



Q2 2017 RESULTS

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BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

The definition of the Repsol Group's operating segments is based on the different activities performed and from where the Group earns revenue or incurs expenses, as well as on the organizational structure approved by the Board of Directors for business management purposes. Using these segments as a reference point, Repsol's management team (the Corporate Executive, E&P and Downstream Committees) analyzes the main operating and financial indicators in order to make decisions about segment resource allocation and to assess how Repsol ("the Company") is performing. In 2016, following the closing of the sale of 10% of *Gas Natural SDG, S.A* and termination of the shareholder agreement with *La Caixa* on September 21, 2016, *Gas Natural Fenosa* no longer qualifies as an operating segment. From that date on, the remaining interest in *Gas Natural Fenosa* is included under **Corporate and others**.

The Group's operating segments are:

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

Finally, **Corporate and others** includes activities not attributable to the aforementioned businesses, and specifically, corporate expenses, earnings and other metrics related to the remaining interest in *Gas Natural SDG*¹, net finance costs and inter-segment consolidation adjustments.

The Group did not aggregate any operating segments for presentation purposes.

Repsol presents its operating segments results by including those corresponding to its joint ventures² and other managed companies operated as such³, in accordance with the percentage interest held by the Group, considering their business and financial metrics in the same manner and with the same level of detail as for fully-consolidated companies. The Group believes that so doing adequately reflects the nature of its businesses and the way in which their performance is analyzed for decision-making purposes.

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

Although this measure of profit (*CCS*), widely used in the industry to report the earnings generated in Downstream businesses which necessarily work with significant volumes of inventories that are subject to constant price fluctuations, is not accepted in *European accounting standards* but it does facilitate comparison with the earnings of sector peers and enables analysis of the underlying business performance by stripping out the impact of price fluctuations on reported inventory levels. In net income

¹ It includes the net income of the company according to the equity method. The other metrics (EBITDA, Free Cash Flow, etc.) only reflect the cash flows generated in the Group as shareholder of *Gas Natural SDG, S.A* (Dividends).

² In Repsol Group's operating segments model, joint ventures are consolidated proportionally in accordance with the Group's percent holding.

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

from continuing operations *CCS*, the cost of volumes sold during the reporting period is calculated using the costs of procurement and production incurred during that same period. As a result, Adjusted Net Income does not include the so-called *Inventory Effect*. This *Inventory Effect* is presented separately, net of tax and minority interests, and corresponds to the difference between income at *CCS* and that arrived at using the Average Weighted Cost accounting method (*AWC*, which is an inventory valuation method used by the Company to determine its results in accordance with *European accounting regulations*).

Likewise, *Adjusted Net Income* does not include the so-called *Special Items*, i.e., certain significant items whose separate presentation is considered convenient to facilitate the monitoring of the ordinary business performance. It includes gains/losses on disposals, personnel restructuring costs, impairments and relevant provisions for risks and expenses. *Special Items* are presented separately, net of the tax effect and minority interests.

All of the information presented in this *Q2 2017 Results Earnings Release* has been prepared in accordance with the abovementioned criteria, with the exception of the information provided in Appendix II “*Consolidated Financial Statements*” which has been prepared according to the *International Financial Reporting Standards adopted by the European Union (IFRS-EU)*.

Appendix III provides a reconciliation of the segment reported metrics and those presented in the consolidated financial statements (IFRS-EU).

In October 2015, the European Securities Markets Authority (ESMA) published the Guidelines on Alternative Performance Measures (APM), of mandatory application for the regulated information to be published from 3 July 2016. Information and disclosures related to APM used on the present Q2 2017 Results Earnings Release are included in Appendix I “*Alternative Performance Measures*” of the Interim Consolidated Management Report for the 1H 2017 and Repsol’s website.

Repsol will publish today the Interim Condensed Consolidated Financial Statements and Management Report for the 1H 2017 and they will be available on Repsol’s and CNMV’s (Comisión Nacional del Mercado de Valores) websites.

KEY METRICS FOR THE PERIOD

(Unaudited figures)

Results (€ Million)	Q2 2016	Q1 2017	Q2 2017	% Change Q2 17/Q2 16	January - June 2016	January - June 2017	% Change 2017/2016
Upstream	46	224	115	150.0	63	339	-
Downstream	378	500	429	13.5	934	929	(0.5)
Corporate and others	(79)	(94)	(48)	39.2	(80)	(142)	(77.5)
ADJUSTED NET INCOME	345	630	496	43.8	917	1,126	22.8
Inventory effect	159	84	(144)	-	2	(60)	-
Special items	(299)	(25)	15	-	(280)	(10)	96.4
NET INCOME	205	689	367	79.0	639	1,056	65.3

Economic data (€ Million)	Q2 2016	Q1 2017	Q2 2017	% Change Q2 17/Q2 16	January - June 2016	January - June 2017	% Change 2017/2016
EBITDA	1,390	1,844	1,264	(9.1)	2,417	3,108	28.6
EBITDA CCS	1,167	1,731	1,463	25.4	2,409	3,194	32.6
NET INVESTMENT	329	544	630	91.5	1,038	1,174	13.1
NET DEBT	11,709	8,345	7,477	(36.1)	11,709	7,477	(36.1)
NET DEBT / EBITDA CCS (x)	2.51	1.21	1.28	(49.1)	2.43	1.17	(51.8)

Operational data	Q2 2016	Q1 2017	Q2 2017	% Change Q2 17/Q2 16	January - June 2016	January - June 2017	% Change 2017/2016
LIQUIDS PRODUCTION (Thousand bbl/d)	246	258	253	2.6	251	256	2.0
GAS PRODUCTION (*) (Million scf/d)	2,530	2,442	2,381	(5.9)	2,554	2,411	(5.6)
TOTAL PRODUCTION (Thousand boe/d)	697	693	677	(2.9)	705	685	(2.9)
CRUDE OIL REALIZATION PRICE (\$/Bbl)	40.1	49.4	44.1	9.8	35.1	46.7	33.0
GAS REALIZATION PRICE (\$/Thousand scf)	2.3	3.1	2.8	21.2	2.3	2.9	25.8
DISTILLATION UTILIZATION Spanish Refining (%)	77.0	86.9	91.6	14.6	81.4	89.3	7.9
CONVERSION UTILIZATION Spanish Refining (%)	92.5	97.0	102.9	10.4	97.7	100.0	2.2
REFINING MARGIN INDICATOR IN SPAIN (\$/Bbl)	6.5	7.1	6.2	(4.6)	6.4	6.6	3.1

 (*) 1,000 Mcf/d = 28.32 Mm³/d = 0.178 Mboe/d.

KEY MILESTONES FOR THE SECOND QUARTER OF 2017

- **Adjusted net income** in the second quarter was €496 million, 44% higher year-on-year. **Net income** amounted to €367 million, 79% higher year-on-year.
- Quarterly results for the business units are summarized as follows:
 - In **Upstream**, adjusted net income was €115 million, €69 million higher than in the same period of 2016, mainly due to higher realized oil and gas prices, along with a more favorable production mix following the resumption of production in Libya and higher production in Brazil. This was partially offset by lower overall production volumes due to the sale of Tangguh and Ogan Komering in Indonesia, the cessation of production at Varg in Norway, higher exploration expenses and higher absolute taxes due to higher results and local currency depreciation.
 - In **Downstream**, adjusted net income was €429 million, 14% higher year-on-year. Better results in Trading and Gas & Power, growth in petrochemical margins, higher distillation in Refining in Spain and higher margins in Peru, as well as better performance of Marketing, were partially

compensated by a lower refining margin indicator and lower contribution from the LPG business, following disposals in 2016.

- In **Corporate and others**, adjusted net income was €-48 million, €31 million higher than in the same period in 2016, principally due to lower corporate expenses, lower financial interest expense and a reduction in expenses related to foreign exchange positions, partially offset by a lower contribution to results from **Gas Natural Fenosa** following reduction in the equity stake.
- Upstream **production** reached an average of 677 kboe/d in the second quarter of 2017, 3% lower year-on-year mainly due to the sale of TSP (Trinidad and Tobago) and Tangguh (Indonesia) in December 2016, Ogan Komering (Indonesia) in March 2017, the cessation of production in Varg (Norway) in June 2016 and the impact of fluctuating gas demand in Indonesia and Bolivia. This was partially compensated by the resumption of production in Libya, the ramp up of Lapa and Sapinhoa in Brazil and the startup of production in Flyndre, Shaw and Cayley in UK during Q2 2017.
- **EBITDA CCS** in the second quarter of 2017 was €1,463 million, 25% higher compared to that of the second quarter of 2016. **EBITDA CCS** in the first half of 2017 was €3,194 million, 33% higher than the same period in 2016.
- The Group's **net debt** at the end of the quarter stood at €7,477 million, €868 million lower than at the end of the first quarter of 2017, mainly due to cash flow generation from operating activities, including a reduction in working capital, which more than covered net investments and financial interest. At the end of the quarter **net debt to capital employed ratio** stood at 20%.
- Progress continues to be made towards our **Synergies and Efficiency** Targets, with the project expected to deliver €2.1 billion in cash savings in 2017 versus a 2015 benchmark. Year to date by the end of the second quarter 50% of the initial full year target has been posted in the financial statements.

NET INCOME PERFORMANCE BY BUSINESS SEGMENT
UPSTREAM

(Unaudited figures)

Results (€ Million)	Q2 2016	Q1 2017	Q2 2017	% Change Q2 17/Q2 16	January - June 2016	January - June 2017	% Change 2017/2016
ADJUSTED NET INCOME	46	224	115	150.0	63	339	-
Operating income	16	335	168	-	(79)	503	-
Income tax	31	(115)	(61)	-	137	(176)	-
Income from equity affiliates and non-controlling interests	(1)	4	8	-	5	12	140.0
EBITDA	529	921	745	40.8	933	1,666	78.6
NET INVESTMENT	643	455	466	(27.5)	1,281	921	(28.1)
EFFECTIVE TAX RATE (%)	(196)	34	36	232.0	(173)	35	208.0
International prices	Q2 2016	Q1 2017	Q2 2017	% Change Q2 17/Q2 16	January - June 2016	January - June 2017	% Change 2017/2016
Brent (\$/Bbl)	45.6	53.7	49.6	8.9	39.8	51.7	29.9
WTI (\$/Bbl)	45.6	51.8	48.1	5.5	39.8	50.0	25.6
Henry Hub (\$/MBtu)	2.0	3.3	3.2	63.0	2.0	3.3	60.7
Average exchange rate (\$/€)	1.13	1.06	1.10	(2.7)	1.12	1.08	(3.6)
Realization prices	Q2 2016	Q1 2017	Q2 2017	% Change Q2 17/Q2 16	January - June 2016	January - June 2017	% Change 2017/2016
CRUDE OIL (\$/Bbl)	40.1	49.4	44.1	9.8	35.1	46.7	33.0
GAS (\$/Thousand scf)	2.3	3.1	2.8	21.2	2.3	2.9	25.8
Exploration ^(*)	Q2 2016	Q1 2017	Q2 2017	% Change Q2 17/Q2 16	January - June 2016	January - June 2017	% Change 2017/2016
G&A and Amortization of Bonus and Dry Wells	46	56	85	84.8	65	141	116.9
Production	Q2 2016	Q1 2017	Q2 2017	% Change Q2 17/Q2 16	January - June 2016	January - June 2017	% Change 2017/2016
LIQUIDS (Thousand bbl/d)	246	258	253	2.6	251	256	2.0
GAS ^(**) (Million scf/d)	2,530	2,442	2,381	(5.9)	2,554	2,411	(5.6)
TOTAL (Thousand boe/d)	697	693	677	(2.9)	705	685	(2.9)

(*) Only direct costs attributable to exploration projects. For more information about this change in the accounting policies, see the *Consolidated Financial Statements and Management Report* for the full year 2016. (**) 1,000 Mcf/d = 28.32 Mm³/d = 0.178 Mboe/d

Adjusted net income in the quarter was €115 million, €69 million higher than in the same period in 2016, mainly due to higher realized oil and gas prices, along with a more favorable production mix following the resumption of production in Libya, which had a positive impact of €52 million, and higher production in Brazil. This was partially offset by lower overall production volumes due to the sale of Tangguh and Ogan Komering in Indonesia, the cessation of production at Varg in Norway, higher exploration expenses and higher absolute taxes due to higher results and local currency depreciation.

The principle impacts on the year-on-year performance in the Upstream division excluding the contribution of Libya are as follows:

- Higher crude oil and gas realization prices, net of royalties, had a positive impact on the operating income of €141 million.

- **Lower volumes** contributed negatively to the operating income by €95 million.
- **Higher exploration activity**, excluding exchange rate effect, impacted the operating income negatively by €37 million, mainly as a result of increased activity resulting in higher amortization of dry wells.
- **Depreciation and amortization** charges were €16 million lower mainly due to lower production in Norway, Bolivia and Indonesia, partially offset by higher amortization principally in the UK and Brazil.
- **Income tax expense** has impacted the adjusted net income negatively by €43 million, mainly due to the higher income and local currency impacts principally in Brazil and Colombia.
- **Income of equity affiliates and non-controlling interests, exchange rate and others** explains the remaining differences.

Upstream **production** reached an average of 677 kboe/d in the second quarter of 2017, 3% lower year-on-year mainly due to the sale of TSP (Trinidad and Tobago) and Tangguh (Indonesia) in December 2016, Ogan Komering (Indonesia) in March 2017, the cessation of production in Varg (Norway) in June 2016 and the impact of fluctuating gas demand in Indonesia and Bolivia. This was partially compensated by the resumption of production in Libya, the ramp up of Lapa and Sapinhoa in Brazil and the startup of production in Flyndre, Shaw and Cayley in UK during Q2 2017.

During the second quarter of 2017, five exploratory and one appraisal wells were completed. Three wells were declared positive – two exploratory and the appraisal – while the remaining wells were considered unsuccessful. Two wells were in progress at the end of the quarter.

January – June 2017 results

The **adjusted net income** for the first half of 2017 amounted to €339 million, €276 million higher than in the same period of 2016, mainly due higher realized oil and gas prices and the resumption of production in Libya, partially offset by higher exploration expenses, lower production volumes and higher taxes.

Average production in the first half of 2017 reached 685 Kboe/d, 3% lower than the same period in 2016, mainly due to the sale of assets (TSP and Tangguh in December 2016 and Ogan Komering in March 2017), the cessation of production at Varg (Norway) in June 2016 and lower gas demand in Bolivia. This was partially offset by the restart of production in Libya, the ramp-up of Lapa and Sapinhoa in Brazil and higher production in Peru.

Net investment

Net investment in Upstream in the second quarter of 2017 amounted to €466 million; €177 million lower than the second quarter of 2016.

Excluding divestments, **Development investment** accounted for 76% of the total investment and was concentrated mainly in the U.S. (23%), Trinidad and Tobago (17%), UK (10%), Algeria (7%), Brazil (7%), Vietnam (6%), Canada (5%), Peru (5%) and Bolivia (5%); and **Exploration investment** represented 22% of the total and was allocated primarily in Colombia (26%), Trinidad and Tobago (17%), Vietnam (11%), Norway (11%), Guyana (7%), Bolivia (7%) and Algeria (6%).

Net investment in Upstream in the first half of 2017 amounted to €921 million; €360 million lower than the first half of 2016.

Excluding divestments, **Development investment** accounted for 82% of the total investment and was concentrated mainly in Trinidad and Tobago (22%), the U.S. (19%), UK (9%), Canada (9%), Algeria (8%), Brazil (7%), Bolivia (5%) and Peru (4%); and **Exploration investment** represented 17% of the total and was allocated primarily in Colombia (22%), Trinidad and Tobago (12%), Vietnam (9%), Bolivia (9%), Norway (8%), Algeria (6%), Guyana (5%), Russia (5%) and Peru (4%).

DOWNSTREAM

(Unaudited figures)

Results (€ Million)	Q2 2016	Q1 2017	Q2 2017	% Change Q2 17/Q2 16	January - June 2016	January - June 2017	% Change 2017/2016
ADJUSTED NET INCOME	378	500	429	13.5	934	929	(0.5)
Operating income	511	663	571	11.7	1,229	1,234	0.4
Income tax	(125)	(164)	(137)	(9.6)	(281)	(301)	(7.1)
Income from equity affiliates and non-controlling interests	(8)	1	(5)	37.5	(14)	(4)	71.4
AVERAGE WEIGHTED COST ADJUSTED NET INCOME	537	584	285	(46.9)	936	869	(7.2)
Inventory effect	159	84	(144)	-	2	(60)	-
EBITDA	914	961	557	(39.1)	1,585	1,518	(4.2)
EBITDA CCS	691	848	756	9.4	1,577	1,604	1.7
NET INVESTMENT	(344)	91	154	-	(258)	245	-
EFFECTIVE TAX RATE (%)	24	25	24	-	23	24	1.0
Operational data	Q2 2016	Q1 2017	Q2 2017	% Change Q2 17/Q2 16	January - June 2016	January - June 2017	% Change 2017/2016
REFINING MARGIN INDICATOR IN SPAIN (\$/Bbl)	6.5	7.1	6.2	(4.6)	6.4	6.6	3.1
DISTILLATION UTILIZATION Spanish Refining (%)	77.0	86.9	91.6	14.6	81.4	89.3	7.9
CONVERSION UTILIZATION Spanish Refining (%)	92.5	97.0	102.9	10.4	97.7	100.0	2.2
OIL PRODUCT SALES (Thousand tons)	10,926	12,064	13,007	19.0	22,051	25,071	13.7
PETROCHEMICAL PRODUCT SALES (Thousand tons)	713	712	695	(2.5)	1,477	1,407	(4.7)
LPG SALES (Thousand tons)	422	436	315	(25.4)	1,052	750	(28.7)
NORTH AMERICA NATURAL GAS SALES (TBtu)	105.3	155.4	110.3	4.7	220.8	265.7	20.3
International prices (\$/Mbtu)	Q2 2016	Q1 2017	Q2 2017	% Change Q2 17/Q2 16	January - June 2016	January - June 2017	% Change 2017/2016
Henry Hub	2.0	3.3	3.2	63.0	2.0	3.3	60.7
Algonquin	2.4	4.4	2.9	20.8	2.9	3.7	27.6

Adjusted net income in the second quarter of 2017 amounted to €429 million, 14% higher compared to the second quarter of 2016.

The principal impacts year-on-year in the Downstream business are:

- In **Refining** higher utilization rates in the conversion units, partially offset by a lower refining margin indicator, generated a positive effect on the operating income of €34 million. The refining margin indicator decreased compared to 2016 mainly due to narrower light-heavy crudes spreads and weaker gasoline spreads, partially compensated by stronger diesel spreads.
- In **Chemicals**, improving margins were partially offset by higher naphtha prices and lower sales, generating a positive effect on the operating income of €14 million.
- In the commercial businesses, **Marketing, Lubricants and LPG**, operating income was €7 million higher in the second quarter of 2017 mainly due to better results in the Marketing business thanks to higher sales in both the retail and wholesale segments, compensated partially by lower results in the LPG business, following disposals in 2016.

- In **Trading and Gas & Power**, the operating income was €37 million higher than the second quarter of 2016. Gas & Power delivered better results mainly due to the improvement of this business in North America supported by the increase in volumes sold and the reduction of costs.
- **Results in other activities, equity affiliates and non-controlling interests, exchange rate and taxes** cover the remaining difference.

January – June 2017 results

Adjusted net income for the first half of 2017 was €929 million and in line year-on-year. Higher results in Trading and Gas & Power, higher utilization and margin in Peru refining, better performance in the Marketing business were compensated by a lower contribution from LPG.

Net investment

Net investment in Downstream in the second quarter and the first half of 2017 amounted to €154 and €245 million respectively.

CORPORATE AND OTHERS

[Unaudited figures]

Results (€ Million)	Q2 2016	Q1 2017	Q2 2017	% Change Q2 17/Q2 16	January - June 2016	January - June 2017	% Change 2017/2016
ADJUSTED NET INCOME	(79)	(94)	(48)	39.2	(80)	(142)	(77.5)
Corporate and adjustments	(90)	(56)	(68)	24.4	(153)	(124)	19.0
Financial result	(185)	(155)	(74)	60.0	(262)	(229)	12.6
Income tax	100	57	44	(56.0)	140	101	(27.9)
Gas Natural Fenosa	96	60	50	(47.9)	195	110	(43.6)
EBITDA	(53)	(38)	(38)	28.3	(101)	(76)	24.8
NET INTERESTS	(108)	(95)	(89)	17.6	(224)	(183)	18.3
NET INVESTMENT	30	(2)	10	(66.7)	15	8	(46.7)
EFFECTIVE TAX RATE (%)	(36)	(27)	(30)	6.0	(34)	(29)	5.0

CORPORATE AND ADJUSTMENTS

Corporate and adjustments accounted for €-68 million in the second quarter of 2017, compared to €-90 million in the same quarter of the previous year mainly thanks to lower corporate costs.

In the first half of 2017, **Corporate and others** accounted for a net expense of €124 million which compares to a net expense of €153 million in the same period of last year thanks to lower corporate costs.

FINANCIAL RESULTS

The financial result in the second quarter of 2017 amounted to €-74 million, better than the second quarter of 2016 mainly due to lower financial interest expense in 2017 and a reduction of expenses related to foreign exchange positions.

The net financial result in the first half of 2017 was €-229 million, €33 million better than in the same period of last year.

GAS NATURAL FENOSA

Adjusted net income attributable to Repsol, in the second quarter of 2017, amounted to €50 million, 48% lower year-on-year principally due to the lower equity stake in the company since September 2016, and lower electricity commercialization results, partially offset by higher gas distribution results in Latin America.

Adjusted net income for the first half of 2017 was €110 million, 44% lower year-on-year, mainly due to the lower equity stake in the company since September 2016, and lower electricity commercialization results, partially offset by higher gas distribution results in Latin America.

NET INCOME ANALYSIS: SPECIAL ITEMS
SPECIAL ITEMS

[Unaudited figures]

Results (€ Million)	Q2 2016	Q1 2017	Q2 2017	% Change Q2 17/Q2 16	January - June 2016	January - June 2017	% Change 2017/2016
Divestments	191	18	5	(97.4)	250	23	-
Indemnities and workforce restructuring	(316)	(4)	(34)	89.2	(346)	(36)	-
Impairment of assets	(9)	(28)	2	-	(10)	(26)	(160.0)
Provisions and others	(165)	(11)	42	-	(174)	29	-
SPECIAL ITEMS	(299)	(25)	15	-	(280)	(10)	270.0

Special items in the second quarter of 2017 resulted in a net gain of €15 million, mainly due to the reversal of environmental provisions partially compensated by workforce indemnities.

Special items in the first half of 2017 resulted in a net loss of €-10 million.

CASH FLOW ANALYSIS: ADJUSTED CASH FLOW STATEMENT

This section presents the Group's Adjusted Cash Flow Statement:

(Unaudited figures)

	JANUARY - JUNE	
	2016	2017
I. CASH FLOWS FROM OPERATING ACTIVITIES		
EBITDA CCS	2,409	3,194
Changes in working capital ¹	(723)	(473)
Dividends received	303	140
Income taxes received/ (paid)	119	(380)
Other proceeds from/ (payments for) operating activities	(336)	(306)
	1,772	2,175
II. CASH FLOWS USED IN INVESTMENT ACTIVITIES		
Payments for investment activities	(1,657)	(1,264)
Proceeds from divestments	660	32
	(997)	(1,232)
FREE CASH FLOW (I. + II.)	775	943
Payments for dividends and payments on other equity instruments	(271)	(143)
Net interest payments and leases	(398)	(345)
Treasury shares	(49)	(183)
CASH GENERATED IN THE PERIOD	57	272
Financing activities and others	(381)	(248)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(324)	24
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,769	4,918
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,445	4,942

(1) It includes an inventory effect pretax of €-86 million and €8 million for 2017 and 2016 respectively.

NET DEBT ANALYSIS: NET DEBT EVOLUTION

This section presents the changes in the Group's adjusted net debt:

(Unaudited figures)

NET DEBT EVOLUTION (€ Million)	Q2 2017	January - June 2017
NET DEBT AT THE START OF THE PERIOD	8,345	8,144
EBITDA CCS	(1,463)	(3,194)
CHANGE IN WORKING CAPITAL ⁽¹⁾	(289)	473
INCOME TAX RECEIVED /PAID	251	380
NET INVESTMENT	655	1,232
DIVIDENDS PAID AND OTHER EQUITY INSTRUMENTS PAYOUTS	5	143
FOREIGN EXCHANGE RATE EFFECT	(131)	(226)
INTEREST AND OTHER MOVEMENTS ⁽²⁾	104	525
NET DEBT AT THE END OF THE PERIOD	7,477	7,477

	2017
CAPITAL EMPLOYED CONTINUED OPERATIONS (€ Million)	37,660
NET DEBT / CAPITAL EMPLOYED (%)	19.9
ROACE (%)	6.5
NET DEBT / EBITDA CCS (x)	1.17

(1) It includes an inventory effect pretax of €-199 million and €-86 million for second quarter 2017 and first half of 2017 respectively.

(2) Principally includes interest expense on borrowings, dividends received, provisions used and companies' acquisition/sale effect.

The Group's net debt at the end of the quarter stood at €7,477 million, €868 million lower than at the end of the first quarter of 2017, mainly due to cash flow generation from operating activities, including a reduction in working capital, which more than covered net investments and financial interests. At quarter end **net debt to capital employed ratio** stood at 20%.

The Group's **liquidity** at the end of the first half of 2017 was approximately €7,8 billion (including undrawn committed credit lines); representing 1.9 times gross debt maturities in the short term.

RELEVANT EVENTS

Material company-related events since the first quarter 2017 results release were as follows:

In **Upstream**, on April 17, Repsol received the approval of the "Field Development Plan" (FDP) from the authorities of Vietnam of the offshore discovery Ca Rong Do (CRD) in block 07/03 in Vietnam. Subsequently, on 26 April, Repsol and the rest of the joint venture partners formalized the "Final Investment Decision" (FID) marking the start of the development phase of the project. First production is anticipated before the end of 2019.

On May 12, Repsol announced first production at the field Shaw in the MAR area (Montrose and Arbroath) in the North Sea of the United Kingdom. Repsol Sinopec Resources UK is the operator of the field which is part of the MAR area redevelopment plan. This project includes the development of two new fields (Shaw and Cayley), for which it has been installed a new production platform (BLP) connected to the Montrose Alpha platform. Cayley field production start-up took place in June 2017.

On June 6, Repsol announced a gas discovery offshore of Trinidad and Tobago. The Savannah and Macadamia wells are located in East Block, inside the Columbus basin, to the East of Trinidad, in water deep of about 150 meters. Repsol has a 30% share in this asset while the remaining 70% belongs to BP (operator). Resources are estimated at around 2 trillion cubic feet of gas.

On June 8, at Kinabalu in Malaysia a new crude oil extraction platform was installed, where Repsol is the operator with a 60% stake. First production is expected during the second half of 2017, following completion of connection and commissioning work along with the development drilling campaign.

On June 29, an agreement was reached with the Russian company Gazprom Neft whereby it acquired 25% of Repsol's stake in Eurotek Yugra Company. Repsol and Gazprom Neft will manage Eurotek Yugra jointly. Eurotek Yugra owns seven licenses in the West Siberian basin (license Karabashky 1, 2, 3, 9, 78, 79 and Kileyski). In the framework of this agreement was also signed a memorandum of understanding to strengthen the collaboration between the two companies in the region, as well as to explore joint investments in the area near the assets of Eurotek Yugra.

In the second quarter 2017, the authorities in Trinidad and Tobago authorized the development of the Angelin project, in which Repsol holds a 30% stake. This field is located in the West Block, 60 kilometers from the island of Trinidad. Production is estimated to start in the first quarter 2019.

In **Corporation**, on 9 May, Repsol International Finance, B.V. closed the issuance of a 500 million euros 5 year bond with a price of 99.568% and an annual fixed coupon of 0.50%, to be listed on the regulated market of the Luxembourg Stock Exchange. This has been the first green bond issued by the Repsol Group, as well as the first issuance of such a product by a company within the Oil & Gas sector. The proceeds will be used to refinance and finance projects aimed at reducing greenhouse gas emissions in refining and chemical activities in Spain and Portugal.

On 19 May 2017, Ordinary General Shareholders' Meeting of Repsol, S.A., held on second call, approved all of the proposals submitted by the Board of Directors, including the re-election of Mr. Rene Dahan, Mr. Manuel Manrique Cecilia and Mr. Luis Suárez de Lezo Mantilla as Directors, the ratification and re-election of Mr. Antonio Massanell Lavilla as Director and the appointment of Ms. María Teresa Ballester Fornés, Ms. Isabel Torremocha Ferrezuelo and Mr. Mariano Marzo Carpio as Directors. All of them for a statutory term of 4 years.

Additionally, on 19 May 2017, Repsol announced the expected timetable for the completion of its paid-up capital increase, approved in the framework of the “Repsol Flexible Dividend” program by the 2017 Annual Shareholders’ Meeting, under item six on the agenda, to be implemented in June and July 2017.

On June 1 2017, in accordance with the resolutions passed by the General Shareholders’ Meeting held on May 20th, 2016 under point 7 of the Agenda, Repsol S.A. informed it has started up the Seventh Cycle of the Share Acquisition Plan by Beneficiaries of Multiannual Remuneration Programs (the “Plan”), initially approved by the Annual General Shareholders’ Meeting of April 15th, 2011. This Plan allows the beneficiaries of those programs (including Executive Directors and members of the Corporate Executive Committee) to invest in Repsol, S.A. shares up to 50% of the gross amount of the incentive received each year, with the particularity that, if they keep the shares for three years from the initial investment (“Consolidation Period”) and fulfil the rest of the conditions of the Plan, the Company will deliver them one additional share (“Additional Shares”) for every three shares acquired initially.

On June 7 2017, Repsol disclosed the Informative Document of the paid-up capital increase approved by the 2017 Annual Shareholders’ Meeting, under item six on the Agenda, as part of the shareholder remuneration program “Repsol Flexible Dividend” (scrip dividend).

On July 4 2017, following the official notices sent to the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores - CNMV) on May 19 and June 7, 2017, Repsol, S.A. (“Repsol”) announces the end, on June 30, 2017, of the trading period of the free-of-charge allocation rights corresponding to the paid up capital increase implementing the “Repsol Flexible Dividend” shareholders’ remuneration program. Holders of 70.42% of free-of-charge allocation rights (a total of 1,053,700,868 rights) opted to receive new shares of Repsol. Therefore, the final number of shares of one (1) euro par value issued in the capital increase is 30,991,202, where the nominal amount of the increase is 30,991,202 euros; representing an increase of approximately 2.07% of Repsol’s share capital before the capital increase. Moreover, during the period established for that purpose, holders of 29.58% of free-of-charge allocation rights accepted the irrevocable commitment to purchase rights taken by Repsol. Consequently, Repsol acquired 442,703,938 rights for a total amount of 188,591,877.588 euros. Repsol waived the shares corresponding to the free-of-charge allocation rights acquired by virtue of the mentioned commitment.

On 10 July 2017, Repsol’s “Trading Statement” was published; it provided provisional information for the second quarter of 2017, including data on the economic environment as well as company performance during the period.

On 25 July 2017, Standard & Poor’s published a note in which Repsol’s rating outlook was revised from stable to positive, BBB-/A-3 ratings were affirmed.

Madrid, 27 July, 2017

A conference call has been scheduled for research analysts and institutional investors for today, 27 July 2017 at 13.00 (CET) to report on the Repsol Group’s second quarter 2017 results. Shareholders and other interested parties can follow the call live through Repsol’s corporate website (www.repsol.com). A full recording of the event will also be available to shareholders and investors and any other interested party at www.repsol.com for a period of no less than one month from the date of the live broadcast.

**APPENDIX I – FINANCIAL METRICS AND
OPERATING INDICATORS BY SEGMENT**

Q2 2017

ADJUSTED NET INCOME BY BUSINESS SEGMENTS

(Unaudited figures)

€ Million	Q2 2016							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Special Items	Net Income
Upstream	16	-	31	(1)	46	-	(172)	(126)
Downstream	511	-	(125)	(8)	378	159	60	597
Corporate & Others	(90)	(185)	100	96	(79)	-	(187)	(266)
TOTAL	437	(185)	6	87	345	159	(299)	205
NET INCOME							(299)	205

€ Million	Q1 2017							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Special Items	Net Income
Upstream	335	-	(115)	4	224	-	(42)	182
Downstream	663	-	(164)	1	500	84	19	603
Corporate & Others	(56)	(155)	57	60	(94)	-	(2)	(96)
TOTAL	942	(155)	(222)	65	630	84	(25)	689
NET INCOME							(25)	689

€ Million	Q2 2017							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Special Items	Net Income
Upstream	168	-	(61)	8	115	-	53	168
Downstream	571	-	(137)	(5)	429	(144)	3	288
Corporate & Others	(68)	(74)	44	50	(48)	-	(41)	(89)
TOTAL	671	(74)	(154)	53	496	(144)	15	367
NET INCOME							15	367

€ Million	January - June 2016							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Special Items	Net Income
Upstream	(79)	-	137	5	63	-	(210)	(147)
Downstream	1.229	-	(281)	(14)	934	2	108	1.044
Corporate & Others	(153)	(262)	140	195	(80)	-	(178)	(258)
TOTAL	997	(262)	(4)	186	917	2	(280)	639
NET INCOME							(280)	639

€ Million	January - June 2017							
	Operating income	Financial Results	Income Tax	Income from equity affiliates and non-controlling interests	Adjusted net income	Inventory effect	Special Items	Net Income
Upstream	503	-	(176)	12	339	-	11	350
Downstream	1.234	-	(301)	(4)	929	(60)	22	891
Corporate & Others	(124)	(229)	101	110	(142)	-	(43)	(185)
TOTAL	1.613	(229)	(376)	118	1.126	(60)	(10)	1.056
NET INCOME							(10)	1.056

OPERATING RESULT BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS

[Unaudited figures]

€ Million	QUARTERLY DATA			JANUARY - JUNE	
	Q2 16	Q1 17	Q2 17	2016	2017
UPSTREAM	16	335	168	(79)	503
Europe, Africa & Brazil	2	170	141	(19)	311
Latin America & Caribbean	129	178	105	169	283
North America	(65)	(11)	(23)	(168)	(34)
Asia & Russia	33	86	46	38	132
Exploration & Others	(83)	(88)	(101)	(99)	(189)
DOWNSTREAM	511	663	571	1,229	1,234
Europe	554	578	581	1,244	1,159
Rest of the World	(43)	85	(10)	(15)	75
CORPORATE AND OTHERS	(90)	(56)	(68)	(153)	(124)
TOTAL	437	942	671	997	1,613

ADJUSTED NET INCOME BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS

[Unaudited figures]

€ Million	QUARTERLY DATA			JANUARY - JUNE	
	Q2 16	Q1 17	Q2 17	2016	2017
UPSTREAM	46	224	115	63	339
Europe, Africa & Brazil	34	82	59	58	141
Latin America & Caribbean	107	106	53	172	159
North America	(46)	(10)	(15)	(114)	(25)
Asia & Russia	13	53	21	19	74
Exploration & Others	(62)	(7)	(3)	(72)	(10)
DOWNSTREAM	378	500	429	934	929
Europe	412	446	437	940	883
Rest of the World	(34)	54	(8)	(6)	46
CORPORATE AND OTHERS	(79)	(94)	(48)	(80)	(142)
TOTAL	345	630	496	917	1,126

EBITDA BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS

[Unaudited figures]

€ Million	QUARTERLY DATA			JANUARY - JUNE	
	Q2 16	Q1 17	Q2 17	2016	2017
UPSTREAM	529	921	745	933	1,666
Europe, Africa & Brazil	94	299	238	159	537
Latin America & Caribbean	252	311	224	424	535
North America	125	182	164	202	346
Asia & Russia	121	195	135	227	330
Exploration & Others	(63)	(66)	(16)	(79)	(82)
DOWNSTREAM ⁽¹⁾	914	961	557	1,585	1,518
Europe	909	857	546	1,549	1,403
Rest of the World	5	104	11	36	115
CORPORATE AND OTHERS	(53)	(38)	(38)	(101)	(76)
TOTAL ⁽¹⁾	1,390	1,844	1,264	2,417	3,108
(1) EBITDA CCS M€					
DOWNSTREAM	691	848	756	1,577	1,604
TOTAL	1,167	1,731	1,463	2,409	3,194

NET INVESTMENTS BY BUSINESS SEGMENTS AND GEOGRAPHICAL AREAS

[Unaudited figures]

€ Million	QUARTERLY DATA			JANUARY - JUNE	
	Q2 16	Q1 17	Q2 17	2016	2017
UPSTREAM	643	455	466	1,281	921
Europe, Africa & Brazil	182	91	86	295	177
Latin America & Caribbean	215	162	128	404	290
North America	25	115	102	194	217
Asia & Russia	85	46	87	107	133
Exploration and Others	136	41	63	281	104
DOWNSTREAM	(344)	91	154	(258)	245
Europe	(189)	77	108	(137)	185
Rest of the World	(155)	14	46	(121)	60
CORPORATE AND OTHERS	30	(2)	10	15	8
TOTAL	329	544	630	1,038	1,174

CAPITAL EMPLOYED BY BUSINESS SEGMENTS

(Unaudited figures)

€ Million	CUMULATIVE DATA	
	Q4 16	Q2 17
Upstream	23,853	22,592
Downstream	9,469	9,294
Corporate and others	5,933	5,774
TOTAL	39,255	37,660
		2017
ROACE (%)		6.5
ROACE at CCS (%)		6.8

OPERATING INDICATORS

Q2 2017

UPSTREAM OPERATING INDICATORS

	Unit	Q1 2016	Q2 2016	Q3 2016	Q4 2016	January - December 2016	Q1 2017	Q2 2017	January - June 2017	% Variation 2017/2016
HYDROCARBON PRODUCTION	kboe/d	714	697	671	679	690	693	677	685	(2.9)
Liquids production	kboe/d	255	246	239	233	243	258	253	256	2.0
Europe, Africa & Brazil	kboe/d	94	89	90	88	90	121	120	120	31.5
Latin America & Caribbean	kboe/d	69	69	66	67	68	60	59	60	(13.5)
North America	kboe/d	58	57	54	50	54	51	49	50	(13.0)
Asia & Russia	kboe/d	35	32	28	28	31	27	25	26	(21.4)
Natural gas production	kboe/d	459	451	432	446	447	435	424	429	(5.6)
Europe, Africa & Brazil	kboe/d	22	19	16	18	18	15	15	15	(25.7)
Latin America & Caribbean	kboe/d	233	238	227	238	234	229	229	229	(2.9)
North America	kboe/d	130	129	126	125	127	125	123	124	(4.1)
Asia & Russia	kboe/d	74	64	63	66	67	65	57	61	(11.8)
Natural gas production	(Million scf/d)	2,579	2,530	2,423	2,506	2,509	2,442	2,381	2,411	(5.6)

DOWNSTREAM OPERATING INDICATORS

	Unit	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Jan -Dec 2016	Q1 2017	Q2 2017	Jan - Jun 2017	% Variation 2017/2016
PROCESSED CRUDE OIL	Mtoe	10.4	9.4	11.3	12.2	43.2	10.9	11.6	22.6	24.1
Europe	Mtoe	9.6	8.6	10.3	11.0	39.4	9.6	10.2	19.8	19.4
Rest of the world	Mtoe	0.8	0.8	0.9	1.2	3.8	1.3	1.4	2.7	73.6
SALES OF OIL PRODUCTS	kt	11,125	10,926	12,471	13,526	48,048	12,064	13,007	25,071	19.0
Europe Sales	kt	9,927	9,810	11,155	11,895	42,787	10,473	11,321	21,794	15.4
Own network	kt	4,854	5,109	5,319	5,186	20,468	5,042	5,287	10,329	3.5
Light products	kt	4,021	4,260	4,506	4,327	17,114	4,280	4,478	8,758	5.1
Other Products	kt	833	849	813	859	3,354	762	809	1,571	(4.7)
Other Sales to Domestic Market	kt	1,920	1,965	2,069	2,129	8,083	2,081	2,044	4,125	4.0
Light products	kt	1,873	1,895	2,024	2,075	7,867	2,035	1,996	4,031	5.3
Other Products	kt	47	70	45	54	216	46	48	94	(31.4)
Exports	kt	3,153	2,736	3,767	4,580	14,236	3,350	3,990	7,340	45.8
Light products	kt	1,370	940	1,428	2,201	5,939	1,172	1,580	2,752	68.1
Other Products	kt	1,783	1,796	2,339	2,379	8,297	2,178	2,410	4,588	34.2
Rest of the world sales	kt	1,198	1,116	1,316	1,631	5,261	1,591	1,686	3,277	51.1
Own network	kt	570	508	569	591	2,238	523	566	1,089	11.4
Light products	kt	518	470	538	546	2,072	481	502	983	6.8
Other Products	kt	52	38	31	45	166	42	64	106	68.4
Other Sales to Domestic Market	kt	312	328	341	360	1,341	353	327	680	(0.3)
Light products	kt	252	271	286	297	1,106	288	273	561	0.7
Other Products	kt	60	57	55	63	235	65	54	119	(5.3)
Exports	kt	316	280	406	680	1,682	715	793	1,508	183.2
Light products	kt	128	130	126	177	561	215	147	362	13.1
Other Products	kt	188	150	280	503	1,121	500	646	1,146	330.7
CHEMICALS										
Sales of petrochemical products	kt	764	713	702	714	2,892	712	695	1,407	(2.5)
Europe	kt	641	615	589	584	2,428	609	581	1,189	(5.5)
Base	kt	238	224	213	218	893	215	206	422	(7.9)
Derivative	kt	402	391	376	366	1,535	393	374	768	(4.2)
Rest of the world	kt	124	98	112	130	464	104	114	218	16.7
Base	kt	35	21	18	27	101	19	17	36	(22.4)
Derivative	kt	89	76	95	103	363	85	98	182	27.7
LPG										
LPG sales	kt	631	422	327	368	1,747	436	315	750	(25.3)
Europe	kt	427	256	215	363	1,261	430	310	740	21.2
Rest of the world	kt	204	166	112	5	487	5	5	10	(96.9)

Other sales to the domestic market: includes sales to operators and bunker

Exports: expressed from the country of origin

**APPENDIX II – CONSOLIDATED FINANCIAL
STATEMENTS**

Q2 2017

STATEMENT OF FINANCIAL POSITION

(€ millions)

Prepared according to International Financial Reporting Standards (IFRS-EU)

	DECEMBER	JUNE
	2016	2017
NON-CURRENT ASSETS		
Goodwill	3,115	2,906
Other intangible assets	1,994	1,863
Property, plant and equipment	27,297	25,384
Investment property	66	66
Investments accounted for using the equity method	10,176	9,553
Non-current financial assets :		
Non-current financial instruments	1,081	1,071
Others	123	122
Deferred tax assets	4,746	4,433
Other non-current assets	323	247
CURRENT ASSETS		
Non-current assets held for sale	144	123
Inventories	3,605	3,219
Trade and other receivables	5,885	5,816
Other current assets	327	224
Other current financial assets	1,280	1,231
Cash and cash equivalents	4,687	4,717
TOTAL ASSETS	64,849	60,975
TOTAL EQUITY		
Attributable to equity holders of the parent company	30,867	29,932
Attributable to minority interests	244	251
NON-CURRENT LIABILITIES		
Grants	4	3
Non-current provisions	6,127	5,540
Non-current financial debt	9,482	8,639
Deferred tax liabilities	1,379	1,186
Other non-current liabilities		
Non-current debt for finance leases	1,550	1,420
Other	459	449
CURRENT LIABILITIES		
Liabilities related to non-current assets held for sale	146	138
Current provisions	872	626
Current financial liabilities	6,909	6,809
Trade payables and other payables:		
Current debt for finance leases	208	192
Other payables	6,602	5,790
TOTAL LIABILITIES	64,849	60,975

INCOME STATEMENT

Prepared according to International Financial Reporting Standards (IFRS-EU)

	QUARTERLY DATA			JANUARY - JUNE	
	Q2 16	Q1 17	Q2 17	2016	2017
Operating income	336	844	413	678	1,257
Financial result	(138)	(120)	(65)	(196)	(185)
Income from equity affiliates	53	140	83	212	223
Net income before tax	251	864	431	694	1,295
Income tax	(32)	(166)	(60)	(34)	(226)
Net income from continuing operations	219	698	371	660	1,069
Net income from non-controlling interest	(14)	(9)	(4)	(21)	(13)
NET INCOME FROM CONTINUING OPERATIONS	205	689	367	639	1,056
Net income for the year from discontinuing operations	-	-	-	-	-
NET INCOME	205	689	367	639	1,056
Earning per share attributable to the parent company (*)					
Euros/share (*)	0.13	0.45	0.24	0.41	0.68
USD/ADR	0.15	0.48	0.27	0.46	0.78
Average number of shares (**)	1,506,185,630	1,520,668,882	1,519,471,462	1,507,687,345	1,520,066,864
Exchange rates USD/EUR at the end of each quarter	1.11	1.07	1.14	1.11	1.14

(*) To calculate EPS the interest expense from the perpetual obligations (€7 million after taxes in Q2 16, Q1 17 and Q2 17) has been adjusted.

(**) A capital increase for the shareholder's remuneration scheme known as "Repsol dividendo flexible" was carried out in January 2016, December 2016 and June 2017 accordingly, thus share capital is currently represented by 1,527,393,053 shares. The average weighted number of outstanding shares for the presented periods was recalculated in comparison with the previous periods to include the impact of this capital increase in accordance with IAS 33 "Earnings per share". The average number of shares held by the company during each period was also taken into account.

CASH FLOW STATEMENT

(€ millions)

Prepared according to International Financial Reporting Standards (IFRS-EU)

	JANUARY - JUNE	
	2016	2017
I. CASH FLOWS FROM OPERATING ACTIVITIES (*)		
Net income before taxes	694	1.295
Adjustments to net income		
Depreciation and amortisation of non current assets	1.158	1.389
Other adjustments to results (net)	144	(223)
EBITDA	1.996	2.461
Changes in working capital	(520)	10
Dividends received	306	215
Income taxes received/ (paid)	136	(341)
Other proceeds from/ (payments for) operating activities	(317)	(263)
OTHER CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES	125	(389)
	1.601	2.082
II. CASH FLOWS USED IN INVESTMENT ACTIVITIES (*)		
Payments for investment activities		
Companies of the Group, equity affiliates and business units	(472)	(136)
Fixed assets, intangible assets and real estate investments	(1.001)	(882)
Other financial assets	(109)	(118)
Payments for investment activities	(1.582)	(1.136)
Proceeds from divestments	841	22
Other cashflow	(1)	(4)
	(742)	(1.118)
III. CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES (*)		
Issuance of own capital instruments	-	-
Proceeds from/(payments for) equity instruments	(49)	(183)
Proceeds from issue of financial liabilities	7.120	6.155
Payments for financial liabilities	(7.394)	(6.445)
Payments for dividends and payments on other equity instruments	(271)	(143)
Interest payments	(396)	(341)
Other proceeds from/(payments for) financing activities	(86)	50
	(1.076)	(907)
Effect of changes in exchange rates from continued operations	(6)	(27)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUED OPERATIONS	(223)	30
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2.448	4.687
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2.225	4.717

(*) Cash flows from continued operations

**APPENDIX III – RECONCILIATION OF NON-
IFRS METRICS TO IFRS DISCLOSURES**

Q2 2017

RECONCILIATION OF ADJUSTED RESULTS AND THE CORRESPONDING CONSOLIDATED FINANCIAL STATEMENT HEADINGS

(Unaudited figures)

Q2 2016						
€ Million	Adjusted result	ADJUSTMENTS			Total adjustments	Total consolidated
		Joint arrangements reclassification	Special Items	Inventory Effect		
Operating income	437	(83)	(241)	223	(101)	336
Financial result	(185)	87	(40)	-	47	(138)
Income from equity affiliates	95	(42)	-	-	(42)	53
Net income before tax	347	(38)	(281)	223	(96)	251
Income tax	6	38	(20)	(56)	(38)	(32)
Net income from continued operations	353	-	(301)	167	(134)	219
Income attributed to minority interests	(8)	-	2	(8)	(6)	(14)
NET INCOME FROM CONTINUED OPERATIONS	345	-	(299)	159	(140)	205
Income from discontinued operations	-	-	-	-	-	-
NET INCOME	345	-	(299)	159	(140)	205

Q1 2017						
€ Million	Adjusted result	ADJUSTMENTS			Total adjustments	Total consolidated
		Joint arrangements reclassification	Special Items	Inventory Effect		
Operating income	942	(125)	(86)	113	(98)	844
Financial result	(155)	31	4	-	35	(120)
Income from equity affiliates	73	67	-	-	67	140
Net income before tax	860	(27)	(82)	113	4	864
Income tax	(222)	27	57	(28)	56	(166)
Net income from continued operations	638	-	(25)	85	60	698
Income attributed to minority interests	(8)	-	-	(1)	(1)	(9)
NET INCOME FROM CONTINUED OPERATIONS	630	-	(25)	84	59	689
Income from discontinued operations	-	-	-	-	-	-
NET INCOME	630	-	(25)	84	59	689

Q2 2017						
€ Million	Adjusted result	ADJUSTMENTS			Total adjustments	Total consolidated
		Joint arrangements reclassification	Special Items	Inventory Effect		
Operating income	671	(96)	37	(199)	(258)	413
Financial result	(74)	8	1	-	9	(65)
Income from equity affiliates	62	21	-	-	21	83
Net income before tax	659	(67)	38	(199)	(228)	431
Income tax	(154)	67	(23)	50	94	(60)
Net income from continued operations	505	-	15	(149)	(134)	371
Income attributed to minority interests	(9)	-	-	5	5	(4)
NET INCOME FROM CONTINUED OPERATIONS	496	-	15	(144)	(129)	367
Income from discontinued operations	-	-	-	-	-	-
NET INCOME	496	-	15	(144)	(129)	367

January - June 2016						
€ Million	Adjusted result	ADJUSTMENTS			Total adjustments	Total consolidated
		Joint arrangements reclassification	Special Items	Inventory Effect		
Operating income	997	(108)	(219)	8	(319)	678
Financial result	(262)	84	(18)	-	66	(196)
Income from equity affiliates	206	6	-	-	6	212
Net income before tax	941	(18)	(237)	8	(247)	694
Income tax	(4)	18	(45)	(3)	(30)	(34)
Net income from continued operations	937	-	(282)	5	(277)	660
Income attributed to minority interests	(20)	-	2	(3)	(1)	(21)
NET INCOME FROM CONTINUED OPERATIONS	917	-	(280)	2	(278)	639
Income from discontinued operations	-	-	-	-	-	-
ADJUSTED NET INCOME	917	-	(280)	2	(278)	639

January - June 2017						
€ Million	Adjusted result	ADJUSTMENTS			Total adjustments	Total consolidated
		Joint arrangements reclassification	Special Items	Inventory Effect		
Operating income	1,613	(221)	(49)	(86)	(356)	1,257
Financial result	(229)	39	5	-	44	(185)
Income from equity affiliates	135	88	-	-	88	223
Net income before tax	1,519	(94)	(44)	(86)	(224)	1,295
Income tax	(376)	94	34	22	150	(226)
Net income from continued operations	1,143	-	(10)	(64)	(74)	1,069
Income attributed to minority interests	(17)	-	-	4	4	(13)
NET INCOME FROM CONTINUED OPERATIONS	1,126	-	(10)	(60)	(70)	1,056
Income from discontinued operations	-	-	-	-	-	-
ADJUSTED NET INCOME	1,126	-	(10)	(60)	(70)	1,056

RECONCILIATION OF OTHER ECONOMIC DATA AND THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited figures)

	DECEMBER 2016			JUNE 2017		
	Adjusted Net Debt	Reclassification of JV ⁽¹⁾	IFRS-EU	Adjusted Net Debt	Reclassification of JV ⁽¹⁾	IFRS-EU
NON-CURRENT ASSETS						
Non-current financial instruments	424	657	1,081	379	692	1,071
CURRENT ASSETS						
Other current financial assets	52	1,228	1,280	44	1,187	1,231
Cash and cash equivalents	4,918	(231)	4,687	4,942	(225)	4,717
NON-CURRENT LIABILITIES						
Non-current financial debt	(9,540)	58	(9,482)	(8,831)	192	(8,639)
CURRENT LIABILITIES						
Current financial liabilities	(4,085)	(2,824)	(6,909)	(4,090)	(2,719)	(6,809)
CAPTIONS NOT INCLUDED IN THE BALANCE SHEET						
Net mark-to-market valuation of financial derivatives (excluding exchange rate) ⁽²⁾	87	0	87	79	0	79
NET DEBT	(8,144)		(9,256)	(7,477)		(8,350)

(1) Mainly corresponding to the financial contribution by Repsol Sinopec Brasil which is detailed in the following captions:

2016: "Cash and cash equivalents" amounting to €43 million and "Current financial liabilities" for intragroup loans amounting to €2,942 million, reduced in €344 million due to loans with third parties. 2017: "Cash and cash equivalents" amounting to €17 million; "Current financial liabilities" for intragroup loans amounting to €2,724 million, reduced in €368 million in loans with third parties.

(2) This caption does not consider net market value of financial derivatives other than exchange rate ones

	January - June					
	2016			2017		
	Adjusted Cash flow	Reclassification of JV & Others	IFRS-EU	Adjusted Cash flow	Reclassification of JV & Others	IFRS-EU
I. CASH FLOWS FROM OPERATING ACTIVITIES	1,772	(171)	1,601	2,175	(93)	2,082
II. CASH FLOWS USED IN INVESTMENT ACTIVITIES	(997)	255	(742)	(1,232)	114	(1,118)
FREE CASH FLOW (I. + II.)	775	84	859	943	21	964
III. CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES AND OTHERS ⁽¹⁾	(1,099)	17	(1,082)	(919)	(15)	(934)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(324)	101	(223)	24	6	30
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,769	(321)	2,448	4,918	(231)	4,687
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,445	(220)	2,225	4,942	(225)	4,717

(1) This caption includes payments for dividends and payment on other equity instruments, interest payments, proceeds from/(payments for) equity instruments, proceeds from/ (payments for) issue of financial liabilities, other proceeds from/(payments for) financing activities and the effect of changes in the exchange rate.

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