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The Hague, May 4, 2017

In accordance with Article 14 of Law of 9 May 2006, on market abuse, Repsol International Finance, B.V. (the “Company”) is filing the unaudited interim condensed consolidated financial statements of Repsol Group for the three-month period ended 31 March 2017 (“1Q2017 Repsol Financial Report”).

The 1Q2017 Repsol Financial Report was filed today by Repsol, S.A. (Guarantor of the Euro 10,000,000,000 Guaranteed Euro Medium Term Note Programme of the Company) with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

* * *

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended March 31, 2017

REPSOL, S.A. and investees comprising the Repsol Group



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

REPSOL, S.A. and investees comprising the Repsol Group
Consolidated balance sheet at March 31, 2017 and December 31, 2016

ASSETS	Note	€ Million	
		03/31/2017	12/31/2016
Intangible assets:		5,111	5,109
a) Goodwill		3,079	3,115
b) Other intangible assets		2,032	1,994
Property, plant and equipment	4.1	26,762	27,297
Investment property		66	66
Investments accounted for using the equity method	4.2	10,256	10,176
Non-current financial assets	4.3	1,284	1,204
Deferred tax assets		4,690	4,746
Other non-current assets		309	323
NON-CURRENT ASSETS		48,478	48,921
Non-current assets held for sale		129	144
Inventories		3,755	3,605
Trade and other receivables		5,427	5,885
a) Trade receivables		2,790	3,111
b) Other receivables		1,636	1,785
c) Income tax assets		1,001	989
Other current assets		283	327
Other current financial assets	4.3	1,309	1,280
Cash and cash equivalents	4.3	3,722	4,687
CURRENT ASSETS		14,625	15,928
TOTAL ASSETS		63,103	64,849
LIABILITIES AND EQUITY			
	Note	€ Million	
		03/31/2017	12/31/2016
NET EQUITY			
Issued share capital		1,496	1,496
Share premium and reserves		25,961	24,232
Treasury shares and own equity instruments		(128)	(1)
Profit attributable to the equity holders of the parent		689	1,736
Other equity instruments		995	1,024
EQUITY	4.4	29,013	28,487
Items reclassifiable to income for the period		2,160	2,380
Financial assets available for sale		5	6
Hedge transactions		(172)	(171)
Translation differences		2,327	2,545
OTHER COMPREHENSIVE INCOME		2,160	2,380
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT AND TO OTHER HOLDERS OF EQUITY INSTRUMENTS		31,173	30,867
MINORITY INTERESTS		252	244
TOTAL EQUITY		31,425	31,111
Grants		3	4
Non-current provisions	4.5	6,091	6,127
Non-current financial liabilities	4.3	8,433	9,482
Deferred tax liabilities		1,364	1,379
Other non-current liabilities		1,962	2,009
NON-CURRENT LIABILITIES		17,853	19,001
Liabilities related to non-current assets held for sale		144	146
Current provisions	4.5	689	872
Current financial liabilities	4.3	7,174	6,909
Trade and other payables:		5,818	6,810
a) Trade payables		1,860	2,128
b) Other payables		3,606	4,365
c) Current income tax liabilities		352	317
CURRENT LIABILITIES		13,825	14,737
TOTAL EQUITY AND LIABILITIES		63,103	64,849

Notes 1 to 6 are an integral part of the consolidated balance sheet at March 31, 2017.

REPSOL, S.A. and investees comprising the Repsol Group
Consolidated income statement for the three-month period ended March 31, 2017 and 2016

	Note	€ Million	
		Q1 2017	Q1 2016
Sales		10,024	7,637
Services rendered and other income		97	30
Changes in inventories of finished goods and work in progress inventories		143	82
Reversal of provisions and gains on disposal of non-current assets	4.7	193	80
Other operating income		216	339
OPERATING REVENUE		10,673	8,168
Supplies		(7,234)	(5,318)
Personnel expenses		(460)	(542)
Other operating expenses		(1,300)	(1,372)
Depreciation and amortization of non-current assets		(599)	(575)
Impairment losses recognized and losses on disposal of non-current assets	4.7	(236)	(19)
OPERATING EXPENSES		(9,829)	(7,826)
OPERATING INCOME		844	342
Finance income		44	44
Finance expense		(163)	(182)
Change in fair value of financial instruments		34	(13)
Net exchange gains (losses)		(35)	43
Impairment and gains (losses) on disposal of financial instruments	4.3	-	50
FINANCIAL RESULT		(120)	(58)
Share of results of companies accounted for using the equity method after taxes	4.2	140	159
NET INCOME BEFORE TAX		864	443
Income tax	4.6	(166)	(2)
NET INCOME FOR THE PERIOD		698	441
Net income attributable to minority interests		(9)	(7)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT		689	434
PARENT (€/share)	4.8	Q1 2017	Q1 2016
Basic		0.46	0.29
Diluted		0.46	0.29

Notes 1 to 6 are an integral part of the consolidated income statement at March 31, 2017.

REPSOL, S.A. and investees comprising the Repsol Group
Consolidated statement of recognized income and expense for the three-month period ended March 31, 2017 and 2016

	€ Million	
	Q1 2017	Q1 2016
CONSOLIDATED NET INCOME FOR THE PERIOD (from the consolidated income statement)	698	441
OTHER COMPREHENSIVE INCOME		
Items not reclassifiable to the income statement for the period:		
From actuarial gains and losses	(1)	(5)
Share in other comprehensive income recognized for investments in joint ventures and associates	-	(2)
Tax effect	-	-
TOTAL	(1)	(7)
OTHER COMPREHENSIVE INCOME		
Items reclassifiable to the income statement for the period:		
Financial assets available for sale	1	-
Measurement gains (losses)	1	-
Amounts transferred to the income statement	-	-
Cash flow hedges	9	(15)
Measurement gains (losses)	-	(21)
Amounts transferred to the income statement	9	6
Amounts transferred to the initial carrying amount of the hedged item	-	-
Translation differences	(216)	(863)
Measurement gains (losses)	(216)	(860)
Amounts transferred to the income statement	-	(3)
Share in other comprehensive income recognized for investments in joint ventures and associates	(2)	(41)
Measurement gains (losses)	(2)	(44)
Amounts transferred to the income statement	-	3
Tax effect	(12)	(3)
TOTAL	(220)	(922)
TOTAL RECOGNIZED INCOME FOR THE PERIOD	477	(488)
a) Attributable to the parent	469	(492)
b) Attributable to minority interests	8	4

Notes 1 to 6 are an integral part of the consolidated statement of recognized income and expense at March 31, 2017.

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REPSOL, S.A. and investees comprising the Repsol Group

Consolidated statement of changes in equity for the periods ended March 31, 2017 and December 31, 2016

	Equity attributable to equity holders of the parent company							Minority interests	Total equity
	Capital and reserves								
€ Million	Issued share capital	Share premium and reserves	Treasury shares and own equity instruments	Total net income attributable to the parent	Other equity instruments	Other comprehensive income	Total equity attributable to the parent and to otherholders of equity instruments		
Closing balance at 12/31/2015	1,442	26,030	(248)	(1,398)	1,017	1,691	28,534	228	28,762
Total recognized income/(expense)	-	(11)	-	1,736	-	688	2,413	46	2,459
Transactions with partners and owners									
Increase/(decrease) of share capital	54	(54)	-	-	-	-	-	-	-
Dividend payments	-	-	-	-	-	-	-	(9)	(9)
Transactions with treasury shares or own equity instruments (net)	-	(61)	247	-	-	-	186	-	186
Increases/(decreases) due to changes in the scope of consolidation	-	-	-	-	-	-	-	(21)	(21)
Other transactions with partners and owners	-	(243)	-	-	-	-	(243)	-	(243)
Other changes in equity									
Transfers between equity accounts	-	(1,398)	-	1,398	-	-	-	-	-
Perpetual subordinated bond issues	-	(29)	-	-	7	-	(22)	-	(22)
Other changes	-	(2)	-	-	-	1	(1)	-	(1)
Closing balance at 12/31/2016	1,496	24,232	(1)	1,736	1,024	2,380	30,867	244	31,111
Total recognized income/(expense)	-	(1)	-	689	-	(219)	469	8	477
Transactions with shareholders or owners									
Increase/(decrease) of share capital	-	-	-	-	-	-	-	-	-
Dividend payments	-	-	-	-	-	-	-	-	-
Transactions with treasury shares or own equity instruments (net)	-	(1)	(127)	-	-	-	(128)	-	(128)
Increases/(decreases) due to changes in the scope of consolidation	-	-	-	-	-	-	-	-	-
Other transactions with partners and owners	-	-	-	-	-	-	-	-	-
Other changes in equity									
Transfers between equity accounts	-	1,736	-	(1,736)	-	-	-	-	-
Perpetual subordinated bond issues	-	(7)	-	-	(29)	-	(36)	-	(36)
Other changes	-	2	-	-	-	(1)	1	-	1
Closing balance at 3/31/2017	1,496	25,961	(128)	689	995	2,160	31,173	252	31,425

Notes 1 to 6 are an integral part of the consolidated statement of changes in equity at March 31, 2017.

REPSOL, S.A. and investees comprising the Repsol Group
Consolidated cash flow statement for the three-month period ended March 31, 2017 and 2016

	€ Million	
	Q1 2017	Q1 2016
Net income before tax	864	443
Adjustments to net income:	595	397
Depreciation and amortization of non-current assets	599	575
Other adjustments to results (net)	(4)	(178)
Changes in working capital	(559)	(201)
Cash flows from operating activities:	(221)	263
Dividends received	8	124
Income tax received/(paid)	(115)	251
Other proceeds from/(payments for) operating activities	(114)	(112)
Cash flows from operating activities	679	902
Payments for investing activities:	(552)	(779)
Group companies and associates	(50)	(171)
Property, plant and equipment, intangible assets and investment property	(405)	(512)
Other financial assets	(97)	(96)
Proceeds of divestments:	12	164
Group companies and associates	(18)	87
Property, plant and equipment, intangible assets and investment property	29	76
Other financial assets	1	1
Other cash flows	-	-
Cash flows from investing activities	(540)	(615)
Proceeds from/(payments for) equity instruments:	(165)	(7)
Issues	-	-
Acquisition	(167)	(7)
Disposal	2	-
Proceeds from/(payments for) financial liabilities:	(591)	372
Issues	3,174	4,459
Repayment and redemption	(3,765)	(4,087)
Dividend payments and remuneration on other equity instruments	(138)	(271)
Other cash flows from financing activities:	(209)	(309)
Interest payments	(232)	(287)
Other proceeds from/(payments for) financing activities	23	(22)
Cash flows from financing activities	(1,103)	(215)
Effect of changes in exchange rates	(1)	(12)
Net increase/(decrease) in cash and cash equivalents	(965)	60
Cash and cash equivalents at the beginning of the period	4,687	2,448
Cash and cash equivalents at the end of the period	3,722	2,508
COMPONENTS OF CASH AND CASH-EQUIVALENTS AT THE END OF THE PERIOD		
Cash at bank and in hand	2,986	1,890
Other financial assets	736	618
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,722	2,508

Notes 1 to 6 are an integral part of the consolidated cash flow statement at March 31, 2017.

NOTES TO THE FINANCIAL STATEMENTS

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(1) GENERAL INFORMATION

1.1 About the Repsol Group

Repsol constitutes an integrated group of oil and gas (hereinafter “Repsol”, “Repsol Group” or “Group”) which commenced its operations in 1987.

The Repsol Group is engaged in all the activities relating to the oil and gas industry, including exploration, development and production of crude oil and natural gas, transportation of oil products, liquefied petroleum gas (LPG) and natural gas, refining, the production of a wide range of oil products and the marketing of oil products, oil derivatives, petrochemical products, LPG, natural gas and liquefied natural gas (LNG).

The Repsol Group prepares its consolidated financial statements including the investments in all of its subsidiaries, associates and joint arrangements. Appendix I of the consolidated financial statements at December 31, 2016 lists the main companies comprising the Repsol group and included in the scope of consolidation at said date. Appendix I of these interim financial statements list the main changes in Group composition that have taken place in the first three months of 2017.

The activities of Repsol, S.A. and its investees are subject to extensive regulation, which is described in Appendix IV of the consolidated financial statements at December 31, 2016. Appendix II describes the main changes in the regulatory framework in the period.

1.2 About the interim condensed consolidated financial statements

These interim condensed consolidated financial statements of Repsol, S.A. and its investees, comprising the Repsol Group, present fairly the Group’s equity and financial position at March 31, 2017, as well as the Group’s consolidated earnings performance, the changes in the consolidated equity and the consolidated cash flows in the three-month period then ended.

These interim financial statements were approved by the Board of Directors of Repsol, S.A. in its meeting of May 3, 2017.

(2) BASIS OF PRESENTATION

2.1 General principles

The financial statements are expressed in millions of euros (except in information for which another unit is specified), were prepared on the basis of the accounting records of the companies comprising the Group and are presented in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU) at March 31, 2017 and, specifically, in accordance with the requirements in International Accounting Standard (IAS) 34 “*Interim financial reporting*”.

In accordance with IAS 34, this interim financial information is prepared solely for the purpose of updating the content of the latest approved consolidated financial statements, with an emphasis on new activities, events and circumstances that have arisen in the first three months of the year, and not duplicating information previously disclosed in the consolidated financial statements of the preceding year. To properly understand the information included in these interim financial statements – and given that they do not include information required in complete financial statements prepared in accordance with the IFRS-EU – they must be read jointly with the consolidated financial statements of the Repsol Group for 2016, which will be presented for the approval of the Annual General Meeting of Repsol, S.A. to be held on May 19, 2017.

2.2 Comparative information

The earnings per share in the first quarter of 2016, in accordance with accounting standards, have been restated using the average number of outstanding shares after the capital increase carried out as part of the shareholder remuneration scheme known as “*Repsol Flexible Dividend*” described in Note 4.4 “*Equity*.”

2.3 Standards applicable to financial information

The standards applicable to the preparation of these financial statements have not changed with respect to those applied in the consolidated financial statements at December 31, 2016. The following regulatory changes are pending adoption by the European Union and, in principle, would be applicable in 2017:

- Amendments to IAS 12 *Recognition of deferred tax assets for unrealized losses*.
- Amendments to IAS 7 *Disclosure initiative*.
- Annual Improvements to IFRSs, *2014-2016 Cycle*.¹

The Group estimates that the above changes in accounting regulations are not going to have a significant impact on the financial statements, apart from certain new reporting requirements, as warranted.

2.4 Changes in accounting estimates and judgments

The preparation of these interim financial statements makes it necessary to make assumptions and estimates that affect the valuation of the amounts of the assets and liabilities recognized, the presentation of contingent assets and liabilities and the income and expenses recognized during the period. The results could be significantly affected depending on the estimates made.

These estimates are made on the basis of the best available information, as described in Note 3, “*Accounting estimates and judgments*” of the consolidated financial statements for 2016. In the first three months of 2017, there were no significant changes in the methodology of such estimates, compared to the methodology used at year-end 2016.

2.5 Seasonality

The businesses of liquefied petroleum gas (LPG) and of natural gas are the Group activities involving the highest degree of seasonal variation due to their connection with climate conditions, with activity at its height in the winter and decreasing in the summer of the northern hemisphere.

¹ Includes amendments to IFRS 12 *Disclosure of interests in other entities*.

2.6 Segment reporting

Definition of segments

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

The definition of the Repsol Group's business segments is based on the delimitation of the different activities performed and from which the Group earns revenue or incurs expenses, as well as on the organizational structure approved by the Board of Directors for business management. Using these segments as a reference point, Repsol's management team (the Corporate, E&P and Downstream Executive Committees) analyzes the main operating and financial indicators in order to make decisions about segment resource allocation and to assess how the Company is performing.

The operating segments of the Group are as follows:

- *Upstream*, corresponding to exploration and development 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, petrochemicals and LPG, (iv) the commercialization, transport and regasification of natural gas and liquefied natural gas (LNG).

Lastly, *Corporation and others* includes activities not attributable to the aforementioned segments, and specifically, corporate expenses, financial result, the earnings and other metrics related to the remaining interest in Gas Natural SDG¹, and inter-segment consolidation adjustments.

The Group has not aggregated any operating segments for presentation purposes.

Presentation of segment results

In presenting the results of its operating segments, Repsol includes the results of its joint ventures² and other companies managed as such³, in accordance with the Group's ownership interest, considering its operational and economic metrics in the same manner and with the same detail as for fully consolidated companies. Thus, the Group considers that the nature of its businesses and the way in which results are analyzed for decision-making purposes is adequately reflected.

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*"). Financial result is allocated to the *Corporation and others* segment's Adjusted Net Income.

¹ Includes net income of the company according to the equity method. The other measures (EBITDA, free cash flow, etc.) only reflect the cash flows affecting the Group in its capacity as shareholder in Gas Natural SDG, S.A. (dividends, etc.).

² In the segment reporting model, joint ventures are consolidated proportionally in accordance with the Group's percent holding. See Note 8 "*Investments accounted for using the equity method*" and Appendix I of the consolidated financial statements for 2016, where the Group's main joint ventures are identified.

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

The Current Cost of Supply (CCS) is commonly used in this industry to present the results of *Downstream* businesses which must work with huge inventories subject to continual price fluctuations. It is not a commonly-accepted European accounting regulation, yet it does enable the comparability with other sector companies as well as monitoring of businesses independently of the impact of price variations on their inventories. Using the CCS method, the cost of volumes sold during the reporting period is calculated using the costs of procurement and production incurred during that same period. Due to the above, the Adjusted Net Income does not include the “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 Weighted Average Cost approach, which is the method used by the Company to determine its earnings in accordance with European accounting regulations.

Furthermore, Adjusted Net Income does not include the so-called Special Items, i.e., certain material items whose separate presentation is considered appropriate in order to facilitate analysis of the ordinary business performance. It includes gains/losses on disposals, personnel restructuring charges, asset impairment losses and provisions for contingencies and other significant charges. Special Items are presented separately, net of the tax effect and minority interests.

For each of the figures presented by segment (adjusted net income, inventory effect, special items, etc.), Appendix IV indicates the items and captions that allow for their reconciliation with the corresponding figures prepared in accordance with the IFRS-EU.

(3) RESULTS AND INDICATORS BY SEGMENTS¹

3.1 Key performance indicators

Financial indicators ⁽¹⁾	Q1 2017	Q1 2016	Macroeconomic environment	Q1 2017	Q1 2016
Results			Brent (\$/bbl) average	53.7	33.9
EBITDA	1,844	1,027	WTI (\$/bbl) average	51.8	33.6
Adjusted net income	630	572	Henry Hub (\$/MBtu) average	3.3	2.1
Net income	689	434	Algonquin (\$/MBtu) average	4.4	3.3
Earnings per share (€/share)	0.46	0.29	Exchange rate (\$/€) average	1.06	1.10
Capital employed	39,770	40,337			
ROACE (%) ⁽²⁾	8.5	4.5			
			Our business performance⁽¹⁾	Q1 2017	Q1 2016
Financial overview			Upstream		
Free cash flow	120	201	Net hydrocarbon production (kboe/d)	693	714
Debt interest/EBITDA (%)	5.1	11.2	Net production of liquids (kbb/d)	258	255
Net debt (ND)	8,345	11,978	Net gas production (kboe/d)	435	459
ND/EBITDA (x times) ⁽³⁾	1.1	2.9	Average crude oil realization price (\$/bbl)	49.4	30.3
ND/Capital employed (%)	21	30	Average gas realization price (\$/kscf)	3.1	2.4
Shareholder remuneration			EBITDA	921	404
Shareholder remuneration (€/share) ⁽⁴⁾	0.34	0.47	Adjusted net income	224	17
			Net investments	455	638
Main stock market indicators	Q1 2017	Q1 2016	Downstream		
Share price at closure (€/share)	14.5	9.9	Refining capacity (kbb/d)	1,013	998
Average share price of the period (€/share)	14.0	9.4	Conversion ratio in Spain (%)	63	63
Market capitalisation at closure (€ million)	21,660	14,302	Refining margin indicator in Spain (\$/bbl)	7.1	6.3
Other indicators	Q1 2017	Q1 2016	Oil product sales (kt)	12,064	11,125
People			Petrochemical product sales (kt)	712	764
Total employees ⁽⁵⁾	26,796	29,103	LPG sales (kt)	436	631
New employees ⁽⁶⁾	594	504	Gas sales in North America (Tbtu)	155.4	115.5
Safety and environment			EBITDA	961	671
Frequency rate of accidents ⁽⁷⁾	0.77	0.69	Adjusted net income	500	556
Total frequency rate of accidents ⁽⁸⁾	1.37	1.46	Net investments	91	86
Reduction of CO ₂ emissions (thousand t)	64.18	68.80			

NOTE: The business measures and indicators have not been reviewed by the auditor.

⁽¹⁾ Where applicable, figure shown in millions of euros.

⁽²⁾ The ROACE has been annualized via simple extrapolation of the data of the period.

⁽³⁾ The EBITDA of this indicator has been annualized via simple extrapolation of the data of the period.

⁽⁴⁾ Fixed price guaranteed by Repsol for the bonus share rights under the “*Repsol Flexible Dividend*” program (see Note 4.4).

⁽⁵⁾ Includes the managed and non-managed workforce.

⁽⁶⁾ Fixed or temporary employees with no prior working relationship with the company are considered to be new hires. The % of permanent new hires in the first quarter of 2017 and 2016 amounts to 43% and 55%, respectively.

⁽⁷⁾ Lost time injury frequency rate: number of lost-time accidents and fatal accidents accumulated during the year, per million hours worked. The 2016 figure is for the year.

⁽⁸⁾ Total recordable incident rate: number of with and without lost-time accidents and fatal accidents accumulated during the year, per million hours worked. The 2016 figure is for the year.

¹ All the information presented in this Note has been prepared using the Group’s reporting model (see Note 2.6), unless expressly indicated otherwise. See definitions, composition and reconciliation of figures in Appendix IV, “*Alternative Performance Measures*”.

3.2 Macroeconomic outlook

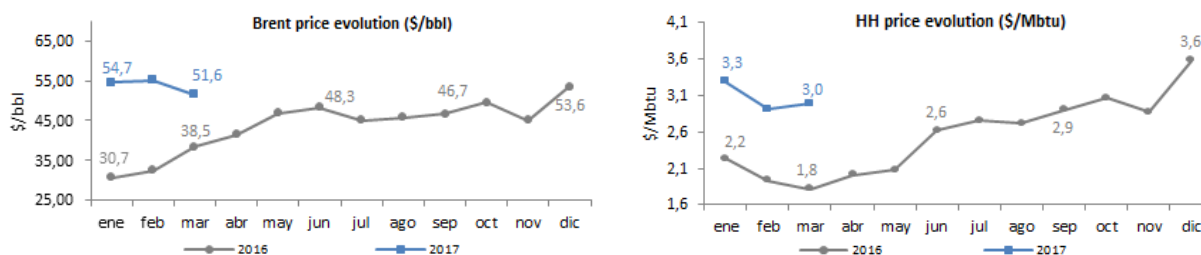
In the first quarter, the global economy showed greater dynamism, helping improve perspectives and moderate risks, although geopolitical uncertainty is high. This situation, jointly with ample global liquidity, underpinned a slight rise in commodities and greater activity in the emerging countries.

The upturn in global activity appears to be more robust because it is synchronized in different regions, also helping improve trade and inflation perspectives, although still at low levels. In fact, the stance of monetary policy remains accommodative, except in the case of the US Federal Reserve, which raised reference interest rates in December 2016 and March 2017. Financial markets maintained a favorable stance in the early months of the year, although it subsequently adopted a more cautious attitude owing to doubts as whether the new US administration might implement measures aimed at stimulating the economy. At the same time, fears have eased, in part, that restrictive trade measures might be adopted. Such measures would have been damaging to some important emerging countries. As a result, after the dollar tended to strengthen at the start of the year, it has recently stabilized, while emerging currencies have recovered some of their losses.

The price of Brent crude in the first quarter of 2017 averaged \$53.7/bbl, slightly more than four dollars above the average of the previous quarter. What lies behind this recovery in the quarterly price is the OPEC agreement of late 2016, which was joined by a group of non-member countries of the cartel, aimed at scaling back production by 1.2 million bbl/d and 600,000 bbl/d, respectively. The perspective of worldwide supply decreasing by nearly 1.8 bbl/d was a positive stimulus for the market, after two years of a policy of defense of market share in which OPEC production continuously increased. Throughout the months of January and February, in response to satisfactory figures on compliance with committed production cutbacks and, with a stable demand outlook, the Brent price stayed within a very narrow range of \$54-56/bbl. However, in about the second week of March, the price underwent a sharp correction of more than five dollars following the disclosure of a sustained increase in US inventories and, most of all, in the country's production, related to the recovery in the non-conventional shale industry.

In the first quarter, the price of Henry Hub US natural gas stood at \$3.3/MBtu, with a peak of \$3.4/MBtu on January 26. The quarterly average was in line with that of the previous quarter, albeit 59% above the average of the first quarter of 2016 (\$2.1/MBtu). The increase on last year was related to the improvement in the fundamentals. Basically, demand was strong, taking into account exports and with falling production of dry gas. This improvement in the fundamentals was reflected in inventory levels which, at the end of March 2017, were 21% below the level of the end of March 2016.

Monthly average Brent and Henry Hub prices



3.3 Results

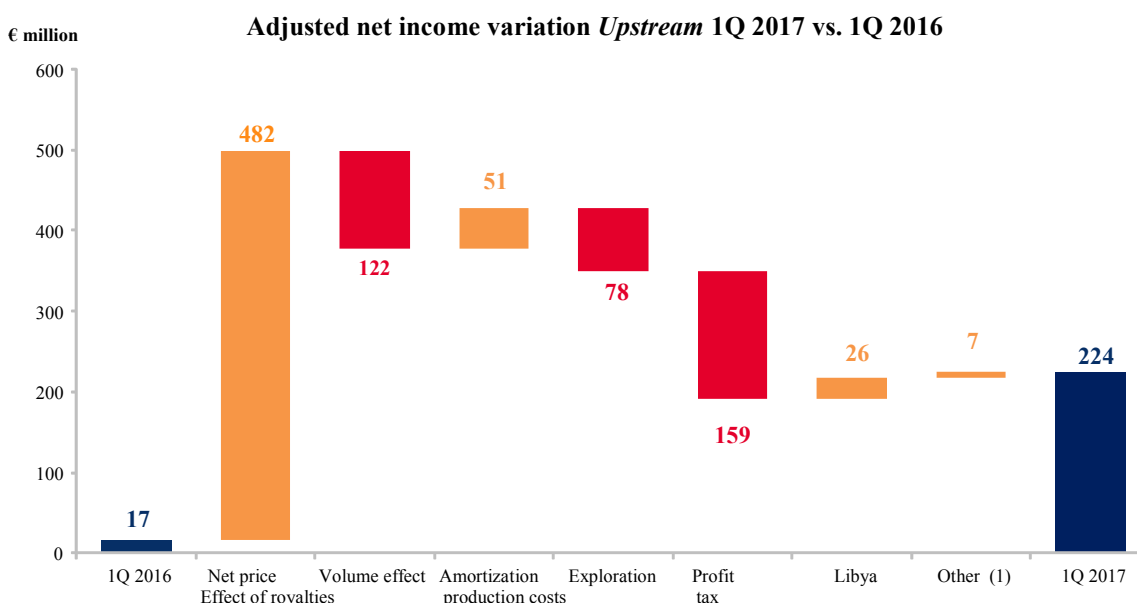
	€ Million		
	Q1 2017	Q1 2016	Variation
Upstream	224	17	207
Downstream	500	556	(56)
Corporation and others	(94)	(1)	(93)
ADJUSTED NET INCOME	630	572	58
Inventory effect	84	(157)	241
Special items	(25)	19	(44)
NET INCOME	689	434	255

The first-quarter 2017 results, compared to the same period in the previous year, occur in a more favorable environment marked by higher crude oil and gas prices (Brent +58% and Henry Hub +59%), the improvement of the refining margin indicator (above \$7/bbl) and the good international environment for the petrochemical business. Against this backdrop, Repsol has continued with its projects for enhancement of operating efficiency and implementation of synergies, thus lending greater flexibility and resilience to its integrated model.

Adjusted Net Income in the quarter amounted to €630 million, which is 10% higher than in the same period of the previous year, due to better income in *Upstream*.

Upstream

The adjusted net income of *Upstream* amounted to €224 million, which is far higher than in the same quarter of the previous year (€17 million). This significant improvement was driven mainly by the recovery in crude oil and gas realization prices, which were up 63% and 30%, respectively, and by the cost reduction arising from improvements in the efficiency of operations, in addition to the contribution of Libya. These positive effects were partially offset by higher taxes, lower volumes sold and higher expenses in exploration.



⁽¹⁾ This mainly comprises the exchange rate effect.

The EBITDA of *Upstream* amounted to €921 million, which is 128% higher than in the same period of the previous year.

The average production in the quarter of 693 Kboe/d is 3% lower than in the same period of 2016. The natural decline and cease of activity of the fields in Norway and the United States, and the loss of production corresponding to disposed-of assets (in Trinidad and Tobago and in Indonesia) were largely offset by the resumption of production in Libya, the incorporation of new wells in Sapinhoá and Lapa in Brazil and the increase in transmission capacity in Peru.

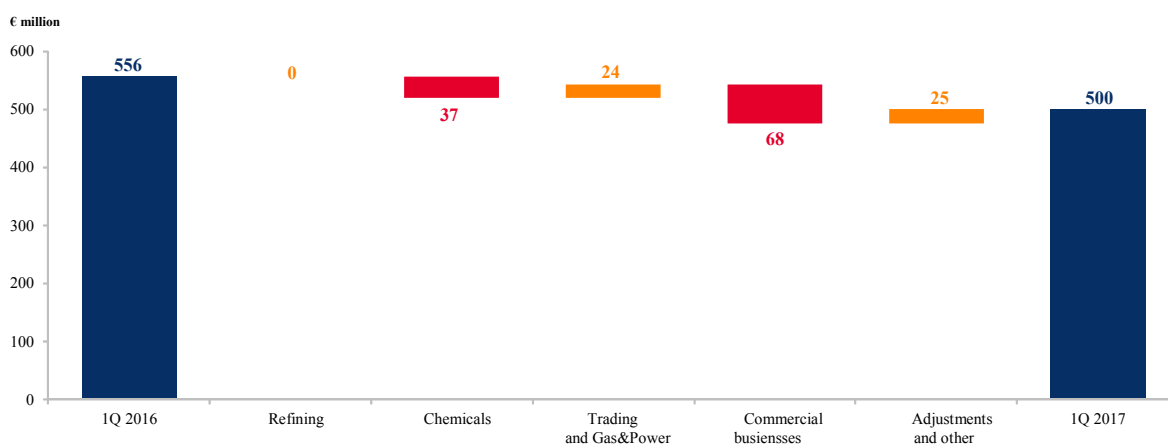
In exploration activity, drilling was completed for two exploration wells and two appraisal wells in the period. Two of them were declared positive (one exploration well and one appraisal well) and two were negative. Noteworthy is the important discovery of the Horseshoe-1 and the Horseshoe-1A appraisal wells, which confirm Nanashuk as one of the formations with the greatest potential in the prolific North Slope area of Alaska. The discovery of Horseshoe extends the Nanshuk formation by more than 32 kilometers beyond previous discoveries. Total contingent resources are estimated at about 1.2 billion recoverable barrels of light crude. Currently pending completion is the work of delineation that will enable defining of the development plan, with entry into production not expected before 2022.

Net investments of the period (€455 million) were 29% lower than in 2016.

Downstream

Adjusted net income in the first quarter of 2017 amounted to €500 million, compared to €556 million in the same period of 2016.

Adjusted net income variation Downstream Q1 2017 vs. Q1 2016



Change in result due mainly to:

- Refining continued to see strong income figures, as favorable international trends (better refining margin indicator, stronger dollar) offset the effects of multi-year shutdowns for maintenance in the industrial plants of Bilbao and Coruña.
- In Chemicals, where the good international margins from the previous year have continued, maintenance of the Tarragona plant caused production declines and costs that affected income in the period.
- Better results in Trading and Gas & Power are largely due to the recovery of the Gas & Power business in North America, backed by higher volumes sold and lower costs.
- The lower income in commercial businesses (Marketing, LPG, Lubricants, etc.) were due to a significant reduction in income in the LPG business, which was adversely affected by

the regulated bottled LPG price formula and by the disposal of the piped-gas assets. In contrast, the rest of the commercial businesses showed better results, particularly service stations in Spain, which saw higher volumes of activity and a reduction in fixed costs.

The EBITDA of *Downstream* amounted to €961 million (compared to €671 million in 2016).

Corporation and others

The result of the segment (-€94 million) was lower than in the first quarter of 2016. In spite of the reduction of corporate costs and of debt interest, the lower income was due to the comparative effect of the gains obtained in 2016 from the repurchase of bonds from ROGCI, the negative impact of trends in the EUR/USD exchange rate and the lower income contributed by Gas Natural Fenosa (following the reduction of the stake in 2016, and owing to the worse performance of the electricity supply business, which was partially offset by the improvement in gas supply in Latin America owing to the positive effect of the exchange rate).

The **inventory effect** amounted to €84 million, due to upward trend in prices during the quarter.

Special items, amounting to €-25 million, mainly relate to the impairment of exploration assets, gains from the disposal of assets and changes in litigation provisions during the period.

€ Million	TOTAL	
	Q1 2017	Q1 2016
Divestments	18	59
Workforce restructuring charges	(4)	(29)
Impairment	(28)	-
Provisions and other	(11)	(11)
TOTAL	(25)	19

Consequently, **Net Income** of the first quarter amounted to €689 million, which is 59% higher than in the same period of 2016.

The **EBITDA** of the period of €1,844 million, is 80% higher than in the previous year, driven mainly by the outstanding performance of *Upstream* and of the industrial businesses in *Downstream* (including the positive inventory effect).

Free cash flow in the first quarter of 2017 amounted to €120 million, as the significant improvement of EBITDA and the decrease in investments were offset by the increase in working capital and taxes.

	Q1 2017	Q1 2016
EBITDA	1,844	1,027
Changes in working capital	(875)	(357)
Dividends received	3	123
Income tax receipts/(payments)	(129)	269
Other receipts/(payments) of operating activities	(126)	(119)
I. CASH FLOWS FROM OPERATING ACTIVITIES	717	943
Payments on investments	(610)	(854)
Proceeds from divestments	13	112
II. CASH FLOW FROM INVESTING ACTIVITIES	(597)	(742)
FREE CASH FLOW (I+II)	120	201
Dividend payments and remuneration from other equity instruments	(138)	(271)
Net interest and leasing	(247)	(300)
Treasury shares	(165)	(7)
CASH GENERATED IN PERIOD	(430)	(377)

Net debt at the end of the quarter was €8,345 million, which is significantly lower than at March 31, 2016 (€11,978 million), as a result of better cash flows generated by businesses during the period, discipline in investments and liquidity obtained in divestments. The change in the debt figure compared to December 31, 2016 (€8,144 million), was mainly due to the payment of dividends and purchases of treasury shares in the period.

Group **liquidity**, including committed and undrawn credit facilities, stood at €8,333 million at March 31, 2017, which is enough to cover its short-term debt maturities by a factor of 1.91. Repsol had undrawn credit facilities amounting to €4,368 million and €4,429 million at March 31, 2017 and December 31, 2016, respectively.

3.4 Information by geographical area

The geographic distribution of the main figures in each of the periods presented is as follows:

€ Million	First quarter of 2017 and 2016							
	Revenue ⁽¹⁾		Adjusted net income ⁽¹⁾		Net operating investments ⁽¹⁾		Capital employed ⁽¹⁾	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016	03/31/2017	03/31/2016
Upstream	1,598	1,084	224	17	455	638	23,865	23,053
Europe, Africa and Brazil	556	258	82	24	91	113	-	-
Latin America-Caribbean	420	374	106	65	162	189	-	-
North America	336	224	(10)	(68)	115	169	-	-
Asia and Russia	286	228	53	6	46	22	-	-
Exploration and other	-	-	(7)	(10)	41	145	-	-
Downstream	9,457	7,110	500	556	91	86	9,822	9,692
Europe	8,812	6,364	446	528	77	52	-	-
Rest of World	1,507	1,124	54	28	14	34	-	-
Adjustments	(862)	(378)	-	-	-	-	-	-
Corporation and other	(410)	(145)	(94)	(1)	(2)	(15)	6,083	7,592
TOTAL	10,645	8,049	630	572	544	709	39,770	40,337

⁽¹⁾ To see the reconciliation between these figures and IFRS-EU figures, please refer to Appendix III and IV.

(4) OTHER INFORMATION

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

4.1 Property, plant and equipment

The Group's most significant investments are detailed in Note 3.4 “*Information by geographical area*”, which is presented using the Group's reporting model.

4.2 Investments accounted for using the equity method

Repsol uses the equity method to account for all investments and results in joint ventures and associates in which it participates. Investments in joint ventures relate mainly to Repsol Sinopec Brasil, S.A., YPFB Andina, S.A., BBRY Caribbean Ventures, Llc. (BPRY), Petroquiriquire, S.A., Cardón IV, S.A. and Equion Energía, Ltd., and in associated companies mainly to Gas Natural SDG, S.A.

These investments are reflected in the Group's financial statements as follows:

	Million euros			
	Carrying amount of the investment		Share of results ⁽¹⁾	
	03/31/2017	12/31/2016	Q1 2017	Q1 2016
Joint ventures	6,735	6,713	79	152
Associates	3,521	3,463	61	7
TOTAL	10,256	10,176	140	159

⁽¹⁾ Corresponds to the net income for the period from continuing and discontinued operations. Does not include “*Other comprehensive income*” of €73 million (€70 million corresponding to joint ventures and €3 million to associates) and €327 million (€325 million corresponding to joint ventures and €2 million corresponding to associates) in 2017 and 2016, respectively.

Breakdown in this heading during the period was as follows:

Million euros	2017	2016
Balance at January 1	10,176	11,797
Net investments	49	104
Share of results of companies accounted for using the equity method after taxes	140	159
Dividends distributed	(8)	(1)
Translation differences	(62)	(324)
Reclassification and other changes	(39)	(59)
Balance at March 31	10,256	11,676

4.3 Financial instruments

Financial assets

€ Million	2017	2016
Non current financial assets	1,284	1,204
Non current derivatives on trading transactions ⁽¹⁾	2	-
Other current financial assets	1,309	1,280
Current derivatives on trading transactions ⁽²⁾	130	64
Cash and cash equivalents	3,722	4,687
Total financial assets	6,447	7,235

⁽¹⁾ Recognized in “*Other non-current assets*” of the consolidated balance sheet.

⁽²⁾ Recognized in “*Other receivables*” of the consolidated balance sheet.

Financial liabilities

€ Million	2017	2016
Non-current financial liabilities	8,433	9,482
Current financial liabilities	7,174	6,909
Current derivatives on trading transactions	160	282
Total financial liabilities	15,767	16,673

⁽¹⁾ Recognized in "Other payables" of the consolidated balance sheet.

For further information about the financial instruments recognized on the Group's balance sheet, classified into the various categories of financial assets and liabilities, see Appendix III. The main changes relating to financial liabilities are shown below.

Bonds and other securities

The main issues, repayments and repurchases of bonds and other securities in the first three months of 2017 were as follows:

- In February 2017, €886 million of fixed-annual 4.75% bonds issued by Repsol International Finance, B.V. within the EMTN Program in February 2007 were repaid at maturity.

The outstanding balance of bonds and other securities at March 31 is as follows:

ISIN	Issuer	Date of issue	Currency	Face value (million)	Average rate %	Maturity	Listed ⁽⁵⁾
US87425EAE32 ⁽³⁾	Repsol Oil & Gas Canada Inc.	oct-97	Dollar	55	7.250%	oct-27	-
XS0145515655	Repsol Oil & Gas Canada Inc.	abr-02	Pounds	250	6.625%	dic-17	LSE
US87425EAH62 ⁽³⁾	Repsol Oil & Gas Canada Inc.	may-05	Dollar	90	5.750%	may-35	-
US87425EAJ29 ⁽³⁾	Repsol Oil & Gas Canada Inc.	ene-06	Dollar	131	5.850%	feb-37	-
US87425EAK91 ⁽³⁾	Repsol Oil & Gas Canada Inc.	nov-06	Dollar	119	6.250%	feb-38	-
US87425EAL74 ⁽³⁾	Repsol Oil & Gas Canada Inc.	jun-09	Dollar	364	7.750%	jun-19	-
US87425EAM57 ⁽³⁾	Repsol Oil & Gas Canada Inc.	nov-10	Dollar	241	3.750%	feb-21	-
XS0733696495 ⁽¹⁾	Repsol International Finance, B.V.	ene-12	Euro	1,000	4.875%	feb-19	LuxSE
US87425EAN31 ⁽³⁾	Repsol Oil & Gas Canada Inc.	may-12	Dollar	97	5.500%	may-42	-
XS0831370613 ⁽¹⁾	Repsol International Finance, B.V.	sep-12	Euro	750	4.375%	feb-18	LuxSE
XS0933604943 ⁽¹⁾	Repsol International Finance, B.V.	may-13	Euro	1,200	2.625%	may-20	LuxSE
XS0975256685 ⁽¹⁾	Repsol International Finance, B.V.	oct-13	Euro	1,000	3.625%	oct-21	LuxSE
XS1148073205 ⁽¹⁾	Repsol International Finance, B.V.	dic-14	Euro	500	2.250%	dic-26	LuxSE
XS1207058733 ⁽²⁾	Repsol International Finance, B.V.	mar-15	Euro	1,000	4.500% ⁽⁴⁾	mar-75	LuxSE
XS1334225361 ⁽¹⁾	Repsol International Finance, B.V.	dic-15	Euro	600	2.125%	dic-20	LuxSE
XS1352121724 ⁽¹⁾	Repsol International Finance, B.V.	ene-16	Euro	100	5.375%	ene-31	LuxSE
XS1442286008 ⁽¹⁾	Repsol International Finance, B.V.	jul-16	Euro	600	Euro 3M +70 b.p.	jul-18	LuxSE
XS1451452954 ⁽¹⁾	Repsol International Finance, B.V.	jul-16	Euro	100	0.125%	jul-19	LuxSE

⁽¹⁾ Issues made under RIF's EMTN Program, which is guaranteed by Repsol, S.A., as renewed in September 2016.

⁽²⁾ A subordinated bond issued by Repsol International Finance, B.V. Guaranteed by Repsol, S.A. This issue does not correspond to any open-ended or shelf program.

⁽³⁾ Issues placed by Repsol Oil & Gas Canada, Inc., under the scope of the Universal Shelf Prospectus program in the United States and the Medium-Term Note Shelf Prospectus program in Canada.

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

⁽⁵⁾ LuxSE (Luxembourg Stock Exchange) and LSE (London Stock Exchange). No multilateral trading systems or other trading systems or over-the-counter (OTC) markets are taken into account.

Additionally, Repsol International Finance B.V. (RIF) holds a Euro Commercial Paper (ECP), arranged on May 16, 2013 and guaranteed by Repsol, S.A., with a limit up to €2,000 million and updated on July 29, 2016. A number of issues and repayments have been made under this program during the period, and the outstanding balance at March 31, 2017 is €1,993 million.

4.4 Equity

	€ Million	
	03/31/2017	12/31/2016
Net equity	29,013	28,487
Issued share capital	1,496	1,496
Share premium and reserves	25,961	24,232
Share premium ⁽¹⁾	6,428	6,428
Legal reserve ⁽²⁾	259	259
Retained earnings and other reserves ⁽³⁾	19,373	17,644
Dividends and remuneration	(99)	(99)
Treasury shares and own equity instruments	(128)	(1)
Total net income attributable to the parent	689	1,736
Other equity instruments	995	1,024
Other comprehensive income	2,160	2,380
Minority interests	252	244
TOTAL EQUITY	31,425	31,111

- ⁽¹⁾ The restated Spanish Companies Act expressly permits the use of the share premium account balance to increase capital and establishes no specific restrictions as to its use.
- ⁽²⁾ Under the restated Spanish Companies Act, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.
- ⁽³⁾ Includes the adjustments related to the differences between the previous accounting principles and the IFRS, from events and transactions before the transition date to IFRS (January 1, 2004)

4.4.1 Share capital

At March 31, 2017, Repsol share capital amounts to €1,496,404,851, fully subscribed and paid up and represented by 1,496,404,851 shares with a nominal value of 1 euro each.

According to the latest information available, the significant shareholders of Repsol, S.A. are:

Significant shareholders	total % of share capital
Fundación Bancaria Caixa d'Estalvis y Pensions de Barcelona ⁽¹⁾	9.84
Sacyr, S.A. ⁽²⁾	8.2
Temasek Holdings (Private) Limited ⁽³⁾	4.34
Blackrock, Inc. ⁽⁴⁾	3.04

- ⁽¹⁾ Fundació Bancaria Caixa d'Estalvis i Pensions de Barcelona holds its interest through CaixaBank, S.A.
- ⁽²⁾ Sacyr, S.A. holds its interest through Sacyr Investments II S.A.U., Sacyr Investments, S.A.U. and Sacyr Securities, S.A.U.
- ⁽³⁾ Temasek holds its investment through its subsidiary, Chembra Investment PTE, Ltd.
- ⁽⁴⁾ Blackrock, Inc. holds its stake through various funds and accounts managed by investment managers under their control. The information on Blackrock, Inc. is based on a declaration filed by the entity in the CNMV on January 15, 2016 on its share capital at said date.

4.4.2 Treasury shares and own equity instruments

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

	No. of shares	Amount (€ M)	% capital
Balance at January 1	94,185	1	0.010%
Market purchases	11,767,307	165	0.79%
Market sales	(2,690,000)	(38)	0.18%
Share Acquisition Plan ⁽¹⁾	142,330	2	0.01%
Balance at March 31 ⁽²⁾	9,171,492	128	0.61%

⁽¹⁾ All shares acquired in the Share Acquisition Plan have been delivered to the employees.

⁽²⁾ Between the months of January and March, Repsol Tesorería y Gestión Financiera, S.A. arranged equity swaps with financial institutions over a total notional of 11 million Repsol, S.A. shares under which the voting rights and economic risk intrinsic to the underlying were transferred to the Group, of which, as of March 31, equity swaps over a notional of 8 million shares remain outstanding.

4.4.3 Shareholder remuneration

The following table breaks down the dividend payments received by Repsol, S.A.'s shareholders during the three-month period ended on March 31, 2017 through the “Repsol Flexible Dividend” program:

	No. of bonus share rights sold to Repsol	Purchase commitment price (€/right)	Cash payout (€ million)	New shares issued	Payment in shares (€ million)
December 2016/January 2017	296,735,539	0.335	99	30,760,751	392

The Board of Directors has resolved, at a meeting held on March 29, 2017, to submit to the Company's shareholders for approval at the Annual General Meeting scheduled for May 18 and 19, 2016, on first and second call, respectively, within the “Repsol Flexible Dividend” Program and on the dates on which the Company has traditionally paid its final dividend, a capital increase proposal charged to voluntary reserves from retained earnings equivalent to shareholder remuneration of about €0.45 per share.

4.5 Provisions

The changes in current and non-current provisions in the first three months of 2017 and 2016 are as follows:

€ Million	2017	2016
Balance at January 1	6,999	7,204
Allowances of provisions charged to results	63	67
Reversals of provisions with credit to results	(52)	(4)
Provisions released due to payment	(145)	(72)
Translation differences	(74)	(179)
Reclassifications and other changes	(11)	(36)
Balance at March 31	6,780	6,980

4.6 Tax situation

Income tax

For the calculation of corporate income tax in interim periods, the estimated effective annual tax rate is used. However, tax effects derived from occasional events or unique transactions undertaken during the period are fully taken into account.

The effective tax rate applicable to the net adjusted income of the period has been estimated at 28.2%. The rate is significantly higher compared to the same period of the previous year (2%), mainly due to the increased income in *Upstream* businesses with high tax rates and the impact on deferred taxes of the exchange rate of local currencies in countries with businesses whose functional currency is the dollar.

The effective tax rate applicable to income from continuing operations (before tax and before the share of results of companies accounted for using the equity method) was 23%. This rate is significantly higher compared to the first quarter of 2016 (0.7%) for the same reasons given above.

Administrative and legal proceedings with tax implications

The information herein updates the content of the administrative and legal proceedings with tax implications reported in Note 20 – “Tax situation” – of the 2016 consolidated financial statements in the following countries:

Canada

Pursuant to administrative proceedings by the Canada Revenue Agency (CRA) on the situation of Talisman Group companies resident in Canada for the years 2006-2010, a notice of re-assessment resulting in adjustments to the 2006 tax return under several items was received. The company does not expect this claim to have a significant impact for the Group and, in any case, it will file the appropriate appeals as it considers some of the item adjustments to be incorrect.

Spain

With regard to litigation relating to penalties arising from inspection of income tax from 1998 to 2001 and from 2002 to 2005 in Spain, they have been annulled by the courts in almost all cases.

East Timor

With respect to administrative proceedings by the authorities of East Timor on the deductibility of certain expenses in income tax by Repsol Oil & Gas Australia (JPDA 06-105) Pty Limited, the authorities have recently withdrawn the pre-assessment questioning.

4.7 Asset impairment

In the *Upstream* segment, net impairment losses were recognized for exploration assets in the Gulf of Mexico in the amount of €-31 million, in accordance with the expected course of development plans in the area.

4.8 Earnings per share

The earnings per share figures for the first quarter of 2017 and 2016 are detailed below:

EARNINGS PER SHARE (EPS)	Q1 2017	Q1 2016
Net income attributed to the parent company (€ million)	689	434
Adjustment of interest expense for subordinated perpetual bonds (€ million)	(7)	(7)
Weighted average number of shares outstanding at March 31 (millions of shares) ⁽¹⁾	1,490	1,478
EPS basic/diluted (€/share)	0.46	0.29

⁽¹⁾ Share capital at March 31, 2016 stood at 1,441,783,307 shares. However, the weighted average number of shares outstanding used to calculate earnings per share at year-end includes the effect of the bonus share issues carried out under the scope of the “*Repsol Flexible Dividend*” shareholder remuneration scheme, as stipulated in applicable accounting regulations (see Note 2.2 “*Comparative information*”).

4.9 Geopolitical risks

The information herein updates the content of Note 22.3 of the 2016 consolidated financial statements.

Venezuela

High inflation (the IMF forecasts 720% in 2017¹) and difficulties in the supply of some basic products have triggered episodes of popular discontent.

In addition, the opposition political parties have organized protests demanding, among other things, elections for state governors whose term has expired and the restoration of the powers of the National Assembly.

Libya

On December 20, 2016, production resumed in the NC115 block (fields A, M and H). On January 4, 2017, production also resumed in the I/R field (shared field between blocks NC-186 and NC-115), with output reaching 227 kbb/d in March. However, due to external causes, there have been two shutdowns: the first one from March 28 to April 2, and the second one from April 9 to April 27.

4.10 Legal contingencies

The information herein updates the legal contingencies reported in Note 29 of the 2016 consolidated financial statements in the following countries:

United Kingdom

“Galley” pipeline lawsuit

The arbitration taking place in London proceeding is currently in the pleadings stage, after which the arbitration court will decide on the calendar for the trial phase, among other procedural matters.

¹ Source: Perspectives on world economy by IMF (April 2017).

United States of America

The Passaic River / Newark Bay lawsuit

The Presiding judge decided on April 5, 2016 to uphold all of the recommendations issued by the Special Master, thereby dismissing in full OCC suit against Repsol. His decision can be appealed. On June 16, 2016, the Special Master agreed to hear the motion for summary judgment presented by Repsol with regard to its claim against OCC for the \$65 million paid as part of the settlement reached with the State of New Jersey. OCC filed an appeal against the recommendation of the Special Master on January 30, 2017. On June 17, 2016, Maxus filed for bankruptcy protection before the United States Bankruptcy Court for the District of Delaware, also seeking release from its main litigation liability, a petition the Court must rule on. The main litigation is currently suspended, with OCC's claim for \$65 million having been reintroduced.

4.11 Other information

The Board of Directors, in its meeting of March 29, 2017, resolved to submit to the Annual General Meeting scheduled for May 18 and 19, 2017, in first and second call, respectively:

- re-election of Manuel Manrique Cecilia, Rene Dahan and Luis Suárez de Lezo Mantilla as Directors for a new statutory term of four years;
- ratification of the appointment by cooptation of Antonio Massanell Lavilla as Director for a statutory term of four years;
- appointment as independent external Directors for a statutory term of four years of María Teresa Ballester Fornés, Isabel Torremocha Ferrezuelo and Mariano Marzo Carpio, replacing Javier Echenique Landiribar, María Isabel Gabarró Miquel and Henri Philippe Reichstul.
- re-election of Deloitte, S.L. as the auditor of Repsol, S.A. and the Group for 2017, and the appointment of PricewaterhouseCoopers Auditores, S.L. as the auditor of Repsol, S.A. and the Group for 2018, 2019 and 2020.

(5) SUBSEQUENT EVENTS

There were no subsequent events to highlight.

(6) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

APPENDIX I: GROUP COMPOSITION

The main companies comprising the Repsol Group are listed in Appendix I of the 2016 consolidated financial statements. The main changes in the Group composition in the first three months of 2017 are as follows:

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

03.31.2017								
Name	Country	Parent Company	Description	Date	Consolidation method ⁽¹⁾	% voting rights acquired	% of voting rights held in the entity post-acquisition ⁽²⁾	
Repsol Exploración Aitolokarmania, S.A.	Spain	Repsol Exploración, S.A.	Incorporation	February-17	F.C.:	100.0%	100.0%	
Repsol Exploración Ioamina, S.A.	Spain	Repsol Exploración, S.A.	Incorporation	February-17	F.C.:	100.0%	100.0%	
Air Miles España, S.A.	Spain	Repsol Comercial de Productos Petroliferos, S.A.	Acquisit. Interest	February-17	E.M.:	1.7%	26.7%	

⁽¹⁾ Consolidation method:
F.C.: Full consolidation.
E.M.: Equity method.

⁽²⁾ Percent stake in acquiree.

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

03.31.2017								
Name	Country	Parent Company	Description	Date	Consolidation method ⁽¹⁾	% voting rights sold or retired	% of voting rights held in the entity after sale	Profit/(loss) generated (€ million) ⁽²⁾
Talisman North Jabung, Ltd.	Canada	Talisman (Asia), Ltd.	Absorption	January -17	F.C.:	100.00%	0.00%	-
Talisman (Ogan Koming) Ltd.	Canada	Repsol Oil & Gas Canada, Inc.	Disposal	March -17	F.C.:	100.00%	0.00%	3

⁽¹⁾ Consolidation method:
F.C.: Full consolidation.
E.M.: Equity method.

⁽²⁾ Recognized income before tax.

APPENDIX II: REGULATORY FRAMEWORK

The activities of Repsol, S.A. and its investees are subject to extensive regulation. The information in this appendix updates the regulatory framework of the 2016 consolidated financial statements in Appendix IV, “Regulatory Framework”.

Indonesia

The government of Indonesia, on January 16, 2017, introduced via Regulation 8/2017, of the Ministry of Energy and Mineral Resources (MEMR) a new model of Gross Split production sharing contract (PSC). The Gross Split PSC has no mechanism for cost recovery, but it does have two components for determining production sharing, that is base split components, subject to additional adjustments in development plan phase.

Under Regulation 8/2017, since there is no cost recovery, the functions of the public regulatory body *Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi* (“SKK Migas”) are reduced solely to the approval of contractors’ work programs. The model of Regulation 8/2017 does not revoke existing PSCs and only applies to new PSCs or renewals of previous PSCs. Contractors, under any PSCs that can be extended instead of replaced by a Gross Split PSC, have the option of maintaining the prior PSC model, although this will be subject to the approval of the MEMR.

Venezuela

The Economic State of Emergency has been extended six times. On March 13, 2017, there was issued Presidential Decree No. 2,742, published in the Official Gazette 41112, extending by 60 days the term prescribed in Presidential Decree No. 2667 of January 13, 2017, published in the Official Gazette No. 41,074 of the same date.

On March 29, 2017, the Constitutional Chamber of the Supreme Court of Venezuela issued a ruling under which it declared the National Executive had the power to incorporate mixed enterprises in accordance with the spirit of article 33 of the Organic Hydrocarbons Law, without requiring the prior authorization of the National Assembly. Pursuant to the sentence, the aforementioned Constitutional Chamber must be informed of all circumstances pertinent for such incorporation and the conditions, including special advantages provided in favor of the Republic, as well as any subsequent modification of the incorporation conditions, following a favorable report by the Ministry of Energy and Petroleum.

APPENDIX III: OTHER DETAILED INFORMATION

Financial instruments

Financial assets

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

March 31, 2017 and December 31, 2016														
€ Million	Financial assets held for trading ⁽³⁾		Other financial assets at fair value with changes through profit or loss ⁽³⁾		Financial assets available for sale ⁽³⁾		Loans and receivables ⁽²⁾		Held to maturity investments ⁽²⁾		Hedging derivatives ⁽³⁾		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Equity instruments	-	-	-	-	126	123	-	-	-	-	-	-	126	123
Derivatives	2	-	-	-	-	-	-	-	-	-	-	-	2	-
Other financial assets	-	-	56	56	-	-	1,102	1,025	-	-	-	-	1,158	1,081
Long-term/Non-current	2	-	56	56	126	123	1,102	1,025	-	-	-	-	1,286	1,204
Derivatives	166	95	-	-	-	-	-	-	-	-	-	-	166	95
Other financial assets	-	-	10	10	-	-	1,271	1,247	3,714	4,679	-	-	4,995	5,936
Short-term/Current	166	95	10	10	-	-	1,271	1,247	3,714	4,679	-	-	5,161	6,031
TOTAL⁽¹⁾	168	95	66	66	126	123	2,373	2,272	3,714	4,679	-	-	6,447	7,235

(1) There are also trade receivables included in "Other non-current assets" and "Trade and other receivables" at March 31, 2017, €307 million under non-current and €4,296 million under current and, at December 31, 2016, €323 million under non-current and €4,832 million under current.

(2) The fair value coincides with their carrying amount.

(3) The section "Fair value of financial instruments" in this appendix discloses the classification of financial instruments by fair value hierarchy.

Financial liabilities

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

March 31, 2017 and December 31, 2016										
€ Million	Financial liabilities held for trading ⁽²⁾		Loans and payables		Hedging derivatives ⁽²⁾		Total		Fair value	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Bank borrowings	-	-	1,212	1,491	-	-	1,212	1,491	1,216	1,496
Bonds and other securities	-	-	7,138	7,905	-	-	7,138	7,905	7,596	8,328
Derivatives	-	-	-	-	81	86	81	86	81	86
Other financial liabilities	-	-	2	-	-	-	2	-	2	-
Long-term/Non-current	-	-	8,352	9,396	81	86	8,433	9,482	8,895	9,910
Bank borrowings	-	-	827	837	-	-	827	837	827	837
Bonds and other securities	-	-	3,130	2,855	-	-	3,130	2,855	3,159	2,875
Derivatives	202	303	-	-	2	3	204	306	204	306
Other financial liabilities ⁽³⁾	-	-	3,173	3,193	-	-	3,173	3,193	3,173	3,193
Short-term/Current	202	303	7,130	6,885	2	3	7,334	7,191	7,363	7,211
TOTAL⁽¹⁾	202	303	15,482	16,281	83	89	15,767	16,673	16,258	17,121

(1) Liabilities under financial leases at March 31, 2017 and December 31, 2016 amount to €1,518 and €1,550 million, recorded in "Other non-current liabilities" and €205 and €208 million under "Other payables".

(2) The section "Fair value of financial instruments" in this appendix discloses the classification of financial instruments by fair value hierarchy.

(3) It mainly relates to the loan granted by Repsol Sinopec Brasil, S.A. through its subsidiary Repsol Sinopec Brasil B.V.

Fair value of financial instruments

The classification of the financial instruments recognized in the financial statements at fair value at March 31, 2017 and December 31, 2016 is as follows:

€ Million	March 31, 2017 and December 31, 2016							
	Level 1		Level 2		Level 3		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Financial assets								
Financial assets available for sale	1	6	167	89	-	-	168	95
Other financial assets at fair value with changes through profit or loss	66	66	-	-	-	-	66	66
Financial assets available for sale ⁽¹⁾	1	1	-	-	-	-	1	1
Total	68	73	167	89	-	-	235	162
Financial liabilities								
Financial liabilities held for trading	31	215	171	88	-	-	202	303
Hedging derivatives	-	-	83	89	-	-	83	89
Total	31	215	254	177	-	-	285	392

Financial instruments recognized at fair value are classified at different levels in the fair value hierarchy, as described below:

Level 1: Valuations based on a quoted price in an active market for an identical instrument.

Level 2: Valuations based on a quoted price in an active market for similar financial assets or based on other valuation techniques that rely on observable market inputs.

Level 3: Valuations based on inputs that are not directly observable in the market.

⁽¹⁾ Does not include €125 and €122 million at March 31, 2017 and December 31, 2016, respectively, related to investments in shares of companies that are recorded at acquisition cost in accordance with IAS 39.

The valuation techniques used for instruments classified under level 2, in accordance with accounting regulations, are based on the income approach, which entail the discounting to present value of future cash flows, either known or estimated, using discount curves from the market reference interest rates (in the case of derivative instruments, estimated using implicit forward curves offered in the market), including adjustments for credit risk based on the life of the instruments. In the case of options, price-setting models based on the Black & Scholes formula are used.

The basic variables for measurement of financial instruments depend according to the type of instrument measured, but are mainly: exchange rates (spot and forward), interest rate curves, counterparty risk curves, prices of equity securities and the volatilities of all the aforementioned factors. In all cases, market data is obtained from reputed information agencies or correspond to quotes issued by official bodies.

Segment reporting

Revenue, broken down between customers and inter-segment transactions, is as follows:

Segments	€ Million					
	Revenue from customers		Inter-segment revenue		Total revenue	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016
Upstream	1,194	943	404	141	1,598	1,084
Downstream	9,451	7,106	6	4	9,457	7,110
Corporation and other	-	-	-	2	-	2
(-) Inter-segment adjustments and eliminations of operating income	-	-	(410)	(147)	(410)	(147)
TOTAL	10,645	8,049	-	-	10,645	8,049

The reconciliation of other figures presented in Note 3.4 with the IFRS-EU figures of the first quarter of 2017 and 2016 is as follows:

	€ Million	
	Q1 2017	Q1 2016
Revenue ⁽¹⁾	10,645	8,049
<i>Adjustments for joint ventures or other companies managed as such:</i>		
Upstream	(519)	(377)
Downstream	(5)	(5)
Corporation and other	-	-
Revenue IFRS-EU ⁽²⁾	10,121	7,667
Capital employed ⁽¹⁾	39,770	40,337
<i>Adjustments for joint ventures or other companies managed as such:</i>		
Upstream	973	1,099
Downstream	15	16
Corporation and other	-	-
Capital employed according to balance sheet	40,758	41,452

⁽¹⁾ Figures compiled in keeping with the Group reporting model described in Note 2.6 “Segment reporting”.

⁽²⁾ The IFRS-EU revenue figure corresponds to the sum of the “Sales” and “Services rendered and other income” headings in the consolidated income statement.

APPENDIX IV: ALTERNATIVE PERFORMANCE MEASURES

Repsol's financial information contains indicators and measures prepared in accordance with the applicable accounting regulations, as well as other measures prepared in accordance with the Group's Reporting Model¹ defined as Alternative Performance Measures (APM). APMs are measures with are "adjusted" compared to those presented under IFRS-EU or with Supplementary Information on Oil and Gas Exploration and Production Activities (hereinafter "E&P Information")², and therefore should be considered by the reader in addition to, but not instead of, the GAAP information.

APMs are highly useful for users of financial information as they are the measures employed by Repsol's Management to evaluate its financial performance, cash flows, or its financial position when making operational or strategic decisions for the Group.

For further information, see <https://www.repsol.com>.

1. Financial performance measures

Adjusted net income

Adjusted net income is the key financial performance measure which Management (the E&P Executive Committee, Corporate Executive Committee, and Downstream Executive Committee) consults when making decisions in accordance with IFRS 8 "Operating segments".

Repsol presents its segment results including joint ventures or other companies which are jointly managed³ in accordance with the Group's investment percentage, considering its operational and economic indicators within the same perspective and degree of detail as those for companies consolidated under the full consolidation method. Thus, the Group considers that the nature of its businesses and the way in which results are analyzed for decision-making purposes is adequately reflected.

Adjusted net income is calculated as the **Result from continuing operations at Current Cost of Supply** (*Current Cost of Supply* or CCS⁴) net of taxes and the result from investments minority interests. It does not include certain income and expense (**Special Items**), and the **Inventory effect**. **Financial income** corresponds to adjusted net income in the segment "Corporation and others".

Adjusted net income is a useful APM for investors in order to be able to evaluate the performance of operating segments while permitting increased comparability with Oil & Gas sector companies using different inventory measurement methods (see the following section).

¹ See Note 2.6.

² The hydrocarbon exploration and production information, which is compiled and disclosed by the Group annually, is prepared in accordance with the principles generally accepted in the oil and gas industry and, specifically, is based on the disclosure criteria outlined in Topic 932 issued by the Financial Accounting Standards Board (FASB).

³ See Note 4.2 "Investments accounted for using the equity method", where the Group's main joint ventures are identified.

⁴ The Current Cost of Supply (CCS) is commonly used in this industry to present the results of *Downstream* businesses which must work with huge inventories subject to continual price fluctuations. It is not a commonly-accepted European accounting regulation, yet it does enable the comparability with other sector companies as well as monitoring businesses independently of the impact of price variations on their inventories. Due to the above, the adjusted net income does not include the "inventory effect".

Inventory effect

This is the difference between the **Result from continuing operations at Current Cost of Supply (CCS)** and the result calculated as the Average Weighted Cost (AWC, which is an inventory valuation method used by the Company to determine its results in accordance with European accounting regulations). It only affects the *Downstream* segment, in that for the **Result from continuing operations at CCS**, the cost of volume sold during the period is determined in accordance with supply costs, and production during the year. Apart from the above effect, the **Inventory effect** includes other adjustments to the valuation of inventories (write-offs, economic hedges) and is presented net of taxes and minority interests. Repsol management considers that this measure is useful for investors, considering the significant variations arising in the prices of inventory between periods.

The AWC is a generally-accepted European accounting method which measures inventories, in that it contemplates purchase prices and historic production costs, valuing inventory at the lower between said cost and its market value.

Special items

Significant items of which separate presentation is considered convenient to easily monitor the ordinary management of business operation. It includes capital gains/losses arising from divestitures, restructuring costs, impairments, and provisions for risks and expenses. Special items are presented net of taxes and minority interests. The following is the breakdown for the first quarter of 2017 and 2016:

€ million	Upstream		Downstream		Corporation		TOTAL	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016
Divestments	6	(1)	11	60	1	-	18	59
Workforce restructuring charges	-	(16)	(1)	(1)	(3)	(12)	(4)	(29)
Impairment	(28)	2	-	(2)	-	-	(28)	-
Provisions and other	(20)	(23)	9	(9)	-	21	(11)	(11)
TOTAL	(42)	(38)	19	48	(2)	9	(25)	19

The following is a reconciliation of the Adjusted Income under the Group's reporting model under IFRS-EU.

€ million	First quarter											
	ADJUSTMENTS										Profit/loss under EU-IFRS	
	Adjusted Result		Joint Arrangements reclassification		Special items		Inventory Effect ⁽²⁾		Total Adjustments			
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	
Operating income	942 ⁽¹⁾	560 ⁽¹⁾	(125)	(25)	(86)	22	113	(215)	(98)	(218)	844	342
Financial result	(155)	(77)	31	(3)	4	22	-	-	35	19	(120)	(58)
Income from equity affiliates	73	111	67	48	-	-	-	-	67	48	140	159
Profit before tax	860	594	(27)	20	(82)	44	113	(215)	4	(151)	864	443
Income tax	(222)	(10)	27	(20)	57	(25)	(28)	53	56	8	(166)	(2)
Net income from continuing operations	638	584	-	-	(25)	19	85	(162)	60	(143)	698	441
Income attributable to minority interests	(8)	(12)	-	-	-	-	(1)	5	(1)	5	(9)	(7)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT COMPANY	630	572	-	-	(25)	19	84	(157)	59	(138)	689	434

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

⁽²⁾ The inventory effect represents an adjustment to "Consumption of raw materials and other consumables" and "Changes in inventory of finished goods and work in progress" of the income statement under IFRS-EU.

EBITDA:

EBITDA is defined as "*Earnings Before Interest, Taxes, Depreciation, and Amortization*", and is a financial indicator which determines the operating margin of a company prior to deducting interest, taxes, impairments, restructuring costs, and amortization. Since it does not include financial and tax indicators or accounting expenses not involving cash outflow, it is used by Management to evaluate the company's results over time, thereby making comparisons with other Oil & Gas sector companies a more straightforward exercise.

EBITDA is calculated as Operating Income + Amortization + Impairments + Restructuring costs as well as other items which do not represent cash entry or outflows from transactions (capital gains/losses from divestitures, provisions, etc.). Operating income corresponds to the result from continuing operations at average weighted cost (AWC). In cases in which the **Result from continuing operations at Current Cost of Supply (CCS)** is used, it is considered **EBITDA at CCS**.

<i>€ million</i>	First quarter							
	Group Reporting Model		Joint arrangements reclassification and others		Inventory effect		Cash flow statement IFRS-EU ⁽¹⁾	
	2017	2016	2017	2016	2017	2016	2017	2016
Upstream	921	404	(391)	(182)	-	-	530	222
Downstream	961	671	(2)	(1)	-	-	959	670
Corporation and others	(38)	(48)	8	(4)	-	-	(30)	(52)
EBITDA	1,844	1,027	(385)	(187)	-	-	1,459	840
EBITDA CCS	1,731	1,242	(385)	(187)	113	(215)	1,459	840

⁽¹⁾ Corresponds to "Profit before tax" and "Result adjustments" on the consolidated Cash Flow Statement prepared under IFRS-EU.

ROACE:

This APM is used by Repsol Management to evaluate the capacity of its operating assets to generate profit, and therefore measures invested capital (equity and debt).

ROACE is calculated as: (operating results adjusted for joint ventures outcomes excluding "**Special items**" + Income taxes + Recurring results from investees) / (Capital employed during the continuing operations period). **Capital employed** measures own and external capital invested in the company, and corresponds to Total Equity + **Net debt**. It includes that which corresponds to joint ventures or other companies whose operations are generated as such.

	<u>Q1 17</u>	<u>Q1 16</u>	
NUMERATOR (€ million)			
Operating profit EU-IFRS	844		342
Reclassification of joint ventures	125		25
Special items	86		(22)
Income tax ⁽¹⁾	(292)		22
Income of entities accounted for using the equity method - net of tax	73		111
I. ROACE result at average weighted cost	836	3,345 ⁽²⁾	478
			1,816 ⁽²⁾
DENOMINATOR (€ million)			
Total equity		31,425	28,359
Net financial debt		8,345	11,978
Capital employed at year end		39,770	40,337
II. Average capital employed ⁽³⁾		39,512	40,589
CCS ROACE (I/II)		8.5%	4.5%

⁽¹⁾ Does not include income tax corresponding to financial results.

⁽²⁾ Annualized via simple extrapolation of the data of the period.

⁽³⁾ Corresponds to the average balance of capital employed at the beginning and end of the period.

2. Cash flow measures

Free cash flow, cash generated and liquidity:

The two main metrics used by Group management to measure cash generation in the period are *Free cash flow* and *Cash generated*.

Free Cash Flow measures cash flow generation from operating and investment activities, and is quite useful for evaluating the funds available for paying shareholder dividends, and debt service payments.

Cash generated is equal to *free cash flow* less dividend payments and remuneration of other equity instruments such as net interest and payments for leases and treasury shares. This APM measures the funds generated by the Company prior to financial transactions (mainly issues and cancellations).

The following is a reconciliation of Adjusted Cash Flow and Free Cash Flow with the consolidated statements of cash flow prepared under IFRS-EU:

<i>€ million</i>	First quarter					
	Cash flow		Joint arrangements reclassification and others		Cash Flow Statement IFRS-EU	
	2017	2016	2017	2016	2017	2016
I. Cash flows from / (used in) operating activities	717	943	(38)	(41)	679	902
II. Cash flows from / (used in) investing activities	(597)	(742)	57	127	(540)	(615)
Free cash flow (I+II)	120	201	19	86	139	287
Cash generated	(430)	(377)	20	86	(410)	(291)
III. Cash flows from / (used in) financing activities and others ⁽¹⁾	(1,073)	(205)	(31)	(22)	(1,104)	(227)
Net increase / (decrease) in cash and cash equivalents(I+II+III)	(953)	(4)	(12)	64	(965)	60
Cash and cash equivalents at the beginning of the period	4,918	2,769	(231)	(321)	4,687	2,448
Cash and cash equivalents at the end of the period	3,965	2,765	(243)	(257)	3,722	2,508

⁽¹⁾ Includes payments for dividends and payments on other equity instruments, interest payments, other proceeds from/ (payments for) financing activities, proceeds from/(payments for) equity instruments, proceeds from /(payments for) financial liabilities and the exchange rate fluctuations effect.

The Group measures liquidity as the total of “Cash and cash equivalents” and undrawn committed lines of short and long-term credit at year end which correspond to loans granted by financial institutions which may be drawn down by the company in installments, the amount, and the remaining terms of the agreement.

<i>€ million</i>	Group Reporting Model		Joint arrangements reclassification and others (1)		IFRS-EU	
	Mar-17	Dec-16	Mar-17	Dec-16	Mar-17	Dec-16
	Cash and cash equivalents	3,965	4,918	(243)	(231)	3,722
Undrawn credit lines	4,368	4,429	-	-	4,368	4,429
Liquidity	8,333	9,347	(243)	(231)	8,090	9,116

Net operating investments:

Group management uses this APM to measure investment in each period, and the allocation of investment by business segment, and it corresponds to investments, net of divestments, made by different Group businesses. It includes that which corresponds to joint ventures or other companies whose operations are generated as such.

<i>€ million</i>	First quarter					
	Net operating investments		Joint arrangements reclassification and others		Cash flow statement IFRS-EU ⁽¹⁾	
	2017	2016	2017	2016	2017	2016
Upstream	455	638	(101)	(178)	354	460
Downstream	91	86	-	(2)	91	84
Corporation and others	(2)	(15)	1	(9)	(1)	(24)
TOTAL	544	709	(100)	(189)	444	520

⁽¹⁾ This corresponds to “Proceeds from divestments” and “Payments on investments” on the consolidated statement of cash flows prepared under IFRS-EU, and does not include items corresponding to “Other financial assets.”

3. Financial position measures

Debt and financial position ratios

Net Debt is the main APM used by management to measure the Company's level of debt. It is comprised of financial liabilities less financial assets, cash and cash equivalents, and the effect arising from net market valuation of financial derivative (ex - exchange rates). It also includes the net debt corresponding to joint ventures and other companies operationally managed as such.

€ million	Net Debt		Joint arrangements reclassification and others ⁽¹⁾		Figure according to IFRS-EU balance sheet	
	Mar-17	Mar-16	Mar-17	Mar-16	Mar-17	Mar-16
Non-current assets						
Non-current financial instruments ⁽²⁾	439	93	719	545	1,158	638
Current assets						
Other current financial assets	68	62	1,241	1,143	1,309	1,205
Cash and cash equivalents	3,965	2,765	(243)	(257)	3,722	2,508
Non-current liabilities⁽³⁾						
Non-current financial debt	(8,490)	(11,130)	57	129	(8,433)	(11,001)
Non-current liabilities⁽³⁾						
Current financial liabilities	(4,412)	(3,879)	(2,762)	(2,675)	(7,174)	(6,554)
Other items						
Net mark to market valuation of financial derivatives (ex: exchange rate) ⁽⁴⁾	85	111	-	-	85	111
NET DEBT	(8,345)	(11,978)			(9,333)	(13,093)

⁽¹⁾ Mainly includes the net financing of the Repsol Sinopec Brazil Group, broken down in the following sections:

March 2016: Cash and cash equivalents of €17 million and current financial liabilities as a result of an intra-group loan of €2,699 million, less a €329 million third-party loan.

March 2017: Cash and cash equivalents of €20 million and current financial liabilities as a result of an intra-group loan of €2,890 million, less a €393 million third-party loan.

⁽²⁾ Corresponds to the consolidated balance sheet heading, "Non-current financial assets" (but does not include available-for-sale financial assets).

⁽³⁾ Does not include finance lease obligations.

⁽⁴⁾ The net mark to market value of financial derivatives different from exchange rate derivatives has been eliminated from this section.

Gross Debt is a measure used to analyze the Group's solvency; it includes its financial liabilities and the net fair value of its exchange rate derivatives.

<i>€ million</i>	Net Debt		Joint arrangements reclassification and others (1)		Figure according to IFRS-EU balance sheet	
	Mar-17	Mar-16	Mar-17	Mar-16	Mar-17	Mar-16
Current financial liabilities	(4,368)	(3,820)	(2,762)	(2,672)	(7,130)	(6,492)
Net valuation at the market rates of financial derivative, such as current exchange rate	(4)	(7)	-	-	(4)	(7)
Current gross debt	(4,372)	(3,828)	(2,762)	(2,672)	(7,134)	(6,500)
Non-current financial liabilities	(8,408)	(11,020)	57	128	(8,351)	(10,892)
Non-current gross debt	(8,408)	(11,020)	57	128	(8,351)	(10,892)
TOTAL GROSS DEBT	(12,780)	(14,847)	(2,705)	(2,544)	(15,485)	(17,392)

The following ratios are based on **Debt** and are used by Group management to evaluate leverage ratios as well as Group solvency.

The **Leverage** ratio corresponds to **Net Debt** divided by **Capital employed** at year end. This ratio can be used to determine the financial structure and degree of indebtedness with regard to capital contributed by shareholders and entities which provide financing. It is the chief measure used to evaluate and compare the Company's financial position with others in the Oil & Gas sector.

Hedging instruments correspond to **Net debt** divided by **EBITDA**, and makes it possible to evaluate the company's capacity for repaying external financing over a number of years (x times), as well as to compare it to similar sector companies.

The **Solvency ratio** is calculated as **Liquidity** (section 2 of this Appendix) divided by **Current Gross debt**, and is used to determine the number of times the Group may handle its current debt using its existing liquidity.

Interest cover is calculated in the same way as debt interest (which comprises finance income and expense) divided by EBITDA. This ratio is a measurement that can determine the company's ability to cover interest payments with its EBITDA.

<i>€ million</i>	Group Reporting Model		First quarter Reclassif. Joint Arrangements		Figure according to IFRS - EU balance sheet	
	2017	2016	2017	2016	2017	2016
Interest	95	115	(18)	(17)	77	98
EBITDA	1,844	1,027	(385)	(187)	1,459	840
Interest cover	5.1%	11.2%			5.2%	11.6%