

REPSOL Group

2019 Alternative
Performance
Measures
reconciliations
4th Quarter
and 12 Months
2019

*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 disclosures contain figures and measures prepared in accordance with the regulations applicable to financial information, as well as other measures prepared in accordance with the Group's Reporting Model⁴ known as Alternative Performance Measures (APMs). APMs are measures which are "adjusted" compared to those presented in accordance with IFRS-EU or with Information on Oil and Gas Exploration and Production Activities⁵, 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.

Certain APMs have been affected by the application of IFRS 16 (see Note 3.2.1 to the consolidated Financial Statements), which means that some of the measures compared between the periods are less representative.

For historical quarterly information regarding APMs, see www.repsol.com.

1. Financial performance measures

Adjusted net income

€ Million	Twelve months											
	Adjusted net income		ADJUSTMENTS								IFRS-EU profit/loss	
			Reclassification of joint ventures		Special items		Inventory effect ⁽¹⁾		Total adjustments			
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Operating income	3,661	4,396	(529)	(1,204)	(6,343)	(633)	(40)	(106)	(6,912)	(1,943)	(3,251)	2,453
Financial result	(390)	(462)	111	130	(22)	159	—	—	89	289	(301)	(173)
Net income of companies accounted for using the equity method - net of tax	22	15	324	965	5	72	—	1	329	1,038	351	1,053
Income before tax	3,293	3,949	(94)	(109)	(6,360)	(402)	(40)	(105)	(6,494)	(616)	(3,201)	3,333
Income tax	(1,227)	(1,569)	94	109	536	46	9	28	639	183	(588)	(1,386)
Net income from continuing operations	2,066	2,380	—	—	(5,824)	(356)	(31)	(77)	(5,855)	(433)	(3,789)	1,947
Net income from continuing operations attributable to non-controlling interests	(24)	(28)	—	—	1	1	(4)	9	(3)	10	(27)	(18)
Net income from continuing operations attributable to the parent	2,042	2,352	—	—	(5,823)	(355)	(35)	(68)	(5,858)	(423)	(3,816)	1,929
Net income from discontinued operations	—	—	—	—	—	412	—	—	—	412	—	412
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	2,042	2,352	—	—	(5,823)	57	(35)	(68)	(5,858)	(11)	(3,816)	2,341

⁽¹⁾ The Inventory effect represents an adjustment to "Procurements" and "Changes in inventory of finished goods and work in progress" on the IFRS-EU income statement.

⁴ See Note 4 "Information by business segments" to the 2019 consolidated Financial Statements.

⁵ The hydrocarbon exploration and production information, which is compiled and disclosed by the Group on an annual basis, is prepared in accordance with the principles generally accepted in the oil and gas industry and, specifically, is based on the disclosure criteria outlined in Topic 932 issued by the Financial Accounting Standards Board (FASB).

€ Million	Fourth quarter											
	ADJUSTMENTS										IFRS-EU profit/ loss	
	Adjusted net income		Reclassification of joint ventures		Special items		Inventory effect ⁽¹⁾		Total adjustments			
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	
Operating income	765	1,300	124	(611)	(6,408)	(487)	37	(480)	(6,247)	(1,578)	(5,482)	(278)
Financial result	(148)	(172)	21	39	(2)	24	—	—	19	63	(129)	(109)
Net income of companies accounted for using the equity method - net of tax	6	(24)	70	610	6	72	—	1	76	683	82	659
Income before tax	623	1,104	215	38	(6,404)	(391)	37	(479)	(6,152)	(832)	(5,529)	272
Income tax	(211)	(464)	(215)	(38)	691	266	(10)	124	466	352	255	(112)
Net income from continuing operations	412	640	—	—	(5,713)	(125)	27	(355)	(5,686)	(480)	(5,274)	160
Net income from continuing operations attributable to non-controlling interests	(7)	(8)	—	—	1	—	(2)	18	(1)	18	(8)	10
Net income from continuing operations attributable to the parent	405	632	—	—	(5,712)	(125)	25	(337)	(5,687)	(462)	(5,282)	170
Net income from discontinued operations	—	—	—	—	—	—	—	—	—	—	—	—
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	405	632	—	—	(5,712)	(125)	25	(337)	(5,687)	(462)	(5,282)	170

⁽¹⁾ The Inventory effect represents an adjustment to “Procurements” and “Changes in inventory of finished goods and work in progress” on the IFRS-EU income statement.

Special items

Millions of euros	12M		Q4	
	2019	2018	2019	2018
Divestments	49	83	4	24
Workforce restructuring	(64)	(55)	(31)	(13)
Impairment	(4,867)	(684)	(4,863)	(559)
Provisions and other	(941)	301	(822)	423
Discontinued operations	—	412	—	—
TOTAL	(5,823)	57	(5,712)	(125)

EBITDA

	Twelve months							
	Group Reporting Model		Reclassification of joint ventures and others		Inventory effect		IFRS-EU ⁽¹⁾	
	2019	2018	2019	2018	2019	2018	2019	2018
Upstream	4,255	4,801	(1,664)	(1,782)	—	—	2,591	3,019
Downstream	3,057	2,859	(47)	(58)	—	—	3,010	2,801
Corporate and other	(151)	(147)	(21)	20	—	—	(172)	(127)
EBITDA	7,161	7,513	(1,732)	(1,820)	—	—	5,429	5,693
EBITDA at CCS	7,201	7,619	(1,732)	(1,820)	(40)	(106)	5,429	5,693

⁽¹⁾ Corresponds to “Income before tax” and “Adjustments to profit” on the consolidated statement of cash flows under IFRS-EU.

Fourth quarter

	Group Reporting Model		Reclassification of joint ventures and others		Inventory effect		IFRS-EU ⁽¹⁾	
	2019	2018	2019	2018	2019	2018	2019	2018
Upstream	1,058	1,224	(348)	(493)	—	—	710	731
Downstream	822	469	(9)	(50)	—	—	813	419
Corporate and other	(28)	(13)	(18)	4	—	—	(46)	(9)
EBITDA	1,852	1,680	(375)	(539)	—	—	1,477	1,141
EBITDA at CCS	1,815	2,160	(375)	(539)	37	(480)	1,477	1,141

⁽¹⁾ Corresponds to "Income before tax" and "Adjustments to profit" on the consolidated statement of cash flows under IFRS-EU.

ROACE

NUMERATOR (Millions of euros)	2019	2018
Operating income (IFRS-EU)	(3,251)	2,453
Reclassification of joint ventures	529	1,204
Income tax ⁽¹⁾	(780)	(1,489)
Net income of companies accounted for using the equity method - net of tax	27	88
Impact of IFRS 16	(46)	—
ROACE result at weighted average cost	(3,521)	2,256
DENOMINATOR (Millions of euros)	2019	2018
Total equity	25,337	30,914
Net debt	4,220	3,439
Capital employed at period-end	29,556	34,353
II. Average capital employed ⁽²⁾	31,955	33,730
ROACE (I/II)	(11.0)	6.7

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

⁽²⁾ Corresponds to the average balance of capital employed at the beginning and end of the year.

ROACE with leases

NUMERATOR (Millions of euros)	2019
Operating income IFRS-EU	(3,251)
Reclassification of joint ventures	529
Income tax ⁽¹⁾	(780)
Net income of companies accounted for using the equity method - net of tax	27
ROACE result at weighted average cost	(3,475)
DENOMINATOR (Millions of euros)	2019
Total equity	25,209
Net debt with leases	8,083
Capital employed at period-end (with leases)	33,292
II. Average capital employed ⁽²⁾	35,685
ROACE with leases (I/II)	(9.7)

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

⁽²⁾ 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 flow generated

	Twelve months					
	Adjusted cash flow		Reclassification of joint ventures and others		IFRS-EU statement of cash flow	
	2019	2018	2019	2018	2019	2018
I. Cash flows from / (used in) operating activities (cash flow from operations)	5,837	5,428	(988)	(849)	4,849	4,579
II. Cash flows from / (used in) investing activities	(3,777)	(372)	(630)	(987)	(4,407)	(1,359)
Free cash flow (I+II)	2,060	5,056	(1,618)	(1,836)	442	3,220
Cash flow generated	(687)	2,706	(1,578)	(1,832)	(2,265)	874
III. Cash flows from / (used in) financing activities and others ⁽¹⁾	(3,863)	(4,855)	1,614	1,820	(2,249)	(3,035)
Net increase / (decrease) in cash and cash equivalents (I+II+III)	(1,803)	201	(4)	(16)	(1,807)	185
Cash and cash equivalents at the beginning of the period	5,021	4,820	(235)	(219)	4,786	4,601
Cash and cash equivalents at the end of the period	3,218	5,021	(239)	(235)	2,979	4,786

⁽¹⁾ Includes payments for dividends and returns on other equity instruments, interest payments, other proceeds from/ (payments for) financing activities, proceeds from / (payments for) the issue / (return) of equity instruments, proceeds from / (payments for) financial liabilities and the exchange rate fluctuations effect.

	Fourth quarter					
	Adjusted cash flow		Reclassification of joint ventures and others		IFRS-EU statement of cash flow	
	2019	2018	2019	2018	2019	2018
I. Cash flows from / (used in) operating activities (cash flow from operations)	1,763	2,077	(21)	(317)	1,742	1,760
II. Cash flows from / (used in) investing activities	(1,515)	(2,221)	7	153	(1,508)	(2,068)
Free cash flow (I+II)	248	(144)	(14)	(164)	234	(308)
Cash flow generated	(502)	(1,017)	(6)	(163)	(508)	(1,180)
III. Cash flows from / (used in) financing activities and others ⁽¹⁾	(996)	(332)	38	125	(958)	(207)
Net increase / (decrease) in cash and cash equivalents (I+II+III)	(748)	(476)	24	(39)	(724)	(515)
Cash and cash equivalents at the beginning of the period	3,966	5,497	(263)	(196)	3,703	5,301
Cash and cash equivalents at the end of the period	3,218	5,021	(239)	(235)	2,979	4,786

⁽¹⁾ Includes payments for dividends and returns on other equity instruments, interest payments, other proceeds from/ (payments for) financing activities, proceeds from / (payments for) the issue / (return) of equity instruments, proceeds from / (payments for) financial liabilities and the exchange rate fluctuations effect.

Liquidity

	Twelve months					
	Group Reporting Model		Reclassification of joint ventures and others		IFRS-EU	
	2019	2018	2019	2018	2019	2018
Cash and cash equivalents	3,218	5,021	(239)	(235)	2,979	4,786
Undrawn credit lines	1,818	2,265	(10)	(16)	1,808	2,249
Deposits of immediate availability ⁽¹⁾	2,631	1,456	—	—	2,631	1,456
Liquidity	7,667	8,742	(249)	(251)	7,418	8,491

⁽¹⁾ Repsol contracts time deposits but with immediate availability, which are recorded under “*Other current financial assets*” and which do not meet the accounting criteria for classification as cash and cash equivalents.

Operating investments

	Twelve months					
	Operating investments		Reclassification of joint ventures and others		IFRS-EU ⁽¹⁾	
	2019	2018	2019	2018	2019	2018
Upstream	2,429	1,973	(499)	(365)	1,930	1,608
Downstream	1,376	1,831	(28)	(41)	1,348	1,790
Corporate and other	56	70	—	—	56	70
TOTAL	3,861	3,874	(527)	(406)	3,334	3,468

⁽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*”.

	Fourth quarter					
	Operating investments		Reclassification of joint ventures and others		IFRS-EU ⁽¹⁾	
	2019	2018	2019	2018	2019	2018
Upstream	915	550	(116)	(104)	799	446
Downstream	627	1,271	(13)	(39)	614	1,232
Corporate and other	14	34	—	—	14	34
TOTAL	1,556	1,855	(129)	(143)	1,427	1,712

⁽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 and Net debt with leases

	Net debt	Reclassification of joint ventures ⁽¹⁾	IFRS-EU balance sheet
	Dec-2019	Dec-2019	Dec-2019
Non-current assets			
Non-current financial instruments ⁽²⁾	130	823	953
Current assets			
Other current financial assets	2,655	137	2,792
Cash and cash equivalents	3,218	(239)	2,979
Non-current liabilities			
Non-current financial liabilities ⁽³⁾	(5,306)	(2,914)	(8,220)
Current liabilities			
Current financial liabilities ⁽³⁾	(5,313)	(801)	(6,114)
Items not included on the balance sheet			
Net mark to market financial derivatives (excl. exchange rate) ⁽⁴⁾	396	(348)	48
NET DEBT ⁽⁵⁾	(4,220)	(3,342)	(7,562)
Non-current lease liabilities (net) ⁽⁶⁾	(3,372)	684	(2,688)
Current lease liabilities (net) ⁽⁶⁾	(491)	75	(416)
NET DEBT with leases	(8,083)		(10,666)

⁽¹⁾ Mainly includes the net financing of the Repsol Sinopec Brazil Group, broken down in the following sections: Cash and cash equivalents of €14 million, current financial liabilities as a result of an intra-group loan of €2,946 million and €624 million for leases.

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

⁽³⁾ Does not include lease liabilities.

⁽⁴⁾ The net valuation at market rates of financial derivatives other than exchange rate derivatives has been eliminated from this section.

⁽⁵⁾ The reconciliations in previous period for this figure are available at www.repsol.com.

⁽⁶⁾ Includes collection rights for sub-leases amounting to €29 million (€21 million long-term and €8 million short-term).

Gross debt and Gross debt with leases

	Gross debt	Reclassification of joint ventures and others	IFRS - EU balance sheet
	Dec-2019	Dec-2019	Dec-2019
Current financial liabilities ⁽¹⁾	(5,264)	(803)	(6,067)
Net mark to market valuation of current exchange rate financial derivatives	40	—	40
Current gross debt	(5,224)	(803)	(6,027)
Non-current financial liabilities ⁽¹⁾	(5,235)	(2,914)	(8,149)
Non-current gross debt	(5,235)	(2,914)	(8,149)
GROSS DEBT ⁽²⁾	(10,459)	(3,717)	(14,176)
Current lease liabilities	(499)	75	(424)
Non-current lease liabilities	(3,392)	683	(2,709)
GROSS DEBT with leases	(14,350)	(2,959)	(17,309)

⁽¹⁾ Lease liabilities are not included.

⁽²⁾ The reconciliations in previous periods for this figure are available at www.repsol.com.

Interest coverage

€ Million	Twelve months					
	Group Reporting Model		Reclassification of joint ventures		IFRS-EU	
	2019	2018	2019	2018	2019	2018
Net interest ⁽¹⁾	211	288	31	(58)	242	230
EBITDA ⁽¹⁾	6,806	7,513	(1,626)	(1,820)	5,180	5,693
Interest coverage	3.1%	3.8%			4.7%	4.0%

⁽¹⁾ Does not include the effect of IFRS 16 Leases.

€ Million	Fourth quarter					
	Group Reporting Model		Reclassification of joint ventures		IFRS-EU	
	2019	2018	2019	2018	2019	2018
Net interest ⁽¹⁾	48	73	12	(14)	60	59
EBITDA ⁽¹⁾	1,751	1,680	(347)	(539)	1,404	1,141
Interest coverage	2.8%	4.3%			4.3%	5.2%

⁽¹⁾ Does not include the effect of IFRS 16 Leases.