

Grupo REPSOL

2019 Alternative
Performance
Measures
reconciliations
1st Half
and 2nd Quarter
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 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.

APMs are useful for users of financial information, as they are the measures employed by Repsol's Management to evaluate its financial performance, cash flows or 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 to the Interim Financial Statements corresponding to 1H 2019), which means that some of the measures compared between the periods are less representative.

1. Financial performance measurements

Adjusted net income

	First half											
	Adjusted net income		ADJUSTMENTS								IFRS-EU profit/loss	
			Joint ventures reclassification		Special items		Inventory effect ⁽²⁾		Total adjustments			
Million euros	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Operating income	2,002 ⁽¹⁾	2,043 ⁽¹⁾	(478)	(286)	18	(242)	90	282	(370)	(246)	1,632	1,797
Financial income/(expense)	(228)	(175)	68	60	(9)	146	-	-	59	206	(169)	31
Profit from entities accounted for using the equity method	17	21	220	172	-	-	-	-	220	172	237	193
Profit before tax	1,791	1,889	(190)	(54)	9	(96)	90	282	(91)	132	1,700	2,021
Income tax	(668)	(746)	190	54	(54)	(104)	(23)	(72)	113	(122)	(555)	(868)
Profit from continuing operations	1,123	1,143	-	-	(45)	(200)	67	210	22	10	1,145	1,153
Profit attributed to non-controlling interests	(8)	(11)	-	-	-	-	(4)	(8)	(4)	(8)	(12)	(19)
Profit from continuing operations attributable to the parent	1,115	1,132	-	-	(45)	(200)	63	202	18	2	1,133	1,134
Profit from discontinued operations	-	-	-	-	-	412	-	-	-	412	-	412
TOTAL PROFIT ATTRIBUTABLE TO THE PARENT COMPANY	1,115	1,132	-	-	(45)	212	63	202	18	414	1,133	1,546

⁽¹⁾ Income from continuing operations at current cost of supply (CCS).

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

¹ See Note 5 "Information by business segments" to the consolidated financial statements corresponding to 2018.

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).

Million euros	Second quarter											
	ADJUSTMENTS										IFRS-EU profit/loss	
	Adjusted net income		Joint ventures reclassification		Special items		Inventory effect ⁽²⁾		Total adjustments			
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	
Operating income	977 ⁽¹⁾	986 ⁽¹⁾	(238)	(106)	20	(173)	83	294	(135)	15	842	1,001
Financial result	(131)	(61)	37	20	6	153	-	-	43	173	(88)	112
Net income from equity affiliates using the equity method	11	10	94	45	-	-	-	-	94	45	105	55
Earnings before tax	857	935	(107)	(41)	26	(20)	83	294	2	233	859	1,168
Income tax	(359)	(380)	107	41	(58)	(148)	(21)	(75)	28	(182)	(331)	(562)
Profit from continuing operations	498	555	-	-	(32)	(168)	62	219	30	51	528	606
Income attributed to non-controlling interests	(1)	(6)	-	-	-	-	(2)	(8)	(2)	(8)	(3)	(14)
Net income from continuing operations attributable to the parent	497	549	-	-	(32)	(168)	60	211	28	43	525	592
Profit from discontinued operations	-	-	-	-	-	344	-	-	-	344	-	344
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT COMPANY	497	549	-	-	(32)	176	60	211	28	387	525	936

⁽¹⁾ Net income from continuing operations at current cost of supply (CCS)

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

Special items

Million euros	H1		Q2	
	2019	2018	2019	2018
Divestments	31	7	1	5
Workforce restructuring charges	(29)	(17)	(24)	(15)
Impairment	(3)	(123)	(1)	(121)
Provisions and other	(44)	(67)	(8)	(37)
Discontinued operations	-	412	-	344
TOTAL	(45)	212	(32)	176

EBITDA

	First half							
	Group Reporting Model		Joint ventures reclassification and others		Inventory effect		IFRS-EU ⁽¹⁾	
	2019	2018	2019	2018	2019	2018	2019	2018
Upstream	2,213	2,289	(918)	(858)	-	-	1,295	1,431
Downstream	1,580	1,649	(24)	(4)	-	-	1,556	1,645
Corporate and other units	(81)	(127)	(2)	54	-	-	(83)	(73)
EBITDA	3,712	3,811	(944)	(808)	-	-	2,768	3,003
EBITDA CCS	3,622	3,529	(944)	(808)	90	282	2,768	3,003

⁽¹⁾ Corresponds to "Profit before tax" and "Adjustments to profit" in the consolidated Statement of Cash Flows prepared under IFRS-EU.

	Second quarter							
	Group Reporting Model		Joint ventures reclassification and others		Inventory effect		IFRS-EU ⁽¹⁾	
	2019	2018	2019	2018	2019	2018	2019	2018
Upstream	1,149	1,188	(459)	(424)	-	-	690	764
Downstream	780	916	(13)	(3)	-	-	767	913
Corporate and other units	(27)	(97)	(22)	41	-	-	(49)	(56)
EBITDA	1,902	2,007	(494)	(386)	-	-	1,408	1,621
EBITDA CCS	1,819	1,713	(494)	(386)	83	294	1,408	1,621

⁽¹⁾ Corresponds to "Profit before tax" and "Adjustments to profit" in the consolidated Statement of Cash Flows prepared under IFRS-EU.

ROACE

NUMERATOR (€ Million)	1H 2019		1H 2018	
Operating profit IFRS-EU	1,632		1,797	
Reclassification of joint ventures	478		286	
Income tax ⁽¹⁾	(802)		(852)	
Net income from companies accounted for using the equity method, net of taxes	17		21	
IFRS 16 impact	(27)		-	
I. ROACE result at average weighted cost	1,298	2,636 ⁽³⁾	1,252	2,752 ⁽³⁾
DENOMINATOR (€ Million)	1H 2019		1H 2018	
Total equity	31,035		31,158	
Net financial debt	3,662		2,706	
Capital employed at year end	34,697		33,864	
II. Average capital employed ⁽²⁾	34,525		33,485	
ROACE (I/II)	7.6%		8.2%	

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

⁽²⁾ This is the average balance of capital employed in continuing operations at the beginning and end of the period.

⁽³⁾ Annualized figure except for the Special Items.

ROACE with leases

NUMERATOR (Million euros)	1H 2019	
Operating profit IFRS-EU	1,632	
Reclassification of joint ventures	478	
Income tax ⁽¹⁾	(802)	
Net income from companies accounted for using the equity method, net of taxes	17	
I. ROACE result at weighted average cost	1,325	2,690 ⁽³⁾
DENOMINATOR (Million euros)	1H 2019	
Total equity	30,927	
Net debt with leases	7,464	
Capital employed at period-end (with leases)	38,391	
II. Average capital employed ⁽²⁾	38,158	
ROACE with leases (I/II)	7.0%	

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

⁽²⁾ This is the average balance of capital employed in continuing operations at the beginning and end of the period.

⁽³⁾ Annualized figure (except for the Special Items).

2. Cash flow measurements

Free cash flow and cash generated

	First half					
	Adjusted cash flow		Joint ventures reclassification and others		IFRS-EU cash flow statement	
	2019	2018	2019	2018	2019	2018
I. Cash flows from / (used in) operating activities	2,530	1,726	(658)	(357)	1,872	1,369
II. Cash flows from / (used in) investing activities	(1,437)	2,580	372	(1,185)	(1,065)	1,395
Free cash flow (I+II)	1,093	4,306	(286)	(1,542)	807	2,764
Cash generated	(124)	3,373	(266)	(1,538)	(390)	1,835
III. Cash flows from / (used in) financing activities and others ⁽¹⁾	(1,560)	(3,215)	269	1,572	(1,291)	(1,643)
Net increase / (decrease) in cash and cash equivalents (I+II+III)	(467)	1,091	(17)	30	(484)	1,121
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	4,554	5,911	(252)	(189)	(4,302)	5,722

	Second quarter					
	Adjusted cash flow		Joint ventures reclassification and others		IFRS-EU cash flow statement	
	2019	2018	2019	2018	2019	2018
I. Cash flows from / (used in) operating activities	1,369	807	(258)	(217)	1,111	590
II. Cash flows from / (used in) investing activities	(869)	3,180	(105)	(1,227)	(974)	1,953
Free cash flow (I+II)	500	3,987	(363)	(1,444)	137	2,543
Cash generated	111	3,839	(342)	(1,440)	(231)	2,399
III. Cash flows from / (used in) financing activities and others ⁽¹⁾	(775)	(2,122)	467	1,477	(308)	(645)
Net increase / (decrease) in cash and cash equivalents (I+II+III)	(275)	1,865	104	33	(171)	1,898
Cash and cash equivalents at the beginning of the period	4,829	4,046	(356)	(222)	4,473	3,824
Cash and cash equivalents at the end of the period	4,554	5,911	(252)	(189)	4,302	5,722

⁽¹⁾ Includes dividends paid out 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) issuance/(redemption) of financial liabilities and the effect of exchange rate fluctuations.

Liquidity

	First half					
	Group Reporting Model		Joint ventures reclassification and others		IFRS-EU	
	Jun - 2019	Dec - 2018	Jun - 2019	Dec - 2018	Jun - 2019	Dec - 2018
Cash and cash equivalents	4,554	5,021	(252)	(235)	4,302	4,786
Undrawn credit facilities	1,896	2,265	(9)	(16)	1,887	2,249
On-demand cash deposits ⁽¹⁾	1,382	1,456	-	-	1,382	1,456
Liquidity	7,832	8,742	(261)	(251)	7,571	8,491

⁽¹⁾ Repsol enters into contracts for time deposits that are nonetheless drawable on demand which are recorded in "Other current financial assets" (see Note 4.1.3 to the interim financial statements for 1H 2019) insofar as they are not classifiable for accounting purposes as cash and cash equivalents.

Operating investments

	First half					
	Operating investments		Joint ventures reclassification and others		IFRS-EU ⁽¹⁾	
	2019	2018	2019	2018	2019	2018
Upstream	961	900	(253)	(130)	708	770
Downstream	482	325	(16)	1	466	326
Corporate and other units	25	20	5	-	30	20
TOTAL	1,468	1,245	(264)	(129)	1,204	1,116

	Second quarter					
	Operating investments		Joint ventures reclassification and others		IFRS-EU ⁽¹⁾	
	2019	2018	2019	2018	2019	2018
Upstream	562	448	(136)	(67)	426	381
Downstream	293	187	(3)	-	290	187
Corporate and other units	15	12	4	-	19	12
TOTAL	870	647	(135)	(67)	735	580

⁽¹⁾ This corresponds to "Payments on investments" in 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	Joint ventures reclassification and others ⁽¹⁾	Figures according to IFRS-EU balance sheet
	Jun-19	Jun-19	Jun-19
Non-current assets			
Non-current financial instruments ⁽²⁾	76	907	983
Current assets			
Other current financial assets	1,498	10	1,508
Cash and cash equivalents	4,554	(252)	4,302
Non-current liabilities ⁽³⁾			
Non-current financial liabilities	(5,257)	(2,829)	(8,086)
Current liabilities ⁽³⁾			
Current financial liabilities	(4,834)	(697)	(5,531)
Off-balance sheet items			
Marked to market financial derivatives (ex exchange rate derivatives) ⁽⁴⁾	301	(237)	64
NET DEBT ⁽⁵⁾	(3,662)		(6,760)
Non-current lease liabilities (net) ⁽⁶⁾	(3,279)	650	(2,629)
Current lease liabilities (net) ⁽⁶⁾	(523)	111	(412)
NET DEBT with leases	(7,464)		(9,801)

⁽¹⁾ Mainly includes the net financing of the Repsol Sinopec Brazil Group, broken down into: Cash and cash equivalents of €39 million and current financial liabilities as a result of an intra-group loan of €2,857 million, less €53 million for third-party loans and €653 million for leases.

⁽²⁾ Corresponds to "Non-current financial assets" on the consolidated balance sheet, excluding equity instruments.

⁽³⁾ Excludes lease liabilities.

⁽⁴⁾ The mark-to-market value of financial derivatives other than exchange rate derivatives is eliminated from this caption.

⁽⁵⁾ The reconciliations of this figure for previous half-year periods are available at www.repsol.com

⁽⁶⁾ Includes collection rights for subleases amounting to €33 million (€22 million long-term and €11 million short-term).

Gross Debt and Gross Debt with leases

	Gross Debt	Reclassification of joint ventures and others	IFRS - EU balance sheet
	Jun-19	Jun-19	Jun-19
Current financial liabilities ⁽²⁾	(4,798)	(696)	(5,494)
Marked to market current exchange rate derivatives	(17)	-	(17)
Current gross debt	(4,815)	(696)	(5,511)
Non-current financial liabilities ⁽²⁾	(5,185)	(2,829)	(8,014)
Non-current gross debt	(5,185)	(2,829)	(8,014)
GROSS DEBT ⁽¹⁾	(10,000)		(13,525)
Current lease liabilities	(3,301)	650	(2,651)
Non-current lease liabilities	(533)	111	(422)
GROSS DEBT with leases	(13,834)		(16,598)

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

⁽²⁾ Lease liabilities not included.

Interest coverage

Million euros	First half					
	Group Reporting Model		Joint ventures reclassification		Figures according to IFRS - EU balance sheet	
	2019	2018	2019	2018	2019	2018
Interest ⁽¹⁾	114	144	10	(30)	124	114
EBITDA	3,712	3,811	(944)	(808)	2,768	3,003
Interest coverage	3.1%	3.8%			4.5%	3.8%

⁽¹⁾ Lease effect is not included.

Million euros	Second quarter					
	Group Reporting Model		Joint ventures reclassification		Figures according to IFRS - EU balance sheet	
	2019	2018	2019	2018	2019	2018
Interest ⁽¹⁾	49	72	9	(15)	58	58
EBITDA	1,902	2,007	(494)	(386)	1,408	1,621
Interest coverage	2.6%	3.6%			4.1%	3.6%

⁽¹⁾ Lease effect is not included.