Report of the Board of Directors on the resolution proposed under points sixth and seventh on the Agenda relating to capital increases in a determinable amount pursuant to the terms of the resolution, by issuing new common shares having a par value of one (1) euro each, of the same class and series as those currently outstanding, charged to reserves, offering shareholders the possibility of selling the free allocation rights to the Company itself or on the market. Delegation of powers to the Board of Directors or, by substitution, to the Delegate Committee or the CEO, to fix the date the increase is to be implemented and the terms of the increase in all respects not provided for by the General Meeting, all in accordance with article 297(1)(a) of the Companies Act. Application for admission of the newly issued shares to listing on the Madrid, Barcelona, Bilbao and Valencia stock exchanges, through the Automated Quotation System (Sistema de Interconexión Bursátil), as well as on any other stock exchanges or securities markets where the Company´s shares are or could be listing.

This report is issued by the Board of Directors of Repsol, S.A. (the "**Company**" or "**Repsol**") to justify the two proposals to increase the capital in the context of the shareholder remuneration program called "Repsol Flexible Dividend", which will be submitted for approval under the sixth and seventh points of the Agenda, respectively, at the Ordinary General Shareholder's Meeting called at 12:00 on 7 May 2020, on first call and at the same time on 8 May 2020, on second call.

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

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

1 PURPOSE AND JUSTIFICATION OF THE PROPOSALS

1.1 Purpose and justification of the proposals

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

With this approach, in order to improve shareholder remuneration structure and in keeping with the latest trends in this matter among other companies in IBEX-35, in 2012 the Company first offered its shareholders an option (called "Repsol Flexible Dividend") which, without affecting their right to receive the entire remuneration in cash if they so wished, gave them the possibility of receiving shares in the Company, with the tax benefits applicable to paid-up shares, as described below. This system was first implemented in the Company to replace it would have been the traditional payment of the final dividend for the year 2011 and was repeated to replace it would have been the traditional payment of the interim and final dividend for the years 2012, 2013, 2014, 2015, 2016, 2017, 2018 and the interim dividend for the year 2019. In view of the good response to this system by the shareholders, it is considered appropriate to offer the same opportunity this year.

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

1.2 Structure of the operations and options available to shareholders

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

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

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

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

Capital Increase (the "**Share Price**"), calculated by the procedure described herein below. However, as will be explained later (i) the total number of shares to be issued in the first Capital Increase will be determined so that their market value calculated at the Share Price will be approximately 861 million euros; and (ii) the maximum number of shares to be issued in the Second Capital Increase will be determined so that their market value calculated at the Share Price will be the amount fix by the Board or, by substitution, the Delegate Committee or the CEO, with the limit established in section 1.4 below.

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

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

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

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

(c) To sell all or part of their free allocation rights on the market. Shareholders choosing this option would also monetize their rights, although in this case they would not receive a guaranteed fixed price, as in option (b) above, but instead the consideration payable for the free allocation rights would depend on market conditions in general and the quotation price of those rights in particular.

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

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

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

1.3 Coordination with the traditional dividend

The Company plans to replace what would have been the traditional final dividend of 2019 and the interim dividend of 2020 with two issues of paid-up shares, although preserving its shareholders' right to receive a cash remuneration if they prefer.

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

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

(a) in the first Increase, a total of 861,324,133 euros gross; and

(b) in the second Increase, the amount determined by the Board of Directors or, by substitution, the Delegate Committee or the CEO, with the limit of 916,437,632 euros gross.

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

The final purchase price (and, in relation to the second Increase, the Amount of the Alternative Option, if appropriate) will be determined and announced pursuant to section 2.3.

2 <u>MAIN TERMS AND CONDITIONS OF THE CAPITAL INCREASE</u>

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

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

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

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

MNNS = NES / No. Rights per share

where,

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

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

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

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

where,

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

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

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

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

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

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

For the sole purpose of this example:

The Amount of the Alternative Option of the Increase to be made is 861,324,133 euros.

A Share Price of 7 euros is assumed.

The NES is 1,566,043,878 (number of Company shares at the date of this report).

Therefore:

Provisional no. shares = Amount of the Alternative Option / Share Price = 861,324,133 / 7 = 123,046,304.7

No. Rights per share = NES / Provisional no. shares = 1,566,043,878 / 123,046,304.7 = 12.73 = 13 (rounded up)

MNNS = NES / No. Rights per share = 1,566,043,878 / 13 = 120,464,913 (rounded down)

The free allocation rights sold to the Company under the Purchase Commitment at a guaranteed fixed price (alternative b), are excluded from the computation of shares to be issued (NNS). In the example, if the Company had purchase 1,000,000,000 free allocation rights, would be 566,043,878 of outstanding free allocation rights at the end of the trading period. The calculation of the final number of new shares to be issued (NNS) would be:

NNS = Number of outstanding free allocation rights / No. Rights per share = 566,043,878 / 13 = 43,541,836 (rounded down).

Consequently, in this example, (i) the final number of new shares to be issued in the Capital Increase would be 43,541,836, (ii) the amount of the Capital Increase would be 43,541,836 euros, and (iii) 13 free allocation rights (or old shares) would be needed for the allocation of one new share in that Increase.

2.2 Free allocation rights

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

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

If the number of free allocation rights required for the allocation of one new share in the Capital Increase (13 in the example set out above) multiplied by the maximum number of new shares to be issued (MNNS) (120,464,913 in the example) is lower than the number of outstanding shares in the Company (NES) at the date of the execution of the Capital Increase (1,566,043,878 in the example), the Company will waive a number of free allocation rights equal to the difference between the two figures (9 rights in the example) for the sole purpose of ensuring that the number of new shares is a whole number and not a fraction. In that case, there would be an incomplete allocation of the Capital Increase and the capital would be increased only by the amount corresponding to the free allocation rights in respect of which no waiver has been made (for which the provisions of section 2.3 below must also be taken into consideration), pursuant to Article 311 of the Companies Act.

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

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

2.3 Purchase Commitment of the free allocation rights

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

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

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

2.4 Rights of the new shares

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

Capital Increase is declared subscribed and paid up.

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

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

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

The balance sheet on which the Capital Increases are based is the balance sheet for the year ended 31 December 2019, audited by PricewaterhouseCoopers Auditores, S.L, on 20 February 2020 and laid before the Ordinary General Shareholders' Meeting for approval under the first point of the Agenda.

The Capital Increases will be made against the reserves set forth in article 303.1 of the Spanish Companies Act. When making the Capital Increase, the Board of Directors or, by substitution, the Delegate Committee or the CEO, will specify the reserve or reserves to be used and the amount of those reserves according to the balance sheet used as the basis for the Capital Increases.

2.6 Taxation

General comments

The most important tax implications associated with a Capital Increase are set forth below. They are based on the tax regulations in force in the national territory and on the interpretation made by the Directorate General of Taxes (DGT) through the reply to various binding queries, and on the foreseeable assumption that (i) the acquisition by the Company of the free allocation rights as a result of the Purchase Commitment will be made with a charge to voluntary reserves from undistributed profits and (ii) the capital increases will be made with a charge to share premium reserves.

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

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

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

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

Specific comments

- Shareholders that are resident and non-resident individuals without a permanent establishment in Spain

  For the type of shareholders indicated, the delivery of the new shares will be considered for tax purposes as the delivery of paid-up shares and, therefore, does not constitute income for the purposes of personal income tax (“**IRPF**” by its initials in Spanish) or non-resident income tax (“**IRNR**” by its initials in Spanish). In line with the above, the delivery of the new shares is not subject to any withholdings or prepayments.

  The acquisition cost of both the new shares and the shares from which they arise will be obtained from distributing the total cost over the number of shares (both outstanding and paid-up shares). The seniority of these paid-up shares will be that corresponding to the shares from which they arise.

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

  If the shareholders sell their free allocation rights on the market, the amount obtained from the transfer will qualify for the same regime established by the tax regulations as for pre-emption rights.

  Consequently, this amount will be considered as capital gains for the transferor that is the IRPF or IRNR taxpayer without a permanent establishment in Spain. These capital gains will be subject to personal income tax withholdings at the rate applicable at that time. These personal income tax withholdings will be made by the corresponding custodian (and, failing this, by the financial intermediary or the notary public that took part in the transfer of these rights).

This is without prejudice to the fact that double taxation treaties signed by Spain to which they may be entitled, as well as the exemptions established by IRNR regulations, may be applicable to IRNR taxpayers without a permanent establishment.

Lastly, if the holders of the free allocation rights decide to avail themselves of the Repsol Purchase Commitment, the tax regime applicable to the amount obtained in the transfer to Repsol of the free allocation rights received as shareholders will be equivalent to the regime applicable to the distribution of cash dividends and, therefore, they will be subject to the corresponding withholding and taxation.

- Shareholders that are resident and non-resident legal persons that operate in Spain through a permanent establishment

  For this category of shareholders, the delivery of free allocation rights and paid-up shares will follow the treatment provided for in the accounting regulations, taking into account the specific features of the Spanish Accounting and Audit Institute (ICAC, by its initials in Spanish) Resolution of 5 March 2019. By virtue of this resolution and as from 1 January 2020, the delivery of the free allocation rights means that a collection right is recognised for the shareholder, in all cases, along with the related finance income to be included in the tax base for corporation tax or IRNR. As a result of the above, the issuer may be required to make the corresponding withholding or prepayment on the gross amount of the rights.

  The practical implementation of these withholdings or payments on account would determine whether Repsol needed mechanisms to provide liquidity advances and offset costs on the part of shareholders (including, but not limited to, the transfer, withdrawal or withholding in any way by the Company of the free allocation rights or the paid-up shares in order to make the tax payment on account corresponding to these investors) that could eventually increase the operational complexity of some of the alternatives considered or make them unfeasible. This is without prejudice to the special valuation rules for the purpose of determining the tax base that may be applicable depending on the nature of the reserves to which the Capital Increases are charged or the application of possible exemptions to which shareholders may be entitled (e.g. those of section 21 of the Spanish Corporation Tax Act).

  The Company has submitted a query to the Directorate-General of Taxes (DGT) to request clarification on the tax effects that the ICAC Resolution could have on the "Repsol Flexible

Dividend" programme, specifically with regard to the system of withholdings and prepayments of the aforementioned taxes.

Notwithstanding the foregoing, and without prejudice to the fact that the Company will do its best to apply the aforementioned mechanisms (i.e. among others, the aforementioned transfer, withdrawal or withholding under the terms established by the DGT, where applicable, or implemented by the Company to face this tax payment on account), if , for technical or other reasons, it is not possible to withdraw or withhold the free allocation rights or the paid-up shares in order to make the corresponding tax payment on account, the Company will not assume any type of liability to the shareholders, the holders of free allocation rights or any other third parties that may be affected by this circumstance.

In the case of the transfer of the free allocation rights on the market, the taxpayers in this category will be taxed in accordance with the applicable accounting regulations and, if applicable, the special regimes applied to shareholders subject to the above taxes.

Lastly, if the holders of the free allocation rights decide to avail themselves of the Repsol Purchase Commitment, the applicable tax regime is substantially identical to that of a cash dividend and, therefore, they are subject to the corresponding withholding and taxation (without prejudice to the possibility of applying special regimes or tax exemptions to which shareholders may be entitled by virtue of their shareholding).

2.7 Authorization to make each Capital Increase

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

This notwithstanding, if the Board of Directors, with express powers of substitution, does not consider it convenient to make any of the Capital Increases, it may submit a proposal to the Shareholders' Meeting for revocation, in which case it will not be obliged to make the Capital Increase in question. In particular, the Board of Directors or, by substitution, the Delegate Committee or the CEO, will analyse and take account of the market conditions, circumstances of the Company and any deriving from a socially or economically important event or circumstance, as well as the level of acceptance of the first Capital Increase and, if in the opinion of the Board of Directors those or other considerations make it unadvisable to make the corresponding Increase, it may submit a proposal to the Shareholders' Meeting to revoke any of the Capital Increases. Moreover, the Capital Increases will have no effect if the Board of

Directors or, by delegation, the Delegate Committee or the CEO, does not exercise the powers delegated to it within the period of one year indicated by the Shareholders' Meeting for making the Capital Increase, in which case it will report on that at the first Shareholders' Meeting held thereafter.

When the Board of Directors or, by substitution, the Delegate Committee or the CEO, decides to make Capital Increase, defining the final terms thereof in any aspects not already specified by the Shareholders' Meeting, the Company will publish those terms. In particular, prior to commencement of the period for free allocation of the corresponding Increase, the Company will publish a document containing information on the number and nature of the shares and the reasons for the Capital Increase, in pursuance of Article 1.5.g of Regulation (EC) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC or any implementing legislation.

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

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

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

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

2.8 Listing of the new shares

The Company will apply for listing of the new shares issued in each Capital Increase on the Madrid, Barcelona, Bilbao and Valencia stock exchanges through the Automated Quotation System (*Sistema de* Interconexión Bursátil), as well as on any other stock exchanges or securities markets where the Company´s shares are or could be listing, expressly putting on record that the Company submits to existing or future laws and regulations governing the stock market, particularly regarding trading, minimum time frames and delisting.

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

1 OBJECT OF THE REPORT

This report was prepared by the Board of Directors of Repsol, S.A. (the "**Company**" or "**Repsol**") to justify the proposed reduction of share capital through the cancellation of treasury shares that will be submitted, under point eighth on the Agenda, for approval by the shareholders of the Company at the General Shareholders´Meeting, called for 7 May 2020 at 12 PM on first call and for 8 May 2020 at the same time on second call.

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

2 JUSTIFICATION OF THE PROPOSAL

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

In order to perform the aforementioned share capital reduction, treasury shares of the Company of €1 par value each are to be cancelled. At 25 March 2020 a portion of the aforementioned shares to be cancelled are treasury shares while the remaining shares to be cancelled will be acquired (a) through a share buy-back programme targeting all shareholders pursuant to article 5 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (the “**Regulation**”) and Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the criteria applicable to buy-back programmes and stabilisation measures (the “**Delegated Regulation**”, the “**Buy-back Programme**” or the "**Programme**", respectively) and that must be approved by the Board of Directors, and, as the case may be, (b) through the settlement, before the resolution to close and execute the share capital reduction object of the proposed resolution referred to in this report, of the derivatives instruments on own shares entered into by the Company prior to 25 March 2020 (the "**Derivatives**").

3 MAIN TERMS AND CONDITIONS OF THE SHARE CAPITAL REDUCTION

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

(i) 1,400,000 euros, through the cancelling of 1,400,000 shares currently held in treasury stock, of one euro par value each, acquired pursuant to the authorisation granted by the shareholders at the General Shareholders´ Meeting held on 11 May 2018 under agenda item eight, and within the limits provided in articles 146 and related and 509 of the Spanish Companies Act (the "**Existing Treasury Stock**"); and

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

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

Joint Limit = 38,647,825 + (No. Shares Issued) – 1,400,000

where,

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

The maximum number of Company shares that may be acquired through the settlement of the Derivatives may not exceed 96,950,000. These Derivatives will not be settled, under any circumstances, during the time the Buy-back Programme is taking place and, in all cases, must be settled prior to declaring the share capital reduction object of this proposed resolution closed and executed.

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

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

(b) The maximum net investment of the Programme (the "**Maximum Investment**") will be the amount in euros calculated using the following formula, rounded down to the nearest whole number:

Maximum Investment = MNS x (Quoted Price x 1.50)

where,

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

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

Consequently, the maximum amount of the capital reduction (the "**Capital Reduction**") will be the sum of the aggregate nominal value of the number of own shares with a nominal value of one euro each corresponding to the Existing Treasury Stock (that is to say 1,400,000 euros) and the aggregate nominal value of the maximum number of shares with a nominal value of one euro making up the Joint Limit.

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

Notwithstanding the foregoing, the Board of Directors (with express rights to delegate to the Executive Committee or the Chief Executive Officer) may decide, in view of market conditions, the Company itself and those arising from any event or occurrence of social or economic significance, such as the current coronavirus crisis or the oil price crisis, not to implement the Buyback Program or, if appropriate, to early terminate it without having acquired the MNS or without having reached the Maximum Investment. In addition, the Board of Directors may also decide not to acquire own shares through the settlement of Derivatives or to acquire by this means a number of own shares that is less than the difference between the Joint Limit and the number of shares actually acquired in execution of the Buyback Programme. In any case, alongside the shares included in the Existing Treasury Stock, all the shares acquired under the Buyback Programme shall be redeemed, as well as, if applicable, the number of shares acquired as a result of the settlement of the Derivatives as determined by the Board of Directors within the limits set in this resolution.

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

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

Merely for the purposes of this example:

The Existing Treasury Stock consist of 1,400,000 Company shares.

The No. Shares Issued is assumed to be 96,371,930.

Likewise, the Quoted Price is assumed to be 7 euros.

Joint Limit = 38,647,825 + (No. Shares Issued) – 1,400,000 = 38,647,825 + 96,371,930 – 1,400,000 = 133,619,755 shares

Maximum Investment (Buy-back Programme) = MNS x (Quoted Price x 1.50) = 133,619,755 x (7 x 1.50) = 1,403,007,427 euros (rounded down to the nearest whole number)

Consequently, in this example, (i) the Joint Limit will be 133,619,755 shares, (ii) the MNS will not exceed 133,619,755 shares and (iii) the Maximum Investment will amount to 1,403,007,427 euros.

Therefore, in this example, the maximum amount of the share capital reduction would be 135,019,755 shares of one euro par value each.

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

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

2. The acquisition of the shares will be carried out based on the price and volume terms established in article 3 of Delegated Regulation.

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

The acquisition of the shares will be carried out pursuant to article 144 a) of the Spanish Companies Act (relating to the free buy-back of own shares) and in accordance with articles 338 to 342 of the same Act, to the extent that they are applicable, of article 12.2 of Royal Decree 1066/2007, of 27 July, of article 5 of Regulation, and Delegated Regulation, without it being necessary, therefore, to formulate a public takeover bid for the Company's shares acquired in the implementation of the Buy-Back Programme.

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

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

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

Furthermore, it is proposed that the shareholders at the Shareholders´ Meeting authorise the Board of Directors to execute the resolution to reduce the share capital (with express authorisation to delegate to the Delegate Committee and/or the CEO pursuant to article 249 bis. I) of the Spanish Companies Act), within one month of the (early or schedule) completion of the Buy-back Programme and, in any event, within one year of the date on which the proposed resolution object of this report is adopted. This will allow the Board of Directors to decide, within a reasonable period, the most appropriate time to proceed with executing the share capital reduction based on the situation of the market and the Company, as well as other factors, internal and external, that may be relevant.

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

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