

REPSOL Group

2019 Alternative
Performance
Measures
reconciliations
1st Quarter
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 measurements prepared in accordance with the regulations applicable to financial information, as well as other measurements prepared in accordance with the Group's Reporting Model¹ known as Alternative Performance Measurements (APMs). APMs are measurements which are "adjusted" compared to those presented in accordance with IFRS-EU or with information on oil and gas exploration and production activities², and the reader should therefore consider them in addition to, but not instead of, the latter.

Certain APMs have been affected by the application of IFRS 16 (see Note 2.2.1 to the Interim Financial Statements corresponding to Q1 2019), which means that some of the measures compared between the periods are less representative.

1. Financial performance measurements

Adjusted net profit

€ Million	First Quarter											
	ADJUSTMENTS											
	Adjusted net profit		Reclassification of joint ventures		Special items		Inventory effect ⁽²⁾		Total adjustments		IFRS-EU profit/loss	
	2019	2018 ⁽¹⁾	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Operating profit	1,025 ⁽³⁾	1,057 ⁽³⁾	(240)	(180)	(2)	(69)	7	(12)	(235)	(261)	790	796
Financial result	(97)	(114)	31	40	(15)	(7)	—	—	16	33	(81)	(81)
Net profit of companies accounted for using the equity method - net of tax	6	11	126	127	—	—	—	—	126	127	132	138
Profit before tax	934	954	(83)	(13)	(17)	(76)	7	(12)	(93)	(101)	841	853
Income tax	(309)	(366)	83	13	4	44	(2)	3	85	60	(224)	(306)
Profit from continuing operations	625	588	—	—	(13)	(32)	5	(9)	(8)	(41)	617	547
Profit from continuing operations attributable to non-controlling interests	(7)	(5)	—	—	0	—	(2)	—	(2)	—	(9)	(5)
Profit from continuing operations attributable to the parent	618	583	—	—	(13)	(32)	3	(9)	(10)	(41)	608	542
Profit from discontinued operations	—	—	—	—	—	68	—	—	—	68	—	68
TOTAL PROFIT ATTRIBUTABLE TO THE PARENT	618	583	—	—	(13)	36	3	(9)	(10)	27	608	610

⁽¹⁾ Includes the changes necessary with regard to the interim financial statements for the first quarter of 2018 (see Note 2.3 "Information by business segments") in relation to changes in presentation of the exchange rate differences for the tax positions.

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

⁽³⁾ Profit from continuing operations at current cost of supply (CCS).

¹ See Note 2.3. "Information by business segments" to the interim consolidated financial statements corresponding to the first quarter of 2019.

² 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).

Special items

Millions of euros	First Quarter	
	2019	2018
Divestments	30	2
Workforce restructuring	(5)	(2)
Impairment	(2)	(2)
Provisions and other ⁽¹⁾	(36)	(30)
Discontinued operations	—	68
TOTAL	(13)	36

⁽¹⁾ The information for Q1 2018 was restated for comparison purposes as a result of the inclusion of the effect of the exchange rate on tax positions in currencies other than the functional currency.

EBITDA

	First Quarter							
	Group Reporting Model		Reclassification of joint ventures and others		Inventory effect		IFRS-EU ⁽¹⁾	
	2019	2018	2019	2018	2019	2018	2019	2018
Upstream	1,064	1,101	(459)	(434)	—	—	605	667
Downstream	800	733	(11)	(1)	—	—	789	732
Corporate and other	(54)	(30)	20	13	—	—	(34)	(17)
EBITDA	1,810	1,804	(450)	(422)	—	—	1,360	1,382
EBITDA at CCS	1,803	1,816	(450)	(422)	7	(12)	1,360	1,382

⁽¹⁾ Corresponds to "Profit before tax" and "Adjustments to profit" on the consolidated statements of cash flows.

ROACE

NUMERATOR (Millions of euros)	Q1 2019		Q1 2018	
Operating profit (IFRS-EU)	790		796	
Reclassification of joint ventures	240		180	
Income tax ⁽¹⁾	(335)		(345)	
Net profit of companies accounted for using the equity method - net of tax	6		11	
Impact of IFRS 16	(9)		—	
I. ROACE result at weighted average cost	692	2,769⁽³⁾	642	2,644⁽³⁾
DENOMINATOR (Million of euros)	Q1 2019		Q1 2018	
Total equity	31,270		29,284	
Net Debt	3,686		6,836	
Capital employed at period-end	34,956		36,120	
II. Average capital employed ⁽²⁾	34,654		32,968	
ROACE (I/II)	8.0		8.0	

⁽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 period from continuing operations.

⁽³⁾ Annualized profit save for special items.

ROACE with leases

NUMERATOR (Millions of euros)	Q1 2019	
Operating profit IFRS-EU	790	
Reclassification of joint ventures	240	
Income tax ⁽¹⁾	(335)	
Net profit of companies accounted for using the equity method - net of tax	6	
I. ROACE result at weighted average cost	701	2,804⁽³⁾
DENOMINATOR (Millions of euros)	Q1 2019	
Total equity	31,178	
Net debt with leases	7,457	
Capital employed at period-end (with leases)	38,635	
II. Average capital employed ⁽²⁾	38,280	
ROACE with leases (I/II)	7.3	

⁽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 period from continuing operations.

⁽³⁾ Annualized profit save for special items.

2. Cash flow measurements

Free cash flow and cash flow generated

	First 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)	1,161	919	(400)	(140)	761	779
II. Cash flows from / (used in) investing activities	(568)	(600)	477	42	(91)	(558)
Free cash flow (I+II)	593	319	77	(98)	670	221
Cash flow generated	(235)	(466)	76	(98)	(159)	(564)
III. Cash flows from / (used in) financing activities and others ⁽¹⁾	(785)	(1,093)	(198)	95	(983)	(998)
Net increase / (decrease) in cash and cash equivalents (I+II+III)	(192)	(774)	(121)	(3)	(313)	(777)
Cash and cash equivalents at beginning of period	5,021	4,820	(235)	(219)	4,786	4,601
Cash and cash equivalents at end of period	4,829	4,046	(356)	(222)	4,473	3,824

⁽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

	First Quarter					
	Group Reporting Model		Reclassification of joint ventures and others		IFRS-EU	
	Mar - 2019	Dec - 2018	Mar - 2019	Dec - 2018	Mar - 2019	Dec - 2018
Cash and cash equivalents	4,829	5,021	(356)	(235)	4,473	4,786
Undrawn credit lines	1,969	2,265	(9)	(16)	1,960	2,249
Deposits of immediate availability ⁽¹⁾	1,103	1,456	—	—	1,103	1,456
Liquidity	7,901	8,742	(365)	(251)	7,536	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

	First Quarter					
	Operating investments		Reclassification of joint ventures and others		IFRS-EU ⁽¹⁾	
	2019	2018	2019	2018	2019	2018
Upstream	399	452	(117)	(63)	282	389
Downstream	189	138	(13)	1	176	139
Corporate and other	10	8	1	—	11	8
TOTAL	598	598	(129)	(62)	469	536

⁽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
	March 2019	March 2019	March 2019
Non-current assets			
Non-current financial instruments ⁽²⁾	84	909	993
Current assets			
Other current financial assets	1,356	14	1,370
Cash and cash equivalents	4,829	(356)	4,473
Non-current liabilities			
Non-current financial liabilities ⁽³⁾	(6,474)	(2,835)	(9,309)
Current liabilities			
Current financial liabilities ⁽³⁾	(3,766)	(533)	(4,299)
Items not included on the balance sheet			
Net mark to market financial derivatives (excl. exchange rate) ⁽⁴⁾	285	(236)	49
NET DEBT ⁽⁵⁾	(3,686)		(6,723)
Non-current lease liabilities (net) ⁽⁶⁾	(3,267)	669	(2,598)
Current lease liabilities (net) ⁽⁶⁾	(504)	115	(389)
NET DEBT with leases	(7,457)		(9,710)

⁽¹⁾ Mainly includes the net financing of the Repsol Sinopec Brazil Group, broken down in the following sections: Cash and cash equivalents of €88 million and current financial liabilities as a result of an intra-group loan of €2,867 million, less €131 million for loans to third parties and €677 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 of this magnitude for previous quarters are available at www.repsol.com

⁽⁶⁾ Includes collection rights for subleases amounting to €34 million.

Gross Debt and Gross Debt with leases

	Gross Debt	Reclassification of joint ventures and others	IFRS - EU balance sheet
	Mar-2019	Mar-2019	Mar-2019
Current financial liabilities ⁽²⁾	(3,726)	(533)	(4,259)
Net mark to market valuation of financial derivatives (excl. exchange rate)	80	—	80
Current gross debt	(3,646)	(533)	(4,179)
Non-current financial liabilities ⁽²⁾	(6,411)	(2,836)	(9,247)
Non-current gross debt	(6,411)	(2,836)	(9,247)
GROSS DEBT ⁽¹⁾	(10,057)	(3,369)	(13,426)
Current lease liabilities	(512)	115	(397)
Non-current lease liabilities	(3,293)	669	(2,624)
GROSS DEBT with leases	(13,862)	784	(16,447)

⁽¹⁾ The reconciliations of this magnitude for previous quarters are available at www.repsol.com

⁽²⁾ Lease liabilities are not included.

Interest coverage

€ Million	First Quarter					
	Group Reporting Model		Reclassification of joint ventures		IFRS-EU	
	2019	2018	2019	2018	2019	2018
Interest ⁽¹⁾	65	72	1	(16)	66	56
EBITDA	1,810	1,804	(450)	(422)	1,360	1,382
Interest cover	3.6%	4.0%			4.9%	4.0%

⁽¹⁾ Lease effect is not included.