

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 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 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

€ Million	Cumulative nine 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	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).

€ Million	Third 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		
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

Millions of euros	9M		Q3	
	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

€ Million	Cumulative nine months					
	Group Reporting Model		Reclassification of joint ventures		IFRS-EU	
	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.

€ Million	Third quarter					
	Group Reporting Model		Reclassification of joint ventures		IFRS-EU	
	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.