%. This rate is lower than the rate applied in the same period in 2018 (47%) mainly as a result of the mix of nominal rates.

4.2.5 Profit from discontinued operations

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

4.2.6 Earnings per share

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

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

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

¹⁰ For more information, see Appendix III.

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

(5) RISKS

5.1 Disputes

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

United States of America

The Passaic River / Newark Bay lawsuit:

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

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

5.2 Government legal proceedings with tax implications

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

Spain

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

5.3 Geopolitical risks

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

Venezuela

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

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

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

These measures did not have any significant impact on the Group compared to 2018. At the end of the period, Repsol's equity exposure¹² in Venezuela amounted to €393 million.

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

Libya

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

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

Algeria

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

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

Vietnam

Repsol owns mineral rights on thirteen blocks in Vietnam, distributed in six production-sharing contracts (PSC): one in production over a net area of 152 km², (*Thang Long JOC*), one under development over 1,236 km² (*Ca Rong Do*) and four in exploration, over a net surface area of 72,248 km² (among them Blocks 135-136/03). Repsol's equity exposure in Vietnam at June 30, 2019 came to some €906 million (mainly the property, plant and equipment at that date) and there are additional commitments relating to the investment in these areas.

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

BREXIT

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

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

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

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

(6) OTHER INFORMATION

Corporate governance

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

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

(7) EXPLANATION ADDED FOR THE TRANSLATION INTO ENGLISH

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

APPENDIX I. CHANGES IN THE COMPOSITION OF THE GROUP

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

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

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

(1) Method of consolidation:
F.C.: Full consolidation.

E.M.: Equity method. Joint ventures are identified as "JV".

(2) Corresponds to the percentage of equity in the acquired company.

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

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

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

APPENDIX II. OTHER DETAILED INFORMATION

Financial instruments

Financial assets

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

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

⁽¹⁾ Includes non-controlling financial investments in certain companies over which it does not have management influence.

⁽²⁾ Includes current hedging derivatives amounting to €6 million (€10 million in 2018) and non-current hedging derivatives amounting to €7 million.

⁽³⁾ Does not include "Other non-current assets" and "Trade and other receivables" in the consolidated balance sheet, which at June 30, 2019 and December 31, 2018 amounted €678 million and €668 million classified as non-current and €6,505 million and €5,864 million classified as current, respectively, corresponding to trade receivables not included in the previous table net of the corresponding provisions for impairment.

⁽⁴⁾ Items that do not bear explicit interest are recognized at their nominal value whenever the effect of not discounting the related cash flows is not significant.

Financial liabilities

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

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

⁽¹⁾ In 2019, includes non-current and current hedging derivatives amounting to €72 million and €7 million, respectively (€54 million and €1 million in 2018).

⁽²⁾ "Fair value of financial instruments" in this appendix sets out the classification of financial instruments according to their level in the fair value hierarchy.

Fair value of financial instruments

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

€ Million	June 30, 2019 and December 31, 2018							
	Level 1		Level 2		Level 3		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Financial assets								
At fair value through profit or loss	155	204	289	202	24	24	468	430
At fair value through other comprehensive income	—	—	—	—	103	105	103	105
Hedging instruments	—	—	13	10	—	—	13	10
Total	155	204	302	212	127	129	584	545
Financial liabilities								
At fair value	272	223	289	94	—	—	561	317
Hedging instruments	—	—	79	57	—	—	79	57
Total	272	223	368	151	—	—	640	374

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

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

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

Related party transactions

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

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

- Significant shareholders: Sacyr, S.A. and BlackRock, Inc. (see section 4.1.4).
- Directors and executive personnel: includes members of the Board of Directors as well as members of the Executive Committee, whose members are considered "key management personnel" for purposes of this section (see section "Remuneration of the members of the Board of Directors and executives").
- People, companies or entities within the Group: includes transactions with Group companies or entities for the part not eliminated in the consolidation process, corresponding mainly to transactions undertaken with companies consolidated using the equity method (see Note 13 to the Consolidated Financial Statements for 2018).

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

Expenses and revenue

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

Other transactions

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

Closing balances

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

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

- (1) Includes any transactions performed with executives and directors not included in the following section "Remuneration of the members of the Board of Directors and executives", which correspond to the outstanding balance at the reporting date of the loans granted to members of senior management and the corresponding accrued interest, as well as dividends and other remuneration received as a result of holding shares of the Company.
- (2) The column headed "People, companies or entities within the Group" primarily includes products purchased with Repsol Sinopec Brasil (RSB) and from BPRY Caribbean Ventures LLC (BPRY).
- (3) In 2018 we should underline the supplies of gas with Naturgy for oil refineries and provisions for credit risks of accounts receivable and financial instruments in the first half (see Notes 10.3 and 20.3 to the consolidated financial statements for 2018). Excludes impacts of first application of IFRS 9 in joint ventures in Venezuela, which are recognized in "Equity." (see Note 2.2.2 to the consolidated financial statements for 2018).
- (4) In 2019 and 2018 the column "Significant shareholders" includes mainly the sales of gas to the Temasek group. In 2019 and 2018 the column "People, companies or entities within the Group" includes mainly sales of products to Iberian Lube Base Oil, S.A. (ILBOC) and Dynasol Group.
- (5) Includes loans granted and new provisions for credit facilities in the period, as well as capital contributions to Group companies with companies accounted for using the equity method.
- (6) Includes primarily guarantees granted to joint ventures in the United Kingdom, issued in the ordinary course of business to cover obligations to dismantle offshore platforms in the North Sea.
- (7) Corresponds to purchase, investment or expense commitments acquired in the period.
- (8) The amounts shown as dividends and other benefits distributed include the corresponding amounts for the sale to Repsol, at the guaranteed fixed price, of the free allocation rights derived from the paid-up capital increase finalized in January 2019, in the framework of the "Repsol Flexible Dividend" remuneration program. On the other hand, it does not include the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of the free allocation rights derived from the paid-up capital increase finalized in July 2019, which in the case of the significant shareholders amounted to €62 million (see note 10 of this table), nor does it include the Repsol shares subscribed in these capital increases.
- (9) In 2018 "Significant Shareholders" included mainly interest-bearing accounts and deposits amounting to €900 million with Caixa.
- (10) In 2019 and 2018 "Significant Shareholders" includes the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of the free allocation rights arising from bonus capital increase closed in July 2019 and 2018, respectively. Duties are recorded as accounts payable.

Remuneration of the members of the Board of Directors and executives¹³

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

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

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

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

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

Note: The information for 2018 includes the amendments to the interim consolidated financial statements for the first half of 2018 needed to adapt them to the models required by CNMV Circular 3/2018.

⁽¹⁾ Corresponds to the contributions to pension plans, long-service bonuses and savings plans for executive personnel.

⁽²⁾ Includes the accrued cost of the retirement, disability, and life insurance policies for Board of Directors members, including the corresponding tax payments on account in the amount of €179 thousand (€165 thousand in 2018).

⁽³⁾ Includes the contributions to the pension plans, contributions to savings plans and life and accident insurance premiums (including in the latter instance the corresponding payments on account) totaled €712 thousand (€676 thousand in 2018).

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

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

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

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

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

ii.) "Share Acquisition Plan"

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

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

Average headcount

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

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

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

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

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

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

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

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

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

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

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

⁽¹⁾ Figures drawn up according to the Group's reporting model described in Note 2.3 "Information by business segment".

⁽²⁾ Corresponds to the sum of "Sales" and "Income from services rendered and other income" in the income statement (IFRS-EU).