

APM RECONCILIATIONS

For the third quarter of 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,*

ALTERNATIVE PERFORMANCE MEASURES

Repsol's financial information contains indicators and measures prepared in accordance with applicable financial reporting standards, as well as other measures prepared in accordance with the Group's Reporting Model called Alternative Performance Measures (APMs). APMs are measures which are "adjusted" compared to those presented as IFRS-EU or with Supplementary Information on Oil and Gas Exploration and Production Activities, and the reader should therefore consider them in addition to, but not instead of, the latter.

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.

1. Financial performance measures

Adjusted net income

<i>Million euros</i>	Nine months ended September 30											
	Adjusted Result		ADJUSTMENTS								Profit/loss under EU-IFRS	
			Joint Venture Reclassifications		Special Items		Inventory Effect ⁽²⁾		Total Adjustments			
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Operating income	2,407 ⁽¹⁾	1,503 ⁽¹⁾	(353)	(116)	(78)	30	(66)	1	(497)	(85)	1,910	1,418
Financial result	(339)	(385)	50	(5)	21	102	-	-	71	97	(268)	(288)
Net income from companies accounted for using the equity method – net of taxes	195	294	204	(42)	2	-	-	-	206	(42)	401	252
Net income before tax	2,263	1,412	(99)	(163)	(55)	132	(66)	1	(220)	(30)	2,043	1,382
Income tax	(530)	(161)	99	163	(14)	(233)	16	(1)	101	(71)	(429)	(232)
Net income from continuing operations	1,733	1,251	-	-	(69)	(101)	(50)	-	(119)	(101)	1,614	1,150
Income attributed to non-controlling interests	(31)	(27)	-	-	-	1	-	(4)	-	(3)	(31)	(30)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT COMPANY	1,702	1,224	-	-	(69)	(100)	(50)	(4)	(119)	(104)	1,583	1,120

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

⁽²⁾ The Inventory Effect represents an adjustment to "Supplies" and "Changes in inventory of finished goods and work in progress" on the income statement under IFRS-EU.

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	Third quarter											
	ADJUSTMENTS										Profit/loss under EU- IFRS	
	Adjusted Result		Joint Venture Reclassifications		Special Items		Inventory Effect ⁽²⁾		Total Adjustments			
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	
<i>Million euros</i>												
Operating income	794 ⁽¹⁾	506 ⁽¹⁾	(132)	(8)	(29)	249	20	(7)	(141)	234	653	740
Financial result	(110)	(123)	11	(89)	16	120	-	-	27	31	(83)	(92)
Net income from companies accounted for using the equity method – net of taxes	60	88	116	(48)	2	-	-	-	118	(48)	178	40
Net income before tax	744	471	(5)	(145)	(11)	369	20	(7)	4	217	748	688
Income tax	(154)	(157)	5	145	(48)	(188)	(6)	2	(49)	(41)	(203)	(198)
Net income from continuing operations	590	314	-	-	(59)	181	14	(5)	(45)	176	545	490
Income attributed to non-controlling interests	(14)	(7)	-	-	-	(1)	(4)	(1)	(4)	(2)	(18)	(9)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT COMPANY	576	307	-	-	(59)	180	10	(6)	(49)	174	527	481

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

⁽²⁾ The Inventory Effect represents an adjustment to “Supplies” and “Changes in inventory of finished goods and work in progress” on the income statement under IFRS-EU.

EBITDA:

	Nine months ended September 30							
	Group reporting model		Joint venture reclassification and other		Inventory Effect		IFRS-EU cash flow statement ⁽¹⁾	
	2017	2016	2017	2016	2017	2016	2017	2016
<i>Million euros</i>								
Upstream	2,421	1,435	(976)	(555)	-	-	1,445	880
Downstream	2,422	2,273	(9)	(8)	-	-	2,413	2,265
Corporate and other	(128)	(150)	12	8	-	-	(116)	(142)
EBITDA	4,715	3,558	(973)	(555)	-	-	3,742	3,003
EBITDA CCS	4,781	3,557	(973)	(555)	(66)	1	3,742	3,003

	Third quarter							
	Group Reporting Model		Joint venture reclassification and other		Inventory Effect		IFRS-EU cash flow statement ⁽¹⁾	
	2017	2016	2017	2016	2017	2016	2017	2016
<i>Million euros</i>								
Upstream	755	502	(334)	(135)	-	-	421	367
Downstream	904	688	(4)	(4)	-	-	900	684
Corporate and other	(52)	(49)	12	5	-	-	(40)	(44)
EBITDA	1,607	1,141	(326)	(134)	-	-	1,281	1,007
EBITDA CCS	1,587	1,148	(326)	(134)	20	(7)	1,281	1,007

⁽¹⁾ Corresponds to “Net income before tax” and “Result adjustments” on the Consolidated Cash Flow Statement prepared under EU-IFRS.

ROACE:

	<u>M9 17</u>			<u>M9 16</u>
NUMERATOR (Million euros)				
EU-IFRS operating income	1,910			1,418
Joint venture reclassification	353			116
Special Items	78			(30)
Income tax ⁽¹⁾	(619)			(300)
Share of results of companies accounted for using the equity method, net of taxes	195			294
I. ROACE result at average weighted cost	1,917	2,557⁽²⁾		1,498
				1,976⁽²⁾
DENOMINATOR (Million euros)				
Total Equity		30,056		29,182
Net Financial Debt		6,972		9,988
Capital employed at the end of the period		37,028		39,170
II. Average capital employed ⁽³⁾		38,142		39,726
ROACE (I/II)		6.7		5.0

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

(2) Figure annualized by extrapolating data for the year.

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

2. Cash flow measures

Free Cash Flow, Cash Generated

	Nine months ended September 30					
	Adjusted cash flow		Joint venture reclassification and other		IFRS-EU cash flow statement	
	2017	2016	2017	2016	2017	2016
I. Cash flows from / (used in) operating activities	3,577	2,430	(309)	(188)	3,268	2,242
II. Cash flows from / (used in) investing activities	(1,901)	462	-	382	(1,901)	844
Free cash flow (I+II)	1,676	2,892	(309)	194	1,367	3,086
Cash flow generated	708	1,897	(527)	(239)	181	1,658
III. Cash flows from / (used in) financing activities and others ⁽¹⁾	(1,764)	(2,089)	298	(58)	(1,466)	(2,147)
Net increase / (decrease) in cash and cash equivalents (I+II+III)	(88)	803	(11)	136	(99)	939
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	4,830	3,572	(242)	(185)	4,588	3,387

(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.

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	Third quarter					
	Adjusted cash flow		Joint venture reclassification and other		IFRS-EU cash flow statement	
	2017	2016	2017	2016	2017	2016
I. Cash flows from / (used in) operating activities	1,402	658	(216)	(17)	1,186	641
II. Cash flows from / (used in) investing activities	(669)	1,459	(114)	127	(783)	1,586
Free cash flow (I+II)	733	2,117	(330)	110	403	2,227
Cash flow generated	436	1,840	(552)	(325)	(116)	1,515
III. Cash flows from / (used in) financing activities and others ⁽¹⁾	(845)	(990)	313	(75)	(532)	(1,065)
Net increase / (decrease) in cash and cash equivalents (I+II+III)	(112)	1,127	(17)	35	(129)	1,162
Cash and cash equivalents at the beginning of the period	4,942	2,445	(225)	(220)	4,717	2,225
Cash and cash equivalents at the end of the period	4,830	3,572	(242)	(185)	4,588	3,387

⁽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.

Liquidity

	Nine months ended September 30								
	Group reporting model			Joint venture reclassification and other			IFRS - EU		
	Sep -17	Dic-16	Sep-16	Sep -17	Dic-16	Sep-16	Sep -17	Dic-16	Sep-16
Cash and cash equivalents	4,830	4,918	3,572	(242)	(231)	(185)	4,588	4,687	3,387
Undrawn credit lines	2,698	4,429	4,347	-	-	-	2,698	4,429	4,347
Cash deposits of immediate availability ¹	200	-	-	-	-	-	200	-	-
Liquidity	7,728	9,347	7,919	(242)	(231)	(185)	7,486	9,116	7,734

¹ New component. In a market situation with high levels of liquidity and negative remuneration rates, Repsol has contracted in this quarter time deposits but with immediate availability that have been recorded under the heading "Other current financial assets" and that do not meet the criteria to be classified as cash and cash equivalents.

Net Operating Investments:

	Nine months ended September 30						
	Net operating investments		Joint venture reclassification and other		IFRS-EU cash flow statement ⁽¹⁾		
	2017	2016	2017	2016	2017	2016	2016
Upstream	1,395	1,725	(292)	(488)	1,103	1,237	
Downstream	408	(454)	(1)	164	407	(290)	
Corporate and other	16	(1,878)	-	11	16	(1,867)	
TOTAL	1,819	(607)	(293)	(313)	1,526	(920)	

	Third quarter					
	Net operating investments		Joint venture reclassification and other		IFRS-EU cash flow statement ⁽¹⁾	
	2017	2016	2017	2016	2017	2016
Upstream	474	444	(109)	(112)	365	332
Downstream	163	(196)	(1)	165	162	(31)
Corporate and other	8	(1,893)	(8)	31	-	(1,862)
TOTAL	645	(1,645)	(118)	84	527	(1,561)

⁽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 indicators

Net Debt

	Net Debt			Joint venture reclassification ⁽¹⁾			Figure according to IFRS-EU balance sheet		
	Sept -17	Dec-16	Sept -16	Sept -17	Dec-16	Sept -16	Sept -17	Dec-16	Sept -16
Non-current assets									
Non-current financial instruments ⁽²⁾	374	424	79	699	657	593	1,073	1,081	672
Current assets									
Other current financial assets	238	52	26	1,122	1,228	1,261	1,360	1,280	1,287
Cash and Cash equivalents	4,830	4,918	3,574	(242)	(231)	(187)	4,588	4,687	3,387
Non-current liabilities⁽³⁾									
Non-current financial debt	(8,155)	(9,540)	(9,627)	147	58	56	(8,008)	(9,482)	(9,571)
Non-current liabilities⁽³⁾									
Current financial liabilities	(4,334)	(4,085)	(4,150)	(2,665)	(2,824)	(2,601)	(6,999)	(6,909)	(6,751)
Items not included on the balance sheet									
Net mark to market valuation of financial derivatives (ex: exchange rate) ⁽⁴⁾	75	87	110	-	-	-	75	87	110
NET DEBT	(6,972)	(8,144)	(9,988)				(7,911)	(9,256)	(10,866)

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

September 2016: (Cash and cash equivalents of €30 million and current financial liabilities as a result of an intra-group loan of €2,772 million, less €393 million in third-party loans).

December 2016: (Cash and cash equivalents of €43 million and current financial liabilities as a result of an intra-group loan of €2,942 million, less €344 million in third-party loans).

September 2017: (Cash and cash equivalents of €20 million and current financial liabilities as a result of an intra-group loan of €2,647 million, less €347 million in third-party loans).

⁽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

	Gross debt			Joint venture reclassification and other			Figure according to IFRS-EU balance sheet		
	Sept -17	Dec-16	Sept -16	Sept -17	Dec-16	Sept -16	Sept -17	Dec-16	Sept -16
Current financial liabilities	(4,311)	(4,061)	(4,103)	(2,664)	(2,824)	(2,601)	(6,975)	(6,885)	(6,704)
Net market value of current foreign exchange derivatives	7	7	(32)	-	-	-	7	7	(32)
Current Gross Debt	(4,304)	(4,054)	(4,135)	(2,664)	(2,824)	(2,601)	(6,968)	(6,878)	(6,736)
Non-current financial liabilities	(8,080)	(9,452)	(9,516)	146	57	55	(7,934)	(9,395)	(9,461)
Non-current Gross Debt	(8,080)	(9,452)	(9,516)	146	57	55	(7,934)	(9,395)	(9,461)
TOTAL GROSS DEBT	(12,384)	(13,506)	(13,651)	(2,518)	(2,767)	(2,546)	(14,902)	(16,273)	(16,197)

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Interest coverage

<i>Million euros</i>	Nine months ended September 30					
	Group reporting model		Joint venture reclassification		Figure according to IFRS - EU balance sheet	
	2017	2016	2017	2016	2017	2016
Interest	268	328	(49)	(55)	219	273
EBITDA	4,715	3,558	(973)	(555)	3,742	3,003
Interest cover	5.7%	9.2%			5.9%	9.1%

<i>Million euros</i>	Third quarter					
	Group reporting model		Joint venture reclassification		Figure according to IFRS - EU balance sheet	
	2017	2016	2017	2016	2017	2016
Interest	85	104	(15)	(20)	70	84
EBITDA	1,607	1,141	(326)	(134)	1,281	1,007
Interest cover	5.3%	9.1%			5.5%	8.3%