

APM RECONCILIATIONS

For the first half 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 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.

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

€ Million	First half											
	Adjusted Result		ADJUSTMENTS								Profit/loss under EU-IFRS	
			Joint Ventures Reclassifications		Special Items		Inventory Effect ⁽²⁾		Total Adjustments			
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	
Operating income	1,613 ⁽¹⁾	997 ⁽¹⁾	(221)	(108)	(49)	(219)	(86)	8	(356)	(319)	1,257	678
Financial result	(229)	(262)	39	84	5	(18)	-	-	44	66	(185)	(196)
Share of results of companies accounted using the equity method – net of taxes	135	206	88	6	-	-	-	-	88	6	223	212
Net income before tax	1,519	941	(94)	(18)	(44)	(237)	(86)	8	(224)	(247)	1,295	694
Income tax	(376)	(4)	94	18	34	(45)	22	(3)	150	(30)	(226)	(34)
Net income from continuing operations	1,143	937	-	-	(10)	(282)	(64)	5	(74)	(277)	1,069	660
Income attributed to minority interests	(17)	(20)	-	-	-	2	4	(3)	4	(1)	(13)	(21)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT COMPANY	1,126	917	-	-	(10)	(280)	(60)	2	(70)	(278)	1,056	639

⁽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" on the income statement under EU-IFRS

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€ Million	Second quarter											
	ADJUSTMENTS										Profit/loss under EU- IFRS	
	Adjusted Result		Joint Ventures Reclassifications		Special Items		Inventory Effect ⁽²⁾		Total Adjustments			
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	
Operating income	671 ⁽¹⁾	437 ⁽¹⁾	(96)	(83)	37	(241)	(199)	223	(258)	(101)	413	336
Financial result	(74)	(185)	8	87	1	(40)	-	-	9	47	(65)	(138)
Share of results of companies accounted using the equity method – net of taxes	62	95	21	(42)	-	-	-	-	21	(42)	83	53
Net income before tax	659	347	(67)	(38)	38	(281)	(199)	223	(228)	(96)	431	251
Income tax	(154)	6	67	38	(23)	(20)	50	(56)	94	(38)	(60)	(32)
Net income from continuing operations	505	353	-	-	15	(301)	(149)	167	(134)	(134)	371	219
Income attributed to minority interests	(9)	(8)	-	-	-	2	5	(8)	5	(6)	(4)	(14)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT COMPANY	496	345	-	-	15	(299)	(144)	159	(129)	(140)	367	205

(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" on the income statement under IFRS-EU.

Special Items

€ Million	Second quarter							
	Upstream		Downstream		Corporation		TOTAL	
	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016
Divestments	3	(10)	1	201	1	-	5	191
Workforce restructuring charges	(9)	(37)	(4)	(129)	(21)	(150)	(34)	(316)
Impairment	2	(9)	-	-	-	-	2	(9)
Provisions and other	57	(116)	6	(12)	(21)	(37)	42	(165)
TOTAL	53	(172)	3	60	(41)	(187)	15	(299)

EBITDA:

	First half							
	Group Reporting Model		Joint ventures Reclassifications and Others		Inventory Effect		Cash Flow Statement EU-IFRS ⁽¹⁾	
	2017	2016	2017	2016	2017	2016	2017	2016
Upstream	1,666	933	(642)	(420)	-	-	1,024	513
Downstream	1,518	1,585	(5)	(4)	-	-	1,513	1,581
Corporation and others	(76)	(101)	-	3	-	-	(76)	(98)
EBITDA	3,108	2,417	(647)	(421)	-	-	2,461	1,996
EBITDA CCS	3,194	2,409	(647)	(421)	(86)	8	2,461	1,996

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	Second quarter							
	Group Reporting Model		Joint ventures Reclassifications and Others		Inventory Effect		Cash Flow Statement EU-IFRS ⁽¹⁾	
	2017	2016	2017	2016	2017	2016	2017	2016
Upstream	745	529	(251)	(238)	-	-	494	291
Downstream	557	914	(3)	(3)	-	-	554	911
Corporation and others	(38)	(53)	(8)	7	-	-	(46)	(46)
EBITDA	1,264	1,390	(262)	(234)	-	-	1,002	1,156
EBITDA CCS	1,463	1,167	(262)	(234)	(199)	223	1,002	1,156

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

ROACE:

	1H 17	1H 16	
NUMERATOR (€Million)			
Operating income EU-IFRS	1,257	678	
Joint Ventures Reclassification	221	108	
Special Items	49	219	
Income tax ⁽¹⁾	(420)	(108)	
Share of results of companies accounted for using the equity method - net of taxes	135	206	
I. ROACE result at average weighted cost	1,242	2,486⁽²⁾	1,103 2,142⁽²⁾
DENOMINATOR (€Million)			
Total equity	30,183	28,822	
Net financial debt	7,477	11,709	
Capital employed at year end	37,660	40,531	
II. Average capital employed⁽³⁾	38,458	40,617	
ROACE (I/II)	6.5	5.3	

⁽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

	First half					
	Adjusted Cash Flow		Joint Ventures Reclassifications and Others		Cash Flow Statement EU- IFRS	
	2017	2016	2017	2016	2017	2016
I. Cash flows from / (used in) operating activities	2,175	1,772	(93)	(171)	2,082	1,601
II. Cash flows from / (used in) investing activities	(1,232)	(997)	114	255	(1,118)	(742)
Free cash flow (I+II)	943	775	21	84	964	859
Cash generated	272	57	25	86	297	143
III. Cash flows from / (used in) financing activities and others ⁽¹⁾	(919)	(1,099)	(15)	17	(934)	(1,082)
Net increase / (decrease) in cash and cash equivalents (I+II+III)	24	(324)	6	101	30	(223)
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	4,942	2,445	(225)	(220)	4,717	2,225

⁽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.

	Second quarter					
	Adjusted Cash Flow		Joint Ventures Reclassifications and Others		Cash Flow Statement EU- IFRS	
	2017	2016	2017	2016	2017	2016
I. Cash flows from / (used in) operating activities	1,458	829	(55)	(130)	1,403	699
II. Cash flows from / (used in) investing activities	(635)	(255)	57	128	(578)	(127)
Free cash flow (I+II)	823	574	2	(2)	825	572
Cash generated	688	421	5	-	693	421
III. Cash flows from / (used in) financing activities and others ⁽¹⁾	154	(894)	16	39	170	(855)
Net increase / (decrease) in cash and cash equivalents (I+II+III)	977	(320)	18	37	995	(283)
Cash and cash equivalents at the beginning of the period	3,965	2,765	(243)	(257)	3,722	2,508
Cash and cash equivalents at the end of the period	4,942	2,445	(225)	(220)	4,717	2,225

⁽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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Liquidity

	First half					
	Group Reporting Model		Joint Ventures Reclassifications and Others (1)		EU-IFRS	
	Jun-17	Dec-16	Jun-17	Dec-16	Jun-17	Dec-16
Cash and Cash equivalents	4,942	4,918	(225)	(231)	4,717	4,687
Undrawn credit lines	2,814	4,429	-	-	2,814	4,429
Liquidity	7,756	9,347	(225)	(231)	7,531	9,116

Net Operating Investments:

	First half					
	Net Operating Investments		Joint Ventures Reclassifications and Others		Cash flow statement EU-IFRS ⁽¹⁾	
	2017	2016	2017	2016	2017	2016
Upstream	921	1,281	(183)	(376)	738	905
Downstream	245	(258)	-	(1)	245	(259)
Corporation and others	8	15	8	(20)	16	(5)
TOTAL	1,174⁽²⁾	1,038	(175)	(397)	999	641

	Second quarter					
	Net Operating Investments		Joint Ventures Reclassifications and Others		Cash flow statement EU-IFRS ⁽¹⁾	
	2017	2016	2017	2016	2017	2016
Upstream	466	643	(82)	(198)	384	445
Downstream	154	(344)	-	1	154	(343)
Corporation and others	10	30	7	(11)	17	19
TOTAL	630⁽²⁾	329	(75)	(208)	555	121

⁽¹⁾ This corresponds to "Proceeds from divestments" and "Payments on investments" on the Consolidated Cash Flow Statement of cash flows prepared under EU-IFRS, and does not include items corresponding to "Other financial assets."

⁽²⁾ Gross Operating Investments in the first half and second quarter of 2017 amounted to 1,201 and 664 million euros respectively.

3. Financial position indicators

Net Debt

	Net Debt			Reclassifications Joint Ventures ⁽¹⁾			Figure according to EU-IFRS balance sheet		
	Jun-17	Dec-16	Jun-16	Jun-17	Dec-16	Jun-16	Jun-17	Dec-16	Jun-16
Non-current assets									
Non-current financial instruments ⁽²⁾	379	424	98	692	657	609	1,071	1,081	707
Current assets									
Other current financial assets	44	52	30	1,187	1,228	1,231	1,231	1,280	1,261
Cash and Cash equivalents	4,942	4,918	2,447	(225)	(231)	(222)	4,717	4,687	2,225
Non-current liabilities⁽³⁾									
Non-current financial debt	(8,831)	(9,540)	(10,688)	192	58	54	(8,639)	(9,482)	(10,634)
Non-current liabilities⁽³⁾									
Current financial liabilities	(4,090)	(4,085)	(3,719)	(2,719)	(2,824)	(2,707)	(6,809)	(6,909)	(6,426)
Items not included on the balance sheet									
Net mark to market valuation of financial derivatives (excl. exchange rate) ⁽⁴⁾	79	87	123	-	-	-	79	87	123
NET DEBT	(7,477)	(8,144)	(11,709)				(8,350)	(9,256)	(12,744)

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

June 2016: (cash and cash equivalents of 16 million euros and current financial liabilities as a result of an intra-group loan of 2,780 million euros, less a 366 million euros third-party loan).

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

June 2017: (Cash and cash equivalents of 17 million euros and current financial liabilities as a result of an intra-group loan of 2,724 million euros, less 368 million euros 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 other than exchange rate derivatives has been eliminated from this section.

Gross Debt

	Gross Debt			Joint Ventures Reclassifications and Others ⁽¹⁾			Figure according to EU-IFRS Balance Sheet		
	Jun-17	Dec-16	Jun-16	Jun-17	Dec-16	Jun-16	Jun-17	Dec-16	Jun-16
Current financial liabilities	(4,059)	(4,061)	(3,675)	(2,719)	(2,824)	(2,708)	(6,778)	(6,885)	(6,383)
Net market valuation of exchange rate derivatives	1	7	(22)	-	-	-	1	7	(22)
Current gross debt	(4,058)	(4,054)	(3,697)	(2,719)	(2,824)	(2,708)	(6,777)	(6,878)	(6,405)
Non-current financial liabilities	(8,752)	(9,452)	(10,567)	192	57	55	(8,560)	(9,395)	(10,512)
Non-current gross debt	(8,752)	(9,452)	(10,567)	192	57	55	(8,560)	(9,395)	(10,512)
TOTAL GROSS DEBT	(12,810)	(13,506)	(14,264)	(2,527)	(2,767)	(2,653)	(15,337)	(16,273)	(16,917)

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Interest coverage

<i>€ Millions</i>	First half					
	Group Reporting Model		Reclassif. Joint Ventures		Figure according to EU-IFRS Balance Sheet	
	2017	2016	2017	2016	2017	2016
Interest	183	224	(34)	(35)	149	189
EBITDA	3,108	2,417	(647)	(421)	2,461	1,996
Interest cover	5.9%	9.3%			6.1%	9.5%

<i>€ Millions</i>	Second quarter					
	Group Reporting Model		Reclassif. Joint Ventures		Figure according to EU-IFRS Balance Sheet	
	2017	2016	2017	2016	2017	2016
Interest	89	109	(16)	(18)	73	91
EBITDA	1,264	1,390	(262)	(234)	1,002	1,156
Interest cover	7.0%	7.8%			7.2%	7.9%