

# APM RECONCILIATIONS



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

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

APMs are measures which are "adjusted" compared to those presented under IFRS-EU or with Supplementary Information on Oil and Gas Exploration and Production Activities.

### 1. Financial performance measures

#### *Adjusted net income*

| <i>Million euros</i>  | First Quarter      |                    |   |           |               |           |                         |              |                      |              |                                  |            |
|---|--------------------|--------------------|---|-----------|---------------|-----------|-------------------------|--------------|----------------------|--------------|----------------------------------|------------|
|   | ADJUSTMENTS        |                    |   |           |               |           |                         |              |                      |              | Profit/loss<br>under EU-<br>IFRS |            |
|   | Adjusted Result    |                    | Joint<br>Arrangements<br>reclassification |           | Special items |           | Inventory Effect<br>(2) |              | Total<br>Adjustments |              |                                  |            |
| 2017  | 2016               | 2017               | 2016                                      | 2017      | 2016          | 2017      | 2016                    | 2017         | 2016                 | 2017         | 2016                             |            |
| Operating Income  | 942 <sup>(1)</sup> | 560 <sup>(1)</sup> | (125)                                     | (25)      | (86)          | 22        | 113                     | (215)        | (98)                 | (218)        | 844                              | 342        |
| Financial Result  | (155)              | (77)               | 31  | (3)       | 4             | 22        | -                       | -            | 35                   | 19           | (120)                            | (58)       |
| Share of results of companies<br>accounted for using the equity<br>method- net of tax | 73                 | 111                | 67  | 48        | -             | -         | -                       | -            | 67                   | 48           | 140                              | 159        |
| <b>Net Income before tax</b>  | <b>860</b>         | <b>594</b>         | <b>(27)</b>                               | <b>20</b> | <b>(82)</b>   | <b>44</b> | <b>113</b>              | <b>(215)</b> | <b>4</b>             | <b>(151)</b> | <b>864</b>                       | <b>443</b> |
| Income tax  | (222)              | (10)               | 27  | (20)      | 57            | (25)      | (28)                    | 53           | 56                   | 8            | (166)                            | (2)        |
| <b>Net income from continuing<br/>operations</b>                                      | <b>638</b>         | <b>584</b>         | <b>-</b>                                  | <b>-</b>  | <b>(25)</b>   | <b>19</b> | <b>85</b>               | <b>(162)</b> | <b>60</b>            | <b>(143)</b> | <b>698</b>                       | <b>441</b> |
| Net income from continuing<br>operations attributable to minority<br>interests        | (8)                | (12)               | -   | -         | -             | -         | (1)                     | 5            | (1)                  | 5            | (9)                              | (7)        |
| <b>NET INCOME FROM<br/>CONTINUING OPERATIONS<br/>ATTRIBUTABLE TO THE<br/>PARENT</b>   | <b>630</b>         | <b>572</b>         | <b>-</b>                                  | <b>-</b>  | <b>(25)</b>   | <b>19</b> | <b>84</b>               | <b>(157)</b> | <b>59</b>            | <b>(138)</b> | <b>689</b>                       | <b>434</b> |

<sup>(1)</sup> Result from continuing operations at replacement cost (CCS).

<sup>(2)</sup> 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 income statement under IFRS-EU.

We present below the Specific results:

| <i>Million euros</i>               | Upstream    |             | Downstream |           | Corporation |          | TOTAL       |           |
|------------------------------------|-------------|-------------|------------|-----------|-------------|----------|-------------|-----------|
|                                    | 1Q 2017     | 1Q 2016     | 1Q 2017    | 1Q 2016   | 1Q 2017     | 1Q 2016  | 1Q 2017     | 1Q 2016   |
| Divestments                        | 6           | (1)         | 11         | 60        | 1           | -        | 18          | 59        |
| Workforce restructuring<br>charges | -           | (16)        | (1)        | (1)       | (3)         | (12)     | (4)         | (29)      |
| Impairment                         | (28)        | 2           | -          | (2)       | -           | -        | (28)        | -         |
| Provisions and other               | (20)        | (23)        | 9          | (9)       | -           | 21       | (11)        | (11)      |
| <b>TOTAL</b>                       | <b>(42)</b> | <b>(38)</b> | <b>19</b>  | <b>48</b> | <b>(2)</b>  | <b>9</b> | <b>(25)</b> | <b>19</b> |

## EBITDA

| <i>Million euros</i>   | First Quarter         |              |  |              |                  |              |  |            |
|------------------------|-----------------------|--------------|--|--------------|------------------|--------------|--|------------|
|                        | Group Reporting Model |              | Joint arrangements reclassification and others |              | Inventory effect |              | Cash flow statement IFRS-EU <sup>(1)</sup> |            |
|                        | 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)       |
| <b>EBITDA</b>          | <b>1,844</b>          | <b>1,027</b> | <b>(385)</b>                                   | <b>(187)</b> | <b>-</b>         | <b>-</b>     | <b>1,459</b>                               | <b>840</b> |
| <b>EBITDA CCS</b>      | <b>1,731</b>          | <b>1,242</b> | <b>(385)</b>                                   | <b>(187)</b> | <b>113</b>       | <b>(215)</b> | <b>1,459</b>                               | <b>840</b> |

<sup>(1)</sup> Corresponds to “Net income before tax” and “Adjustments to net income” on the consolidated Cash Flow Statement prepared under IFRS-EU.

## ROACE

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

<sup>(1)</sup> Does not include income tax corresponding to financial results.

<sup>(2)</sup> Annualised indicator by a mere extrapolation of this period's figures

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

## 2. Cash flow measures

### *Free cash flow and Cash generated*

| <i>Million euros</i>  | First Quarter      |              |  |           |                             |              |
|---|--------------------|--------------|--|-----------|-----------------------------|--------------|
|   | Adjusted 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)        |
| <b>Free cash flow (I+II)</b>  | <b>120</b>         | <b>201</b>   | <b>19</b>                                      | <b>86</b> | <b>139</b>                  | <b>287</b>   |
| <b>Cash generated</b>   | <b>(430)</b>       | <b>(377)</b> | <b>20</b>                                      | <b>86</b> | <b>(410)</b>                | <b>(291)</b> |
| III. Cash flows from / (used in) financing activities and others <sup>(1)</sup> | (1,073)            | (205)        | (31)   | (22)      | (1,104)                     | (227)        |
| <b>Net increase / (decrease) in cash and cash equivalents</b>                   | <b>(953)</b>       | <b>(4)</b>   | <b>(12)</b>                                    | <b>64</b> | <b>(965)</b>                | <b>60</b>    |
| 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        |

<sup>(1)</sup> 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*

| <i>Million euros</i> | Group Reporting Model     |              | Joint arrangements reclassification and others |              | 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        |
| <b>Liquidity</b>     | <b>8,333</b>              | <b>9,347</b> | <b>(243)</b>                                   | <b>(231)</b> | <b>8,090</b> | <b>9,116</b> |

### *Net operating investments*

| <i>Millones de euros</i> | First Quarter             |            |  |              |  |            |
|--------------------------|---------------------------|------------|--|--------------|--|------------|
|                          | Net operating investments |            | Joint arrangements reclassification and others |              | Cash flow statement IFRS-EU <sup>(1)</sup> |            |
|                          | 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)       |
| <b>TOTAL</b>             | <b>544</b>                | <b>709</b> | <b>(100)</b>                                   | <b>(189)</b> | <b>444</b>                                 | <b>520</b> |

<sup>(1)</sup> 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 measutes

#### Net Debt

| Million euros  | Net Debt       |                 | Joint arrangements<br>reclassification and others <sup>(1)</sup> |         | Figure according to<br>IFRS-EU balance sheet |                 |
|--|----------------|-----------------|--|---------|--|-----------------|
|  | mar-17         | mar-16          | mar-17   | mar-16  | mar-17                                       | mar-16          |
| <b>Non-current assets</b>  |                |                 |  |         |  |                 |
| Non-current financial instruments <sup>(2)</sup>   | 439            | 93              | 719  | 545     | 1,158  | 638             |
| <b>Current assets</b>  |                |                 |  |         |  |                 |
| 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           |
| <b>Non-current liabilities<sup>(3)</sup></b>   |                |                 |  |         |  |                 |
| Non-current financial debt   | (8,490)        | (11,130)        | 57   | 129     | (8,433)                                      | (11,001)        |
| <b>Non-current liabilities<sup>(3)</sup></b>   |                |                 |  |         |  |                 |
| Current financial liabilities  | (4,412)        | (3,879)         | (2,762)  | (2,675) | (7,174)                                      | (6,554)         |
| <b>Items not included on the balance sheet</b>   |                |                 |  |         |  |                 |
| Net mark to market valuation of financial derivatives (ex: exchange rate) <sup>(4)</sup> | 85             | 111             | -  | -       | 85   | 111             |
| <b>NET DEBT</b>  | <b>(8,345)</b> | <b>(11,978)</b> |  |         | <b>(9,333)</b>                               | <b>(13,093)</b> |

(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 euros and current financial liabilities as a result of an intra-group loan of 2,699 million euros, less a 329 million euros third-party loan.

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

|  | Gross Debt      |                 | Joint arrangements<br>reclassification and others |                | Figure according to<br>IFRS-EU balance sheet |                 |
|--|-----------------|-----------------|---|----------------|--|-----------------|
|  | mar-17          | mar-16          | mar-17  | mar-16         | mar-17                                       | mar-16          |
| Current financial liabilities  | (4,368)         | (3,820)         | (2,759)   | (2,672)        | (7,127)                                      | (6,492)         |
| Net valuation at the market rates of financial derivative, such as current exchange rate | (4)             | (7)             | -   | -              | (4)  | (7)             |
| <b>Current gross debt</b>  | <b>(4,372)</b>  | <b>(3,828)</b>  | <b>(2,759)</b>                                    | <b>(2,672)</b> | <b>(7,131)</b>                               | <b>(6,500)</b>  |
| Non-current financial liabilities  | (8,408)         | (11,020)        | 57  | 128            | (8,351)                                      | (10,892)        |
| <b>Non-current gross debt</b>  | <b>(8,408)</b>  | <b>(11,020)</b> | <b>57</b>   | <b>128</b>     | <b>(8,351)</b>                               | <b>(10,892)</b> |
| <b>TOTAL GROSS DEBT</b>  | <b>(12,780)</b> | <b>(14,847)</b> | <b>(2,702)</b>                                    | <b>(2,544)</b> | <b>(15,482)</b>                              | <b>(17,392)</b> |

#### Interest Cover

| Million euros         | Group Reporting Model |              | Primer trimestre<br>Joint arrangements<br>reclassification and others |       | Figure according to IFRS-EU<br>balance sheet |              |
|-----------------------|-----------------------|--------------|---|-------|--|--------------|
|                       | 2017                  | 2016         | 2017  | 2016  | 2017   | 2016         |
| Debt interest         | 95                    | 115          | (18)  | (17)  | 77   | 98           |
| EBITDA                | 1,844                 | 1,027        | (385)   | (187) | 1,459  | 840          |
| <b>Interest cover</b> | <b>5.1%</b>           | <b>11.2%</b> |   |       | <b>5.2%</b>                                  | <b>11.6%</b> |