

Grupo REPSOL



**2018** Alternative  
Performance  
Measures  
reconciliations  
4th Quarter  
and 12 Months  
2018

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



**REPSOL**

## 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 used 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*

	Fourth Quarter											
	Adjusted Result		ADJUSTMENTS								EU-IFRS profit/loss	
			Reclassification of Joint Ventures		Special items		Inventory Effect <sup>(2)</sup>		Total Adjustments			
<i>Millions of euros</i>	2018	2017 <sup>(3)</sup>	2018	2017 <sup>(3)</sup>	2018	2017	2018	2017	2018	2017	2018	2017 <sup>(3)</sup>
Operating income	1,300 <sup>(1)</sup>	807 <sup>(1)</sup>	(611)	(257)	(487)	120	(480)	209	(1,578)	72	(278)	879
Financial result	(172)	(17)	39	76	24	(103)	-	-	63	(27)	(109)	(44)
Results of companies accounted for using the equity method - net of tax	(24)	13	610	376	72	(1)	1	-	683	375	659	388
<b>Net income before tax</b>	<b>1,104</b>	<b>803</b>	<b>38</b>	<b>195</b>	<b>(391)</b>	<b>16</b>	<b>(479)</b>	<b>209</b>	<b>(832)</b>	<b>420</b>	<b>272</b>	<b>1,223</b>
Income tax	(464)	(208)	(38)	(195)	266	(336)	124	(52)	352	(583)	(112)	(791)
<b>Profit from continuing operations</b>	<b>640</b>	<b>595</b>	<b>-</b>	<b>-</b>	<b>(125)</b>	<b>(320)</b>	<b>(355)</b>	<b>157</b>	<b>(480)</b>	<b>(163)</b>	<b>160</b>	<b>432</b>
Income attributed to minority interests for continuing operations	(8)	(7)	-	-	-	1	18	(3)	18	(2)	10	(9)
<b>Net income from continuing activities attributable to the parent</b>	<b>632</b>	<b>588</b>	<b>-</b>	<b>-</b>	<b>(125)</b>	<b>(319)</b>	<b>(337)</b>	<b>154</b>	<b>(462)</b>	<b>(165)</b>	<b>170</b>	<b>423</b>
Profit from discontinued operations	-	-	-	-	-	115	-	-	-	115	-	115
<b>TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT COMPANY</b>	<b>632</b>	<b>588</b>	<b>-</b>	<b>-</b>	<b>(125)</b>	<b>(204)</b>	<b>(337)</b>	<b>154</b>	<b>(462)</b>	<b>(50)</b>	<b>170</b>	<b>538</b>

<sup>(1)</sup> Result from continuing operations at current cost of supply (CCS).

<sup>(2)</sup> The inventory effect represents an adjustment to "Procurement" and "Changes in inventory of finished goods" on the IFRS-EU income statement.

<sup>(3)</sup> The information for 2017 was restated following the sale of the stake in Naturgy Energy Group, S.A. (see Note 2.2 of the 2018 consolidated financial statements).

<i>Millions of euros</i>	Twelve months											
	ADJUSTMENTS										EU-IFRS profit/loss	
	Adjusted Result		Reclassification of Joint Ventures		Special items		Inventory Effect <sup>(2)</sup>		Total Adjustments			
2018	2017 <sup>(3)</sup>	2018	2017 <sup>(3)</sup>	2018	2017	2018	2017	2018	2017	2018	2017 <sup>(3)</sup>	
Operating income	4,396 <sup>(1)</sup>	3,214 <sup>(1)</sup>	(1,204)	(610)	(633)	42	(106)	143	(1,943)	(425)	2,453	2,789
Financial result	(462)	(356)	130	126	159	(82)	-	-	289	44	(173)	(312)
Results of companies accounted for using the equity method - net of tax	15	49	965	580	72	1	1	-	1,038	581	1,053	630
<b>Net income before tax</b>	<b>3,949</b>	<b>2,907</b>	<b>(109)</b>	<b>96</b>	<b>(402)</b>	<b>(39)</b>	<b>(105)</b>	<b>143</b>	<b>(616)</b>	<b>200</b>	<b>3,333</b>	<b>3,107</b>
Income tax	(1,569)	(738)	109	(96)	46	(350)	28	(36)	183	(482)	(1,386)	(1,220)
<b>Profit from continuing operations</b>	<b>2,380</b>	<b>2,169</b>	<b>-</b>	<b>-</b>	<b>(356)</b>	<b>(389)</b>	<b>(77)</b>	<b>107</b>	<b>(433)</b>	<b>(282)</b>	<b>1,947</b>	<b>1,887</b>
Income attributed to minority interests for continuing operations	(28)	(38)	-	-	1	1	9	(3)	10	(2)	(18)	(40)
<b>Net income from continuing activities attributable to the parent</b>	<b>2,352</b>	<b>2,131</b>	<b>-</b>	<b>-</b>	<b>(355)</b>	<b>(388)</b>	<b>(68)</b>	<b>104</b>	<b>(423)</b>	<b>(284)</b>	<b>1,929</b>	<b>1,847</b>
Profit from discontinued operations	-	-	-	-	412	274	-	-	412	274	412	274
<b>TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT COMPANY</b>	<b>2.352</b>	<b>2.131</b>	<b>-</b>	<b>-</b>	<b>57</b>	<b>(114)</b>	<b>(68)</b>	<b>104</b>	<b>(11)</b>	<b>(10)</b>	<b>2.341</b>	<b>2.121</b>

<sup>(1)</sup> Result from continuing operations at current cost of supply (CCS).

<sup>(2)</sup> The inventory effect represents an adjustment to "Procurement" and "Changes in inventory of finished goods" on the IFRS-EU income statement.

<sup>(3)</sup> The information for 2017 was restated following the sale of the stake in Naturgy Energy Group, S.A. (see Note 2.2 of the 2018 consolidated financial statements).

### Special Items

<i>Millones de euros</i>	Fourth Quarter		Twelve months	
	2018	2017 <sup>(2)</sup>	2018	2017 <sup>(2)</sup>
Divestments	24	(72)	83	(51)
Workforce restructuring	(13)	(12)	(55)	(64)
Impairment	(559)	(612)	(684)	(635)
Provisions and other <sup>(1)</sup>	423	377	301	362
Discontinued operations	-	115	412	274
<b>TOTAL</b>	<b>(125)</b>	<b>(204)</b>	<b>57</b>	<b>(114)</b>

<sup>(1)</sup> Includes the effect of the exchange rate on tax positions in currencies other than the functional currency.

<sup>(2)</sup> The information for 2017 was restated following the sale of the stake in Naturgy Energy Group, S.A. (see Note 2.2 of the 2018 consolidated financial statements).

## EBITDA:

	Fourth Quarter							
	Group Reporting Model		Joint ventures reclassification and others		Inventory effect		IFRS-EU <sup>(1)</sup>	
	2018	2017	2018	2017	2018	2017	2018	2017
Upstream	1,224	1,086	(493)	(483)	-	-	731	603
Downstream	469	964	(50)	(3)	-	-	419	961
Corporate and other	(13)	(42)	4	(11)	-	-	(9)	(53)
<b>EBITDA</b>	<b>1,680</b>	<b>2,008</b>	<b>(539)</b>	<b>(497)</b>	<b>-</b>	<b>-</b>	<b>1,141</b>	<b>1,511</b>
<b>EBITDA at CCS</b>	<b>2,160</b>	<b>1,799</b>	<b>(539)</b>	<b>(497)</b>	<b>(480)</b>	<b>209</b>	<b>1,141</b>	<b>1,511</b>

<sup>(1)</sup> Corresponds to "Profit before tax" and "Result adjustments" on the consolidated Cash Flow Statements prepared under IFRS-EU.

	Twelve months							
	Group Reporting Model		Joint ventures reclassification and others		Inventory effect		IFRS-EU <sup>(1)</sup>	
	2018	2017	2018	2017	2018	2017	2018	2017
Upstream	4,801	3,507	(1,782)	(1,459)	-	-	3,019	2,048
Downstream	2,859	3,386	(58)	(12)	-	-	2,801	3,374
Corporate and other	(147)	(170)	20	1	-	-	(127)	(169)
<b>EBITDA</b>	<b>7,513</b>	<b>6,723</b>	<b>(1,820)</b>	<b>(1,470)</b>	<b>-</b>	<b>-</b>	<b>5,693</b>	<b>5,253</b>
<b>EBITDA at CCS</b>	<b>7,619</b>	<b>6,580</b>	<b>(1,820)</b>	<b>(1,470)</b>	<b>(106)</b>	<b>143</b>	<b>5,693</b>	<b>5,253</b>

<sup>(1)</sup> Corresponds to "Profit before tax" and "Result adjustments" on the consolidated Cash Flow Statements prepared under IFRS-EU.

## ROACE:

NUMERATOR	2018	2017
<b>Operating profit EU-IFRS</b>	<b>2,453</b>	<b>2,789</b>
Joint Ventures reclassification	1,204	610
Income tax <sup>(1)</sup>	(1,489)	(1,241)
Results of companies accounted for using the equity method - net of tax	88	50
<b>I. ROACE result at average weighted cost</b>	<b>2,256</b>	<b>2,208</b>
<b>DENOMINATOR</b>		
Total equity	30,914	30,063
Net financial debt	3,439	6,267
<b>Capital employed at year-end</b>	<b>34,353</b>	<b>36,330</b>
<b>II. Average capital employed <sup>(2)</sup></b>	<b>33,730</b>	<b>34,520</b>
<b>ROACE (I/II)</b>	<b>6.7</b>	<b>6.4,</b>

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

<sup>(2)</sup> Corresponds to the average balance of capital employed at the beginning and end of the period of continuing operations.

## 2. Cash flow measurements

### Free cash flow and cash generated:

	Fourth Quarter					
	Adjusted cash flow		Joint ventures reclassification and others		IFRS-EU cash flow statement	
	2018	2017	2018	2017	2018	2017
I. Cash flows from / (used in) operating activities (cash flow generated)	2,077	1,929	(317)	(84)	1,760	1,845
II. Cash flows from / (used in) investing activities	(2,221)	(1,045)	153	157	(2,068)	(888)
<b>Free cash flow (I+II)</b>	<b>(144)</b>	<b>884</b>	<b>(164)</b>	<b>73</b>	<b>(308)</b>	<b>957</b>
<b>Generated cash flow</b>	<b>(1,017)</b>	<b>683</b>	<b>(163)</b>	<b>78</b>	<b>(1,180)</b>	<b>761</b>
III. Cash flows from / (used in) financing activities and others <sup>(1)</sup>	(332)	(894)	125	(50)	(207)	(944)
<b>Net increase / (decrease) in cash and cash equivalents (I+II+III)</b>	<b>(476)</b>	<b>(10)</b>	<b>(39)</b>	<b>23</b>	<b>(515)</b>	<b>13</b>
Cash and cash equivalents at the beginning of the period	5,497	4,830	(196)	(242)	5,301	4,588
Cash and cash equivalents at the end of the period	5,021	4,820	(235)	(219)	4,786	4,601

	Twelve months					
	Adjusted cash flow		Joint ventures reclassification and others		IFRS-EU cash flow statement	
	2018	2017	2018	2017	2018	2017
I. Cash flows from / (used in) operating activities (cash flow generated)	5,428	5,506	(849)	(393)	4,579	5,113
II. Cash flows from / (used in) investing activities	(372)	(2,946)	(987)	157	(1,359)	(2,789)
<b>Free cash flow (I+II)</b>	<b>5,056</b>	<b>2,560</b>	<b>(1,836)</b>	<b>(236)</b>	<b>3,220</b>	<b>2,324</b>
<b>Cash flow generated</b>	<b>2,706</b>	<b>1,391</b>	<b>(1,832)</b>	<b>(229)</b>	<b>874</b>	<b>1,162</b>
III. Cash flows from / (used in) financing activities and others <sup>(1)</sup>	(4,855)	(2,658)	1,820	248	(3,035)	(2,410)
<b>Net increase / (decrease) in cash and cash equivalents (I+II+III)</b>	<b>201</b>	<b>(98)</b>	<b>(16)</b>	<b>12</b>	<b>185</b>	<b>(86)</b>
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	5,021	4,820	(235)	(219)	4,786	4,601

<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:

	Twelve months					
	Group Reporting Model		Joint arrangements reclassification and others		IFRS-EU	
	2018	2017	2018	2017	2018	2017
Cash and cash equivalents	5,021	4,820	(235)	(219)	4,786	4,601
Undrawn credit lines	2,265	2,503	(16)	-	2,249	2,503
Deposits of immediate availability <sup>(1)</sup>	1,456	231	-	-	1,456	231
<b>Liquidity</b>	<b>8,742</b>	<b>7,554</b>	<b>(251)</b>	<b>(219)</b>	<b>8,491</b>	<b>7,335</b>

<sup>(1)</sup> Repsol contracts time deposits but with immediate availability, which are recorded under the heading "Other current financial assets" (see Note 8 to the 2018 Consolidated Financial Statements) and which do not meet the accounting criteria for classification as cash and cash equivalents.

### Operating investments:

	Fourth Quarter					
	Operating investments		Joint venture reclassification and other		IFRS-EU <sup>(1)</sup>	
	2018	2017	2018	2017	2018	2017
Upstream	550	716	(104)	(9)	446	707
Downstream	1,271	360	(39)	(1)	1,232	359
Corporation & Others	34	17	-	1	34	18
<b>TOTAL</b>	<b>1,855</b>	<b>1,093</b>	<b>(143)</b>	<b>(9)</b>	<b>1,712</b>	<b>1,084</b>

	Twelve months					
	Operating investments		Joint venture reclassification and other		IFRS-EU <sup>(1)</sup>	
	2018	2017	2018	2017	2018	2017
Upstream	1,973	2,089	(365)	(307)	1,608	1,782
Downstream	1,831	805	(41)	(2)	1,790	803
Corporation & Others	70	42	-	-	70	42
<b>TOTAL</b>	<b>3,874</b>	<b>2,936</b>	<b>(406)</b>	<b>(309)</b>	<b>3,468</b>	<b>2,627</b>

(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 measures

#### Net Debt:

	Net Debt		Joint venture reclassification <sup>(1)</sup>		IFRS - EU balance sheet	
	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17
<b>Non-current assets</b>						
Non-current financial instruments <sup>(2)</sup>	87	360	887	1,560	974	1,920
<b>Current assets</b>						
Other current financial assets	1,630	254	81	3	1,711	257
Cash and cash equivalents	5,021	4,820	(235)	(219)	4,786	4,601
<b>Non-current liabilities<sup>(3)</sup></b>						
Non-current financial liabilities	(6,625)	(7,611)	(2,767)	(2,469)	(9,392)	(10,080)
<b>Current liabilities<sup>(3)</sup></b>						
Current financial liabilities	(3,827)	(4,160)	(462)	(46)	(4,289)	(4,206)
<b>Items not included on the balance sheet</b>						
Net mark to market valuation of financial derivatives (ex: exchange rate) <sup>(4)</sup>	275	70	(227)	-	48	70
<b>NET DEBT</b>	<b>(3,439)</b>	<b>(6,267)</b>			<b>(6,162)</b>	<b>(7,438)</b>

(1) Mainly includes the net financing of the Repsol Sinopec Brazil Group, broken down in the following sections:  
December 2018: (cash and cash equivalents of €13 million and current financial liabilities as a result of an intra-group loan of €2,674 million, less a €127 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)

(2) Corresponds to the consolidated balance sheet heading, "Non-current financial assets" without including equity instruments.

(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 reclassification and others		IFRS - EU balance sheet	
	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17
Current financial liabilities	(3,776)	(4,133)	(463)	(45)	(4,239)	(4,178)
Net valuation at the market rates of financial derivative, such as current exchange rate	20	(9)	-	-	20	(9)
<b>Current gross debt</b>	<b>(3,756)</b>	<b>(4,142)</b>	<b>(463)</b>	<b>(45)</b>	<b>(4,219)</b>	<b>(4,187)</b>
Non-current financial liabilities	(6,570)	(7,542)	(2,767)	(2,470)	(9,337)	(10,012)
<b>Non-current gross debt</b>	<b>(6,570)</b>	<b>(7,542)</b>	<b>(2,767)</b>	<b>(2,470)</b>	<b>(9,337)</b>	<b>(10,012)</b>
<b>TOTAL GROSS DEBT</b>	<b>(10,326)</b>	<b>(11,684)</b>	<b>(3,230)</b>	<b>(2,515)</b>	<b>(13,556)</b>	<b>(14,199)</b>

**Interest coverage:**

€ Million	Fourth Quarter					
	Group Reporting Model		Reclassif. Joint Arrangements		IFRS-EU	
	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17
Interest	73	82	(14)	(14)	59	68
EBITDA	1,680	2,008	(539)	(497)	1,141	1,511
<b>Interest cover</b>	<b>4.4%</b>	<b>4.1%</b>			<b>5.2%</b>	<b>4.5%</b>

€ Million	Twelve months					
	Group Reporting Model		Reclassif. Joint Arrangements		IFRS-EU	
	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17
Interest	288	350	(58)	(63)	230	288
EBITDA	7,513	6,723	(1,820)	(1,470)	5,693	5,253
<b>Interest cover</b>	<b>3.8%</b>	<b>5.2%</b>			<b>4.0%</b>	<b>5.5%</b>