REPSOL Group

2019 Alternative Performance Measures reconciliations

3rd Quarter and 9 months of 2019

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 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 Model[4] 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 activities[5], 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 2.2.1), 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

	Cumulative nine months											
			ADJUSTMENTS									
	Adjusted net income		Reclassification of joint ventures		Special items		Inventory effect (1)		Total adjustments		IFRS-EU profit/ loss	
€ Million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Operating income	2,896	3,096	(653)	(593)	65	(146)	(77)	374	(665)	(365)	2,231	2,731
Financial result	(242)	(290)	90	91	(20)	135	—	—	70	226	(172)	(64)
Net income of companies accounted for using the equity method - net of tax	16	39	254	355	(1)	—	—	—	253	355	269	394
Income before tax	**2,670**	**2,845**	**(309)**	**(147)**	**44**	**(11)**	**(77)**	**374**	**(342)**	**216**	**2,328**	**3,061**
Income tax	(1,016)	(1,105)	309	147	(155)	(220)	19	(96)	173	(169)	(843)	(1,274)
Net income from continuing operations	**1,654**	**1,740**	**—**	**—**	**(111)**	**(231)**	**(58)**	**278**	**(169)**	**47**	**1,485**	**1,787**
Net income from continuing operations attributable to non-controlling interests	(17)	(20)	—	—	—	1	(2)	(9)	(2)	(8)	(19)	(28)
Net income from continuing operations attributable to the parent	**1,637**	**1,720**	**—**	**—**	**(111)**	**(230)**	**(60)**	**269**	**(171)**	**39**	**1,466**	**1,759**
Net income from discontinued operations	—	—	—	—	—	412	—	—	—	412	—	412
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	**1,637**	**1,720**	**—**	**—**	**(111)**	**182**	**(60)**	**269**	**(171)**	**451**	**1,466**	**2,171**

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

4 See Note 2.3. *Information by business segments* to the interim consolidated financial statements for the third quarter of 2019.

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).

	Third quarter											
			ADJUSTMENTS									
	Adjusted net income		Reclassification of joint ventures		Special items		Inventory effect [1]		Total adjustments		IFRS-EU profit/ loss	
€ Million	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Operating income	894	1,053	(175)	(307)	47	96	(167)	92	(295)	(119)	599	934
Financial result	(14)	(115)	22	31	(11)	(11)	—	—	11	20	(3)	(95)
Net income of companies accounted for using the equity method - net of tax	(1)	18	34	183	(1)	—	—	—	33	183	32	201
Income before tax	**879**	**956**	**(119)**	**(93)**	**35**	**85**	**(167)**	**92**	**(251)**	**84**	**628**	**1,040**
Income tax	(348)	(359)	119	93	(101)	(116)	42	(24)	60	(47)	(288)	(406)
Net income from continuing operations	**531**	**597**	**—**	**—**	**(66)**	**(31)**	**(125)**	**68**	**(191)**	**37**	**340**	**634**
Net income from continuing operations attributable to non-controlling interests	(9)	(9)	—	—	—	1	2	(1)	2	—	(7)	(9)
Net income from continuing operations attributable to the parent	**522**	**588**	**—**	**—**	**(66)**	**(30)**	**(123)**	**67**	**(189)**	**37**	**333**	**625**
Net income from discontinued operations	—	—	—	—	—	—	—	—	—	—	—	—
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	**522**	**588**	**—**	**—**	**(66)**	**(30)**	**(123)**	**67**	**(189)**	**37**	**333**	**625**

[1] The Inventory effect represents an adjustment to "*Supplies*" and "*Changes in inventory of finished goods and work in progress*" on the IFRS-EU income statement.

Special items

	9M		Q3	
Millions of euros	2019	2018	2019	2018
Divestments	45	59	14	52
Workforce restructuring	(33)	(42)	(4)	(25)
Impairment	(4)	(125)	(1)	(2)
Provisions and other	(119)	(122)	(75)	(55)
Discontinued operations	—	412	—	—
TOTAL	**(111)**	**182**	**(66)**	**(30)**

EBITDA

	Cumulative nine months							
	Group Reporting Model		Reclassification of joint ventures and others		Inventory effect		IFRS-EU [1]	
	2019	2018	2019	2018	2019	2018	2019	2018
Upstream	3,197	3,577	(1,316)	(1,289)	—	—	1,881	2,288
Downstream	2,235	2,390	(38)	(8)	—	—	2,197	2,382
Corporate and other	(123)	(134)	(3)	16	—	—	(126)	(118)
EBITDA	**5,309**	**5,833**	**(1,357)**	**(1,281)**	**—**	**—**	**3,952**	**4,552**
EBITDA at CCS	**5,386**	**5,459**	**(1,357)**	**(1,281)**	**(77)**	**374**	**3,952**	**4,552**

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

	Third quarter							
	Group Reporting Model		Reclassification of joint ventures and others		Inventory effect		IFRS-EU [1]	
	2019	2018	2019	2018	2019	2018	2019	2018
Upstream	984	1,288	(398)	(431)	—	—	586	857
Downstream	655	741	(14)	(4)	—	—	641	737
Corporate and other	(42)	(7)	(1)	(38)	—	—	(43)	(45)
EBITDA	**1,597**	**2,022**	**(413)**	**(473)**	**—**	**—**	**1,184**	**1,549**
EBITDA at CCS	**1,764**	**1,930**	**(413)**	**(473)**	**(167)**	**92**	**1,184**	**1,549**

[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)*	9M 2019	9M 2018
Operating income (IFRS-EU)	**2,231**	**2,731**
Reclassification of joint ventures	653	593
Income tax [1]	(1,217)	(1,370)
Net income of companies accounted for using the equity method - net of tax	15	39
Impact of IFRS 16	(28)	—
ROACE result at weighted average cost	**1,654**	**1,993**
I. ROACE result at annualized weighted average cost [3]	**2,238**	**2,746**
DENOMINATOR *(Millions of euros)*		
Total equity	31,711	31,523
Net debt	3,836	2,304
Capital employed at period-end	**35,547**	**33,827**
II. Average capital employed [2]	**34,950**	**33,467**
ROACE (I/II)	**6.4**	**8.2**

[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 excluding special items.

ROACE with leases

NUMERATOR *(Millions of euros)*	9M 2019
Operating income IFRS-EU	**2,231**
Reclassification of joint ventures	653
Income tax [1]	(1,217)
Net income of companies accounted for using the equity method - net of tax	15
ROACE result at weighted average cost	**1,682**
I. ROACE result at annualized weighted average cost [3]	**2,275**
DENOMINATOR *(Millions of euros)*	
Total equity	31,600
Net debt with leases	7,751
Capital employed at period-end (with leases)	**39,351**
II. Average capital employed [2]	**38,715**
ROACE with leases (I/II)	**5.9**

[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 excluding special items.

2. Cash flow measures

Free cash flow and cash flow generated

	Cumulative nine 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)	4,074	3,351	(967)	(532)	3,107	2,819
II. Cash flows from / (used in) investing activities	(2,262)	1,849	(637)	(1,140)	(2,899)	709
Free cash flow (I+II)	**1,812**	**5,200**	**(1,604)**	**(1,672)**	**208**	**3,528**
Cash flow generated	**(185)**	**3,723**	**(1,572)**	**(1,669)**	**(1,757)**	**2,054**
III. Cash flows from / (used in) financing activities and others [1]	(2,867)	(4,523)	1,576	1,695	(1,291)	(2,828)
Net increase / (decrease) in cash and cash equivalents (I+II+III)	**(1,055)**	**677**	**(28)**	**23**	**(1,083)**	**700**
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	3,966	5,497	(263)	(196)	3,703	5,301

[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.

	Third 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)	1,544	1,625	(309)	(175)	1,235	1,450
II. Cash flows from / (used in) investing activities	(825)	(731)	(1,009)	45	(1,834)	(686)
Free cash flow (I+II)	**719**	**894**	**(1,318)**	**(130)**	**(599)**	**764**
Cash flow generated	**(61)**	**350**	**(1,306)**	**(131)**	**(1,367)**	**219**
III. Cash flows from / (used in) financing activities and others [1]	(1,307)	(1,308)	1,307	123	—	(1,185)
Net increase / (decrease) in cash and cash equivalents (I+II+III)	**(588)**	**(414)**	**(11)**	**(7)**	**(599)**	**(421)**
Cash and cash equivalents at beginning of period	4,554	5,911	(252)	(189)	4,302	5,722
Cash and cash equivalents at end of period	3,966	5,497	(263)	(196)	3,703	5,301

[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

	Cumulative nine months					
	Group Reporting Model		Reclassification of joint ventures and others		IFRS-EU	
	Sep-2019	Dec-2018	Sep-2019	Dec-2018	Sep-2019	Dec-2018
Cash and cash equivalents	3,966	5,021	(263)	(235)	3,703	4,786
Undrawn credit lines	1,880	2,265	(8)	(16)	1,872	2,249
Deposits of immediate availability [1]	2,540	1,456	—	—	2,540	1,456
Liquidity	**8,386**	**8,742**	**(271)**	**(251)**	**8,115**	**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

	Cumulative nine months					
	Operating investments		Reclassification of joint ventures and others		IFRS-EU [1]	
	2019	2018	2019	2018	2019	2018
Upstream	1,514	1,423	(383)	(261)	1,131	1,162
Downstream	749	560	(15)	(2)	734	558
Corporate and other	42	36	—	—	42	36
TOTAL	**2,305**	**2,019**	**(398)**	**(263)**	**1,907**	**1,756**

[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*".

	Third quarter					
	Operating investments		Reclassification of joint ventures and others		IFRS-EU [1]	
	2019	2018	2019	2018	2019	2018
Upstream	553	523	(130)	(131)	423	392
Downstream	267	235	1	(3)	268	232
Corporate and other	17	16	(5)	—	12	16
TOTAL	**837**	**774**	**(134)**	**(134)**	**703**	**640**

[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
	Sep-2019	**Sep-2019**	**Sep-2019**
Non-current assets			
Non-current financial instruments [2]	205	952	1,157
Current assets			
Other current financial assets	2,608	2	2,610
Cash and cash equivalents	3,966	(263)	3,703
Non-current liabilities			
Non-current financial liabilities [3]	(6,042)	(2,974)	(9,016)
Current liabilities			
Current financial liabilities [3]	(4,908)	(845)	(5,753)
Items not included on the balance sheet			
Net mark to market financial derivatives (excl. exchange rate) [4]	335	(271)	64
NET DEBT	**(3,836)**		**(7,235)**
Non-current lease liabilities (net) [5]	(3,427)	695	(2,732)
Current lease liabilities (net) [5]	(488)	80	(408)
NET DEBT with leases	**(7,751)**		**(10,375)**

(1) Mainly includes the net financing of the Repsol Sinopec Brazil Group, broken down in the following sections: Cash and cash equivalents of €32 million, current financial liabilities as a result of an intra-group loan of €3,005 million and €659 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) Includes collection rights for subleases amounting to €32 million (€22 million long-term and €10 million short-term).

Gross debt and **Gross debt with leases**

	Gross debt	Reclassification of joint ventures and others	IFRS - EU balance sheet
	Sep-2019	**Sep-2019**	**Sep-2019**
Current financial liabilities [1]	(4,889)	(844)	(5,733)
Net mark to market valuation of current exchange rate financial derivatives	78	—	78
Current gross debt	**(4,811)**	**(844)**	**(5,655)**
Non-current financial liabilities [1]	(5,961)	(2,974)	(8,935)
Non-current gross debt	**(5,961)**	**(2,974)**	**(8,935)**
GROSS DEBT	**(10,772)**		**(14,590)**
Current lease liabilities	(3,449)	695	(2,754)
Non-current lease liabilities	(498)	79	(419)
GROSS DEBT with leases	**(14,719)**		**(17,763)**

(1) Lease liabilities are not included.

Interest coverage

	Cumulative nine months					
	Group Reporting Model		Reclassification of joint ventures		IFRS-EU	
€ Million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Net interest [1]	163	215	19	(44)	182	171
EBITDA	5,309	5,833	(1,357)	(1,281)	3,952	4,552
Interest coverage	**3.1%**	**3.7%**			**4.6%**	**3.8%**

[1] Lease effect is not included.

	Third quarter					
	Group Reporting Model		Reclassification of joint ventures		IFRS-EU	
€ Million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Net interest [1]	49	71	9	(13)	58	58
EBITDA	1,597	2,022	(413)	(473)	1,184	1,549
Interest coverage	**3.1%**	**3.5%**			**4.9%**	**3.7%**

[1] Lease effect is not included.