

JANUARY-JUNE 2018 EARNINGS

Press release
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7 pages

REPSOL EARNINGS INCREASE 46% TO 1.546 BILLION EUROS

- Repsol's net income was 1.546 billion euros between January and June 2018, representing an increase of 46% compared with the same period of the previous year, and the highest profit recorded for this period in the last decade.
- Adjusted net income, which specifically measures the performance of the company's businesses, increased by 12% to 1.132 billion euros, while EBITDA rose to 3.811 billion euros after a 23% increase.
- The company increased its hydrocarbon production by 6% during the first six months of the year, reaching an average of 724 thousand barrels of oil equivalent per day.
- Earnings from the Upstream unit (Exploration and Production) increased by 91% as a result of higher production and efficiency measures implemented in recent years, as well as rising international prices.
- The Downstream unit (Refining, Chemicals, Marketing, Lubricants, Trading, LPG and Gas & Power) demonstrated its strength with earnings of 762 million euros, supported by significant improvements in the areas of Marketing, Trading and Gas & Power, and LPG.
- Net debt decreased by 64% compared to June 30th, 2017, to 2.706 billion euros at the close of the first half of 2018; a period in which Repsol's shares rose 14%, outperforming the Ibex 35 by 18 percentage points and among the best in the industry in Europe.

724 kboe/d
Average production
increases by 6%

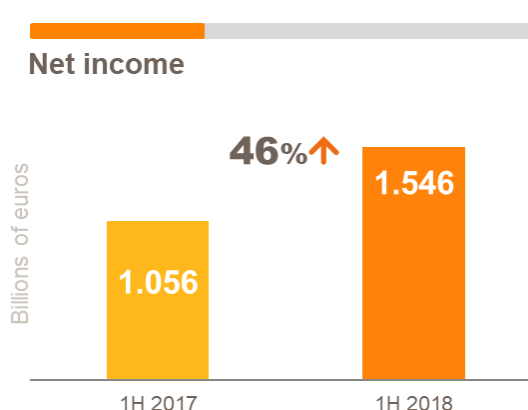
647 million
euros
Upstream earnings
increase by 91%

6.9 dollars
per barrel
Refining margin
indicator, among
the best in Europe

14% ↑
Increase in Repsol
share value in the
first half of the year

In the first half of the year, Repsol obtained a net income of 1.546 billion euros, compared to the 1.056 billion euros earned in the same period of 2017. This represents a 46% increase, and the company's highest net income recorded for this period in the last ten years.

In addition, adjusted net income, which specifically measures the progress of Repsol's businesses and excludes inventory effects, was 1.132 billion euros, a 12% increase compared with the 1.015 billion euros earned between January and June 2017.



The company relied on the flexibility afforded by its integrated business model and on the efficiency and value-creation measures implemented to achieve success in the first half of the year. Compared to the same period of last year, it was marked by higher crude oil prices (Brent +36%), lower gas prices (Henry Hub -11%), and the weakness of the dollar against the euro, as well as an international environment that was less favorable to some industrial businesses in general, and petrochemicals in particular.

Upstream earnings rose to 647 million euros, the highest recorded for the first half of the year since 2012

The Upstream unit's performance was positive, with earnings of 647 million euros: 91% higher than the earnings obtained between January and June of last year. This figure is the highest recorded by Repsol in the first half of the year since 2012, when Brent prices averaged 113.6 dollars per barrel, compared to an average of 70.6 dollars per barrel in the first six months of 2018. The implementation of the synergies and efficiencies program, increased production and higher crude prices enabled better performance from the unit.

The Downstream unit earned 762 million euros in this six-month period, in which the areas of Marketing, Trading and Gas & Power and LPG stood out. On the other hand, the Refining and Chemicals areas were affected by the weakness of the dollar against the euro, a more complex international environment, and maintenance shutdowns at some industrial facilities.

EBITDA stood at 3.811 billion euros—23% higher than the 3.108 billion euros earned between January and June 2017—demonstrating the strength of Repsol's integrated model.

Net debt decreased by 64% in the year through June 30th to 2.706 billion euros. During this period Repsol's shares saw a 14% increase in value, outperforming the Ibex 35 and peers in Europe.

As the objectives set out in the 2016-2020 Strategic Plan were achieved two years earlier than projected, and after the sale of the stake in Naturgy Energy Group (formerly known as Gas Natural SDG), Repsol presented its updated strategy through 2020 on June 6th. The strategy is based on three pillars: an increase in shareholder compensation; profitable

In Downstream, the Marketing, Trading, Gas & Power and LPG areas stood out in the first half of the year

business growth in Upstream and Downstream; and the development of new businesses connected to the energy transition.

In the latter area, Repsol took a significant step forward on June 27th, reaching an agreement with the Macquarie and Wren House funds—valued at 750 million euros—to purchase Viesgo's non-regulated low-emissions electricity generation businesses and its gas and electricity distributor.

The agreement will have economic effects from January 1st, 2018 and is slated for completion in the fourth quarter of the year, once the necessary regulatory authorizations have been granted. It consists of the acquisition of a low-emissions generating capacity of 2,350 megawatts (MW) and a portfolio of around 750,000 customers, allowing Repsol to strengthen its position as a multi-energy provider.

Upstream: increased earnings and production

The adjusted net income of the Upstream unit increased by 91% to 647 million euros, compared with the 339 million euros earned in the same period in 2017.

The company's management and the implementation of its efficiencies and synergies boosted the unit's results, and greater production and improved crude oil price realization were crucial to the increase in earnings.

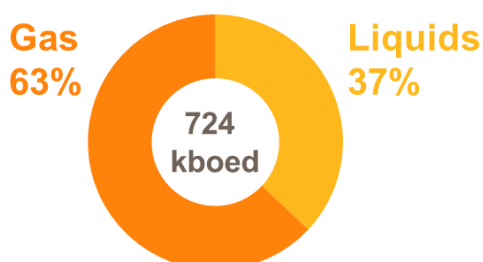
As of June, average hydrocarbon production had increased by 6%

International raw materials benchmark prices fluctuated during this period. The Brent crude oil benchmark increased by 36% in relation to the same period in 2017, with an average price of 70.6 dollars per barrel. In contrast, the Henry Hub gas benchmark decreased by 11% compared to the first half of last year, with an average price of 2.9 dollars per MBtu.

In the first half of this year, Repsol reached a hydrocarbon production of 724,000 barrels of oil equivalent per day, a 6% increase with regard to the first six months of the previous year. This increase was due to the startup of projects in Trinidad and Tobago, the United Kingdom, Algeria and Malaysia, as well as increased contributions from Libya and Norway.

During the period, the company completed three exploration wells and one appraisal drilling project with positive results in Russia (1) and Colombia (3). One project in the latter country was carried out in the CPO-9 block, part of the Akacias development project of which the first phase was approved in 2018.

Production



In Norway, the company signed an agreement in early February to acquire 7.7% of the Visund field, located in the North Sea. With this deal, Repsol is significantly increasing its production in the country to reach approximately 30,000 barrels of oil equivalent per day.

In the first six months of the year, gas production also began in Bunga Pakma, Malaysia, and Repsol began development of the Buckskin project in the United States. The company also acquired new exploration blocks in various bidding rounds in Mexico, Brazil, and Norway.

Downstream: solidity and diversification

The Downstream unit recorded an adjusted net income of 762 million euros, compared to the 929 million euros it earned between January and June 2017.

The industrial businesses, Refining and Chemicals, were influenced by a less favorable environment, the weakness of the dollar against the euro and planned maintenance shutdowns at the industrial facilities in Puertollano, Spain; Tarragona, Spain; and Sines, Portugal. These halts allowed the company to implement improvements in innovation, efficiency, and productivity, enabling Repsol to remain at the forefront of the sector in Europe.

The refining margin indicator was 6.9 dollars per barrel, among the best in Europe

The refining margin indicator during the first half of the year stood at 6.9 dollars per barrel, placing it above the company's projections and among the best in Europe. The company also increased distillation at its facilities thanks to plants' utilization improvement.

The area of Trading and Gas & Power increased its earnings due to higher margins and the low temperatures recorded during the month of January in the northeastern United States. Similarly, the LPG business improved its performance with better margins of regulated packaging, and benefited from increased demand due to lower temperatures in Spain.

Repsol continued to innovate in order to provide greater value and services to its customers, and advanced in its growth strategy for digital business

For its part, the Marketing area increased its earnings and sales, while continuing to innovate in order to provide more value to customers. Repsol has integrated the El Corte Inglés shopping card into the Waylet application, enabling the card's 11 million users to pay at Repsol service stations and earn 4% of the total amount spent for purchases at El Corte Inglés.

Furthermore, as part of its growth strategy for digital business, Repsol acquired 70% of the digital platform Klikin earlier this year. This has allowed its Waylet app to evolve it into a universal means of mobile payment that can be used at additional points of sale beyond service stations.

In the month of January, the company also announced the launch of its new car sharing service, WiBLE, in partnership with Kia. It will begin operating in Madrid during the second half of the year.

In March, Repsol opened its first service stations in Mexico as part of its international expansion strategy. This marks the beginning of a long-term project through which the company aims to gain an 8-10% market share in the country in the next five years.

Reorganization of the management team

The Board of Directors of Repsol, under the chairmanship of Antonio Brufau, has resolved today upon the proposal of the CEO, Josu Jon Imaz, to restructure the management team concluding, at the highest level, the adjustments made in the last weeks after the recent update of the Strategic Plan. This restructuring is aimed at boosting business and reinforcing the Company's technical capabilities to face the new challenges in its commitment to the energy transition.

In this sense, the area of Technology Development, Digitization, Resources and Sustainability has been reinforced and will be taken over, with the level of Executive Managing Director, by Luis Cabra Dueñas, former E&P Executive Managing Director. The E&P Executive Managing Director will be taken over by the former Executive Director of Europe, Africa and Brazil, Tomás García Blanco.

In the financial area, the former Corporate Director of Strategy, Control and Resources, Antonio Lorenzo Sierra, will replace Chief Financial Officer (CFO) Miguel Martínez San Martín, who leaves the company after an extensive professional career. The Board of Directors, through its Chairman, expressed deep thanks to Miguel Martínez San Martín for the brilliant and successful work he has carried out at Repsol.

Following the new appointments, the Corporate Executive Committee of Repsol, headed by the Chief Executive Officer, Josu Jon Imaz, will be integrated by the following Executive Managing Directors:

- Luis Cabra Dueñas (Technology Development, Resources and Sustainability)
- Begoña Elices García (Communication and Chairman's Office)
- Tomás García Blanco (Exploration and Production)
- Arturo Gonzalo Aizpiri (People and Organization)
- Miguel Klingenberg Calvo (Legal Affairs)
- Antonio Lorenzo Sierra (CFO)
- M^a Victoria Zingoni Domínguez (Downstream)

The General Counsel and Secretary of the Board of Directors will continue under the responsibility of the Executive Managing Director Luis Suárez de Lezo Mantilla.

Repsol earnings by segment ^[*]

[unaudited figures]

Million euros	1H 2017	1H 2018	Variation
Upstream	339	647	
Downstream	929	762	
Corporate and others	[253]	[277]	
ADJUSTED NET INCOME	1,015	1,132	12%
Inventory effect	[60]	202	
Special items	101	212	
NET INCOME	1,056	1,546	46%

Key business figures ^[*]

[unaudited figures]

	1H 2017	1H 2018	Variation
Oil and gas production [kboep/d]	685	724	5.7%
Crude processed [Mtoe]	22.6	22.4	[0.7]%
Sales of oil products [kt]	25,071	25,217	0.6%
Sales of petrochemical products [kt]	1,407	1,313	[6.7]%
LPG sales [kt]	750	739	[1.5]%

(*) The earnings for each segment and the main figures include those from joint ventures or other managed companies operated as such, in accordance with the percentage of interest held by the Group, considering its operational and economic metrics in the same manner and with the same detail as for fully consolidated companies. For more information on the definition of business segments and the presentation model of the Group's financial results, see Note 2.6 of the Interim Consolidated Financial Statement corresponding to the first quarter of 2018, which is to be registered today in the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores) and is viewable on Repsol.com.

Average production by geographical area

[Barrels of oil equivalent per day]

Europe, Africa & Brazil	165 kboe/d
Latin America & Caribbean	303 kboe/d
North America	176 kboe/d
Asia & Russia	80 kboe/d
TOTAL PRODUCTION	724 kboe/d

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Unless the law requires it, Repsol does not undertake to publicly update or revise these forward-looking statements even if new data is published or new facts are produced.

In October 2015, the European Securities Markets Authority (ESMA) published its Guidelines on Alternative Performance Measures (APMs). The guidelines apply to regulated information published on or after 3 July 2016. The information and breakdowns relative to the APMs used in this press release are included in Annex II "Alternative Performance Measures" of the interim management report for the first half 2018 and on the [Repsol website](http://www.repsol.com).

This document does not constitute an offer or invitation to purchase or subscribe shares, pursuant to the provisions of the Royal Decree 4/2015 of the 23rd of October, which approves the Consolidated Text of the Securities Market Law and its development regulations. In addition, this document does not constitute an offer to purchase, sell, or exchange, neither a request for an offer of purchase, sale or exchange of securities in any other jurisdiction.

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