

REPSOL Group

2018 Alternative
Performance
Measures
reconciliations
1st Quarter
2018

*Translation of a report
originally issued in Spanish.
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the Spanish language version prevails*



ALTERNATIVE PERFORMANCE MEASURES

Repsol's financial information contains indicators and measures prepared in accordance with applicable financial information regulations, as well as other measures prepared in accordance with the Group's Reporting Model defined as 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.

APM 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>	First quarter ^{(3) (4)}											
	Adjusted income		ADJUSTMENTS								EU-IFRS profit/loss	
	2018	2017	Joint venture reclassification		Special items		Inventory effect ⁽²⁾		Total Adjustments		2018	2017
Operating income	1,057 ⁽¹⁾	942 ⁽¹⁾	(180)	(125)	(69)	(86)	(12)	113	(261)	(98)	796	844
Financial result	(114)	(155)	40	31	(7)	4	-	-	33	35	(81)	(120)
Net income from equity affiliates using the equity method	11	13	127	67	-	-	-	-	127	67	138	80
Earnings before tax	954	800	(13)	(27)	(76)	(82)	(12)	113	(101)	4	853	804
Income tax	(333)	(222)	13	27	11	57	3	(28)	27	56	(306)	(166)
Net income from continuing operations	621	578	-	-	(65)	(25)	(9)	85	(74)	60	547	638
Income attributed to minority interests	(5)	(8)	-	-	-	-	-	(1)	-	(1)	(5)	(9)
Net income from continuing activities attributable to the parent	616	570	-	-	(65)	(25)	(9)	84	(74)	59	542	629
Profit from discontinued operations	-	-	-	-	68	60	-	-	68	60	68	60
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT. COMPANY	616	570	-	-	3	35	(9)	84	(6)	119	610	689

⁽¹⁾ Income 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" on the statement of profit or loss under IFRS-EU.

⁽³⁾ The figures for the first quarter of 2018 have been restated owing to the change in the presentation of the changes in the exchange rate on tax positions indicated in Special Items heading in this section.

⁽⁴⁾ The figures for the first quarter of 2017 have been restated owing to the sale of the stake in Naturgy Energy Group, S.A. (see Note 2 of the consolidated interim financial statements of the first half of 2018)

Special Items

Million euros	Q1	
	2018	2017
Divestments	2	19
Workforce restructuring charges	(2)	(3)
Impairment	(2)	(28)
Provisions and other ⁽¹⁾	(30)	(12)
Discontinued operations	68	60
TOTAL	36	36

⁽¹⁾ Includes the exchange rate effect on tax positions of currency other than the functional currency.

EBITDA:

Million euros	First quarter ⁽²⁾							
	Group Reporting Model		Joint venture reclassification		Inventory effect		Statement of Cash Flows under IFRS-EU ⁽¹⁾	
	2018	2017	2018	2017	2018	2017	2018	2017
Upstream	1,101	921	(434)	(391)	-	-	667	530
Downstream	733	961	(1)	(2)	-	-	732	959
Corporate and other	(30)	(38)	13	8	-	-	(17)	(30)
EBITDA	1,804	1,844	(422)	(385)	-	-	1,382	1,459
EBITDA CCS	1,816	1,731	(422)	(385)	(12)	113	1,382	1,459

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

⁽²⁾ The information of the first quarter of 2018 has been restated as the result of the change in the presentation of the changes in the exchange rate on tax positions indicated in Special Items heading in this section

ROACE:

	Q1 18 ⁽⁴⁾	Q1 17
NUMERATOR (Million euros)		
Operating profit EU-IFRS	796	844
Reclassification of joint arrangements	180	125
Income tax ⁽¹⁾	(345)	(235)
Net income from companies accounted for using the equity method, net of taxes	11	13
I. ROACE result at average weighted cost	642	747
	2,644 ⁽²⁾	3,078 ⁽²⁾
DENOMINATOR (Million euros)		
Total equity	29,284	31,425
Net financial debt	6,836	8,345
Total capital employed at year end	36,120	39,770
II. Average capital employed ⁽³⁾	32,968	36,134
CCS ROACE (I/II)	8.0%	8.5%

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

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

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

⁽⁴⁾ The information of the first quarter of 2018 has been restated as the result of the change in the presentation of the changes in the exchange rate on tax positions indicated in Special Items heading in this section.

2. Cash flow measures

Free Cash Flow, Cash Generated

	First quarter					
	Adjusted cash flows		Joint venture reclassification and other		IFRS-EU Statement of Cash Flows	
	2018	2017	2018	2017	2018	2017
I. Cash flows from / (used in) operating activities	919	717	(140)	(38)	779	679
II. Cash flows from / (used in) investing activities	(600)	(597)	42	57	(558)	(540)
Free cash flow (I+II)	319	120	(98)	19	221	139
Cash flow generated	(466)	(416)	(32)	193	(498)	(223)
III. Cash flows from / (used in) financing activities and other ⁽¹⁾	(1,093)	(1,073)	95	(31)	(998)	(1,104)
Net increase / (decrease) in cash and cash equivalents (I+II+III)	(774)	(953)	(3)	(12)	(777)	(965)
Cash and cash equivalents at the beginning of the period	4,820	4,918	(219)	(231)	4,601	4,687
Cash and cash equivalents at the end of the period	4,046	3,965	(222)	(243)	3,824	3,722

⁽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

	First quarter								
	Group reporting model			Joint venture reclassification			IFRS-EU		
	Mar-18	Dec-17	Mar-17	Mar-18	Dec-17	Mar-17	Mar-18	Dec-17	Mar-17
Cash and cash equivalents	4,046	4,820	3,965	(222)	(219)	(243)	3,824	4,601	3,722
Committed undrawn credit lines	2,241	2,503	4,368	-	-	-	2,241	2,503	4,368
Cash deposits of immediate availability ¹	231	231	-	-	-	-	231	231	-
Liquidity	6,518	7,554	8,333	(222)	(219)	(243)	6,296	7,335	8,090

⁽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.

Operating Investments:

	First quarter					
	Operating investments		Joint venture reclassification and other		IFRS-EU Statement of Cash Flows ⁽¹⁾	
	2018	2017	2018	2017	2018	2017
Upstream	452	438	(63)	(102)	389	336
Downstream	138	114	1	-	139	114
Corporate and other	8	5	-	-	8	5
TOTAL	598	557	(62)	(102)	536	455

⁽¹⁾ This corresponds to "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		
	Mar-18	Dec-17	Mar-17	Mar-18	Dec-17	Mar-17	Mar-18	Dec-17	Mar-17
Non-current assets									
Non-current financial instruments ⁽²⁾	128	360	439	1,505	1,560	719	1,633	1,920	1,158
Current assets									
Other current financial assets	275	254	68	11	3	1,241	286	257	1,309
Cash and cash equivalents	4,046	4,820	3,965	(222)	(219)	(243)	3,824	4,601	3,722
Non-current liabilities⁽³⁾									
Non-current financial liabilities	(6,579)	(7,611)	(8,490)	(2,420)	(2,469)	57	(8,999)	(10,080)	(8,433)
Current liabilities⁽³⁾									
Current financial liabilities	(4,913)	(4,160)	(4,412)	(133)	(46)	(2,762)	(5,046)	(4,206)	(7,174)
Items not included on the balance sheet									
Net mark to market valuation of financial derivatives (ex: exchange rate) ⁽⁴⁾	207	70	85	(151)	-	-	56	70	85
NET DEBT	(6,836)	(6,267)	(8,345)				(8,246)	(7,438)	(9,333)

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

March 2018: (Cash and cash equivalents of €21 million and current financial liabilities as a result of an intra-group loan of €2,437 million, less a €105 million third-party loan).

December 2017: (Cash and cash equivalents of €28 million and current financial liabilities as a result of an intra-group loan of €2,624 million, less €275 million in third-party loans)

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 €393 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			Figure according to IFRS-EU balance sheet		
	Mar-18	Dec-17	Mar-17	Mar-18	Dec-17	Mar-17	Mar-18	Dec-17	Mar-17
Current financial liabilities	(4,895)	(4,133)	(4,368)	(133)	(2,670)	(2,762)	(5,028)	(6,803)	(7,130)
Net market valuation of current financial exchange rate derivatives	(2)	(9)	(4)	-	-	-	(2)	(9)	(4)
Current Gross debt	(4,897)	(4,142)	(4,372)	(133)	(2,670)	(2,762)	(5,030)	(6,811)	(7,134)
Non-current financial liabilities	(6,523)	(7,542)	(8,408)	(2,421)	155	57	(8,944)	(7,388)	(8,351)
Non-current Gross debt	(6,523)	(7,542)	(8,408)	(2,421)	155	57	(8,944)	(7,388)	(8,351)
GROSS DEBT	(11,420)	(11,684)	(12,780)	(2,554)	(2,515)	(2,705)	(13,974)	(14,199)	(15,485)

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Interest coverage

<i>Million euros</i>	First quarter					
	Group reporting model		Joint venture reclassification		Figure according to IFRS - EU balance sheet	
	2018	2017	2018	2017	2018	2017
Interest	72	95	(16)	(18)	56	77
EBITDA	1,804	1,844	(422)	(385)	1,382	1,459
Interest cover	4.0%	5.1%			4.0%	5.2%