



# Repsol posts adjusted net income of €600 million in 2020 and advances its transformation to accelerate the energy transition

- Repsol posted an **adjusted net income of €600 million** in 2020, a year in which it presented a **new Strategic Plan** to boost its transformation and meet the target of zero net emissions by 2050.
- In 2020, the company launched initiatives to move forward towards this goal, notably two **innovative industrial decarbonization projects** in Bilbao; Spain's first advanced biofuels plant, in Cartagena; and the development of **renewable assets** and the international expansion of this business.
- The year was marked by the unprecedented global crisis caused by COVID-19, in which Repsol prioritized its work as an **essential service provider** by keeping its facilities in operation and guaranteeing the supply of products and services that are crucial for society.
- The **fall in international commodity prices** had a negative impact of €978 million on the company's inventories over the whole of 2020. Furthermore, in a year of financial prudence due to the global context, the company revised its future crude and gas price deck, adjusting downward the accounting value of exploration and production assets with a special item correction of €-2.911 billion. This impacted the net income for 2020 that was €-3.289 billion.
- Repsol demonstrated its **strength** in this difficult scenario with a **positive cash flow** of €1.979 billion and a net **debt reduction** of €1.178 billion over the year to €3.042 billion.
- Repsol's Board of Directors yesterday approved to call for the company's **Annual General Shareholders' Meeting** to be held on **March 26**, probably on second call.

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The new Strategic Plan 2021-2025 will guide the transformation of the company in the coming years

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**- 5%**

Reduction of the Carbon Intensity Indicator

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**€404 M**

Adjusted net income in the fourth quarter, similar to the same period in 2019

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**28%**

Reduction of net debt over the year

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**€1.979 B**

Positive cash flow



## Josu Jon Imaz, CEO of Repsol

- “In 2020, we faced an unprecedented scenario and laid the **groundwork for the company’s future**. We have again demonstrated the robustness of our project, assumed an essential public service role, and confirmed, once again, that our company is **useful to society**.”
- “The **industry** has demonstrated that it is part of the **backbone of the Spanish economy** and one of its main driving forces. It plays a crucial role in the **recovery from the crisis**, and also in **contributing to a more decarbonized world**, using all available technologies.”

Repsol posted an adjusted net income of €600 million in 2020. This variable specifically measures the performance of the company’s businesses, all of which achieved positive results in a complex environment marked by the global health crisis. This strong performance was also reflected in the generation of positive operating cash flow in all businesses, totaling €3.197 billion for the Repsol Group.

The COVID-19 pandemic unleashed an unprecedented crisis worldwide. For the energy sector this had consequences due to a sharp drop in the price of hydrocarbons and its derivatives as well as a historic collapse of demand. The average price of Brent crude fell 35%, at its lowest plummeting to \$15 a barrel in April, while the Henry Hub gas price declined 19%.

### In 2020, all Repsol’s businesses achieved positive operating cash flow, totaling €3.197 billion



In this extraordinary context, and despite the drop in demand, the company prioritized the continuity of its activity, aware of the essential nature of its products and services for society. Thus, since the start of the health crisis, Repsol has kept its facilities in operation to guarantee crucial supplies of things such as the energy and raw materials needed to manufacture a great number of healthcare products. Furthermore, the company’s commitment

to digitalization and technology, as well as its long experience in teleworking, allowed it to rapidly provide the nearly 7,000 employees whose jobs could be done remotely with the technical and logistical means to work from home.

On November 26, the company presented its [Strategic Plan for 2021-2025](#). It will guide the company’s transformation in the coming years and enable it to accelerate in the energy transformation, in a profitable manner and maximizing shareholder value. Thanks to this plan, Repsol will move steadily towards its goal of becoming a net zero emissions company by 2050.

With all this in mind, Repsol launched various initiatives over the year which - in addition to enabling it to advance towards its net zero emissions commitment - will contribute to the economic recovery in Spain. Prominent among these are two innovative industrial decarbonization projects in Bilbao; Spain’s first advanced biofuels plant, in Cartagena; and the development and commissioning of renewable assets in the Iberian Peninsula as well as the beginning of the international expansion of this business with the creation of a joint venture in Chile.



In 2020, Repsol reduced its carbon intensity indicator by 5% compared to the 2016 baseline. This is well above the 3% set as the initial target. Adjusted for the reduced activity level due to the coronavirus, the reduction was 3.7%. Since 2014, the company has reduced 2.4 million tons of CO<sub>2</sub>e, and it has set even more ambitious targets in its new Strategic Plan, now aiming for a carbon intensity reduction of 12% by 2025, 25% by 2030, and 50% by 2040.

## Financial strength in an extremely difficulty context

The coronavirus health crisis created an environment of extreme difficulty for the company. All its businesses were affected by the decrease in economic activity and the restrictions on mobility that included periods of confinement virtually all over the world. The sharp drop in hydrocarbons prices and the collapse of demand created a very demanding scenario which Repsol, however, overcame by relying on its flexibility, robustness, and integrated business model, as reflected in the positive results in all its businesses.

The drop in international commodity prices impacted the value of Repsol's inventories negatively, to the amount of €-978 million over the whole year of 2020. Furthermore, in a year of financial prudence due to the complex global environment, the company revised its price hypotheses for future crude and gas prices, adjusting downward the accounting value of exploration and production assets, with a special item correction of €-2.911 billion. All this has impacted the net income for 2020, which was €-3.289 billion.

**In a scenario of great complexity and difficulty, Repsol managed to reduce its net debt by €1.178 billion and obtain a positive free cash flow of €1.979 billion**

On March 25, the company launched a Resilience Plan to address the complex circumstances caused by the worldwide pandemic, laying out a specific roadmap for boosting cash flow generation and strengthening the balance sheet. The implementation of these measures was a decisive factor in the generation of a positive free cash flow of €1.979 billion for the year.

The company's commitment to digitalization had a positive impact, with the Digital Program contributing €334 million. As established in the 2021-2025 Strategic Plan, digitalization plays a key role in the organization thanks to aspects such as artificial intelligence, automation of operations, or the commitment to cloud solutions. The positive impact of the digitization projects is expected to exceed €800 million per year by 2022, compared to the start of the Digitization Program in 2018.

Supported by the measures of the Resilience Plan, Repsol also managed to reduce its net debt by 28%, a reduction of €1.178 billion over the year to €3.042 billion. Liquidity was €9.195 billion on December 31, 3.23 times the value of the company's short-term maturities.

The success of the measures adopted, together with an incipient recovery of demand and product prices, became more evident in the fourth quarter of the year in which the adjusted net income was €404 million, similar to the same period in 2019.

Additionally, in 2020, Repsol strengthened its financial position through five bond issuances totaling €3.850 billion, of which €1.500 billion corresponded to perpetual subordinated bonds that boost the Group's equity as well as its liquidity. In all the issuances, demand was several times greater than supply, a clear sign of interest on the part of investors.



## Profitable decarbonization projects

Even the difficult circumstances in which Repsol carried out its activities in 2020 did not prevent the company from working on the design of its future. The new Strategic Plan will allow it to transform into a stronger, more profitable, and more competitive company that already now has the energy transition and the customers at the core of its strategy, with legacy businesses capable of financing the plan.

In 2020, the **Exploration and Production** business achieved earnings of €195 million, in a period in which it established cost-reduction measures and redefined its plans for the development of assets to address the drop in hydrocarbon prices. The successful management by the business was particularly clear in the fourth quarter of 2020 in which it improved its year-on-year result. Additionally, through a number of initiatives the business reduced the emissions from its operations by 269,500 tons of CO<sub>2</sub>e.

Average production totaled 648,000 barrels of oil equivalent per day, in line with the new Strategic Plan that prioritizes value over volume. As for exploration, in 2020 the drilling of nine wells was completed, seven of them successful. This figure represents the highest number of commercial wells discovered in a single year in the company's history.

### The successful management by the Exploration and Production business was particularly clear in the fourth quarter in which it improved its year-on-year result

Hydrocarbon discoveries were made in the United States, Colombia, and Mexico. [Two discoveries in the month of April in waters off the coast of Mexico](#) are especially noteworthy. Both were explored with lower costs and shorter timeframes than estimated.

The 2021-2025 Strategic Plan also identifies the pillars of this business: a focus on key geographic areas and a reduction of emissions in its portfolio which will continue to be subject to active management. The company has defined 14 short-cycle projects with attractive returns that make them able to generate cash flow quickly. The business will rely on its strengths, such as flexibility, efficiency, and a high technological level, to increase its contribution to the Group. Exploration and Production will generate €4.500 billion in cash flow between 2021 and 2025, and it will reduce its cash flow breakeven target by 20% over the period, to under \$40 per barrel. At the same time, it will reduce its emissions of CO<sub>2</sub>e per produced barrel by 75% by 2025.

The **Industrial** area posted earnings of €297 million due to the reduced activity and the fall in refining margins. It continued to evolve to transform its facilities into multi-energy hubs capable of generating products with a low, zero, or even a negative carbon footprint, promoting new business models based on digitalization and technology. As laid out in the 2021-2025 Strategic Plan, the company will rely on four main pillars to address this transformation process: energy efficiency, the circular economy, renewable hydrogen, and capture and use of CO<sub>2</sub>.

The innovative projects launched by Repsol in 2020 demonstrate the importance of technological neutrality when looking for solutions for decarbonization as well as the prominence that should be given to Spanish industry, both in the economic recovery and in the fight against climate change.

In mid-June, the company presented [two major decarbonization projects](#) that will be developed at its Petronor refinery in Bilbao. The first of these is one of the world's largest net-zero emissions synthetic fuel plants using renewable hydrogen. The second is a plant for the generation of gas from urban waste.



Renewable hydrogen is a clear growth vector for Repsol that aims to be a leader in its production in the Iberian Peninsula, producing the equivalent of 400 MW by 2025 and with the ambition of surpassing 1,200 MW by 2030. At the end of January 2021, Repsol presented [the H24All project](#) that aims to develop the first 100 MW alkaline electrolyzer plant in Europe to be connected to the Petronor refinery. Repsol is leading the consortium of 15 entities that presented an application for funding as part of the *European Green Deal*.

**Renewable hydrogen is a growth vector for Repsol that aims to be a leader in its production in the Iberian Peninsula, with 400 MW by 2025 and the ambition of surpassing 1.2 GW by 2030**

Repsol has also set ambitious goals for the biofuels segment where it aims to have a production capacity of 1.3 million tons by 2025 and more than two million by 2030. On October 22 of last year, the company took an important step in this direction with the announcement of the construction of [the first advanced biofuels plant in Spain](#) at its Cartagena refinery. This new plant, involving an investment of €188 million, will supply 250,000 tons of advanced biofuels for aircraft, trucks, and cars every year, thus enabling a reduction of 900,000 tons of CO<sub>2</sub> annually.

Along the same lines, at the beginning of August, the [first batch of biofuel for aviation in the Spanish market](#) was successfully manufactured at the Puertollano refinery. This milestone found continuity in the [production in Tarragona of a second batch of 10,000 tons](#) in January 2021.

The Chemicals business adjusted its operations since the start of the pandemic to respond to an increase in demand from sectors linked to healthcare and food, essential in the fight against COVID-19. In line with its focus on innovation, Repsol launched several cutting-edge projects, such as [the first plant in the Iberian Peninsula for the manufacture of high-impact resistant polymers](#) that will be operational in Tarragona in 2021. The company is committed to efficiency in the industrial processes of its Chemicals business, oriented towards a circular economy with the goal of recycling the equivalent of 20% of its polyolefin production by 2030.

The **Commercial and Renewables** unit achieved earnings of €485 million. The business remained faithful to its philosophy of innovating its customer service, introducing new digital products and services at its service stations. This has enabled it to respond to the needs generated by the pandemic by offering cutting-edge energy solutions to continue progressing in the energy transition.

One of the main digital solutions for this business is Waylet, Repsol's app that can be used for payment at the company's service stations and in the more than 8,000 stores that have adhered to this payment system. The growth in the number of users has been exponential over the last three years. At the end of 2020, it had more than two million registered users, up from 927,000 at the end of 2018. Waylet is a key lever in the strategy of Repsol's new Client business and in the growth of its digital user base. The Strategic Plan 2021-2025 outlines the goal of surpassing eight million 100% digital users by the end of the period.

**Repsol already has 1.13 million power and gas customers and almost 3,300 MW of installed low-emissions generation capacity**

Repsol already has 1.13 million power and gas customers. In 2020, it launched innovative self-consumption alternatives, such as [Solify](#) and [Solmatch](#), the first major solar community in Spain.

The company currently has a total installed low-emissions generation capacity of almost 3,300 MW. In line with the Strategic Plan, it will continue increasing its asset portfolio with the goal of becoming a global operator and reaching a generation capacity of 7,500 MW by 2025 and 15,000 MW by 2030.



The development and commissioning of renewable assets are among the most notable aspects of the company's activity in 2020. In Spain, Repsol is developing six renewables projects: three wind (Delta, with 335 MW; Delta 2, with 860 MW; and PI, with 175 MW) and three solar (Valdesolar, 264 MW; Kappa, 126 MW; and Sigma, 204 MW). In 2020, [the first wind turbines of the Delta project were connected to the grid](#) while construction works began at Valdesolar and Kappa.

The company also gave a major boost to the international expansion of this business, [creating a joint venture with the Ibereólica Renovables Group](#). This gives Repsol access to a portfolio of projects in Chile that are currently in operation, under construction, or under development, totaling over 1,600 MW by the year 2025 and with the possibility of surpassing 2,600 MW by 2030 through this partnership.

## General Shareholders' Meeting

At the board meeting held yesterday, Repsol's Board of Directors decided to call the next General Shareholders Meeting to be held on March 26 at the company's headquarters in Madrid, probably on second call. Given the exceptional situation due to Covid-19, the Board recommends that shareholders exercise their voting and proxy rights prior to the General Meeting by remote means of communication, or that they attend the meeting by telematic means.

### **The Board agreed to propose to the Shareholders' Meeting the payment of a complementary cash dividend of €0.30/share to be added to the scrip dividend of January 2021**

With regards to shareholder remuneration, in line with the provisions of the Strategic Plan, the Board has agreed to propose to the Ordinary General Meeting a final dividend of €0.30 gross per share charged to 2020 profits, to be paid as of July 7, 2021. The Board also agreed to propose the distribution of another dividend, similar to the traditional payment charged to 2021, of €0.30 gross per share, to be paid out in January 2022, on a date to be determined by the Board of Directors.

Additionally, the Board of Directors agreed to implement a Share Buyback Program for a maximum of 40,494,510 shares, representing approximately 2.58% of the share capital, for the sole purpose of acquiring the shares corresponding to the scrip dividend of January 2021. They will be redeemed in the event that the capital reduction proposed at the next Shareholders' Meeting is approved.

In other matters, the Board agreed to propose the re-election of Manuel Manrique, Mariano Marzo, Isabel Torremocha, and Luís Suárez de Lezo as members of the Board, as well as the confirmation of the appointment by co-option and re-election as a member of the Board of Rene Dahan. At the same time, it agreed to propose the appointment of Aurora Catá as a new member of the Board, following the end of the term of Maite Ballester.

### **Aurora Catá Salas**

She is an independent member and Chairwoman of the Audit Committee of Atresmedia and an independent member and Chairwoman of the Appointments and Remuneration Committees of Banco Sabadell. She is also Chairwoman of Barcelona Global and a member of the Executive Committee of the IESE Alumni Association. From 2008 to 2020, she was a partner at Seeliger y Conde where she carried out consulting work related to the development of organizations based on the identification of internal talent, the development of competitive remuneration policies, the design of succession plans and the attraction of talent.



She began her professional career in the financial sector, first at Bank of America and later as Chief Financial Officer at Nissan Motor Ibérica. Subsequently, she took over the General Management of RTVE in Catalonia and, later, she held the position of CEO at Planeta 2010, a company that encompasses the audiovisual businesses of the Grupo Planeta. After that, she held the position of General Manager of Audiovisual Media of the Recoletos Grupo de Comunicación where she managed the audiovisual business.

Aurora Catá holds a degree in industrial engineering from the Polytechnic University of Catalonia and an MBA and a PADE from IESE. She has also completed the Mentoring Program at the Massachusetts Institute of Technology (MIT).

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