

REPSOL Group

2020 Alternative
Performance
Measures
reconciliations
3rd Quarter

*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 information contains indicators and measures prepared in accordance with applicable financial reporting standards and regulations, as well as other measures prepared in accordance with the Group's Reporting Model, defined as Alternative Performance Measures (APMs). APMs are measures that are "adjusted" compared to those presented in accordance with IFRS-EU or with Supplementary Information on Oil and Gas Upstream Activities, 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.

For historical quarterly information regarding APMs, see www.repsol.com.

1. Financial performance measures

Adjusted net income

	Cumulative nine months											
	Adjusted net income		ADJUSTMENTS								IFRS-EU profit/loss	
			Reclassification of joint ventures		Special items		Inventory effect ⁽²⁾		Total adjustments			
Million euros	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Operating income	671 ⁽¹⁾	2,896 ⁽¹⁾	866	(653)	(1,643)	65	(1,453)	(77)	(2,230)	(665)	(1,559)	2,231
Financial result	(264)	(242)	44	90	(55)	(20)	—	—	(11)	70	(275)	(172)
Net income of companies accounted for using the equity method - net of tax	4	16	(1,019)	254	4	(1)	—	—	(1,015)	253	(1,011)	269
Income before tax	411	2,670	(109)	(309)	(1,694)	44	(1,453)	(77)	(3,256)	(342)	(2,845)	2,328
Income tax	(211)	(1,016)	109	309	(34)	(155)	369	19	444	173	233	(843)
Consolidated net income for the year	200	1,654	—	—	(1,728)	(111)	(1,084)	(58)	(2,812)	(169)	(2,612)	1,485
Net income attributed to non-controlling interests	(4)	(17)	—	—	2	—	36	(2)	38	(2)	34	(19)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT COMPANY	196	1,637	—	—	(1,726)	(111)	(1,048)	(60)	(2,774)	(171)	(2,578)	1,466

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

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

Third quarter

Million euros	ADJUSTMENTS											
	Adjusted net income		Reclassification of joint ventures		Special items		Inventory effect ⁽¹⁾		Total adjustments		IFRS-EU profit/loss	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Operating income	177 ⁽¹⁾	894 ⁽¹⁾	23	(175)	(143)	47	54	(167)	(66)	(295)	111	599
Financial result	(128)	(14)	22	22	(4)	(11)	—	—	18	11	(110)	(3)
Net income of companies accounted for using the equity method - net of tax	(3)	(1)	(33)	34	3	(1)	—	—	(30)	33	(33)	32
Income before tax	46	879	12	(119)	(144)	35	54	(167)	(78)	(251)	(32)	628
Income tax	(39)	(348)	(12)	119	2	(101)	(14)	42	(24)	60	(63)	(288)
Consolidated net income for the year	7	531	—	—	(142)	(66)	40	(125)	(102)	(191)	(95)	340
Net income attributed to non-controlling interests	—	(9)	—	—	1	—	—	2	1	2	1	(7)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT COMPANY	7	522	—	—	(141)	(66)	40	(123)	(101)	(189)	(94)	333

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

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

Special items

Million euros	9M		Q3	
	2020	2019	2020	2019
Divestments	70	45	(2)	14
Workforce restructuring	(73)	(33)	(32)	(4)
Impairment	(1,299)	(4)	(3)	(1)
Provisions and other	(424)	(119)	(104)	(75)
TOTAL	(1,726)	(111)	(141)	(66)

EBITDA

Million euros	Cumulative nine months							
	Group Reporting Model		Reclassification of joint ventures and others		Inventory effect ⁽¹⁾		IFRS-EU ⁽²⁾	
	2020	2019	2020	2019	2020	2019	2020	2019
Upstream	1,447	3,197	(684)	(1,316)			763	1,881
Industrial	(524)	1,434	(23)	(28)	(1,425)	(62)	(547)	1,406
Commercial and Renewables	676	804	(5)	(10)	(28)	(15)	671	794
Corporate and other	(128)	(126)	35	(3)			(93)	(129)
EBITDA	1,471	5,309	(677)	(1,357)			794	3,952
Inventory effect ⁽¹⁾	1,453	77						
EBITDA at CCS	2,924	5,386	(677)	(1,357)	(1,453)	(77)	794	3,952

⁽¹⁾ Before tax.

⁽²⁾ Corresponds to “Income before tax” and “Adjustments to profit” on the consolidated statement of cash flows under IFRS-EU.

	Cumulative nine months					
	Group Reporting Model		Joint venture reclassification and others		IFRS-EU ⁽¹⁾	
	2020	2019	2020	2019	2020	2019
Net income before tax	(2,735)	2,637	(110)	(309)	(2,845)	2,328
Adjusted result:						
Depreciation of property, plant and equipment	2,203	2,396	(530)	(653)	1,673	1,743
Operating provisions	1,738	289	(1,017)	(58)	721	231
Other items	265	(13)	980	(337)	1,245	(350)
EBITDA	1,471	5,309	(677)	(1,357)	794	3,952

⁽¹⁾ Corresponds to "Net income before tax" and "Adjustments to income" on the consolidated Statement of Cash Flows prepared under IFRS-EU.

Million euros	Third quarter							
	Group Reporting Model		Reclassification of joint ventures and others		Inventory effect		IFRS-EU ⁽¹⁾	
	2020	2019	2020	2019	2020	2019	2020	2019
Upstream	459	984	(196)	(398)	—	—	263	586
Industrial	146	359	(8)	(10)	53	(159)	138	349
Commercial and Renewables	316	302	(3)	(4)	1	(8)	313	298
Corporate and other	(39)	(48)	28	(1)	—	—	(11)	(49)
EBITDA	882	1,597	(179)	(413)	54	(167)	703	1,184
Inventory effect	(54)	167						
EBITDA at CCS	828	1,764	(179)	(413)	54	(167)	703	1,184

⁽¹⁾ Before tax.

⁽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		Joint venture reclassification and others		IFRS-EU ⁽¹⁾	
	2020	2019	2020	2019	2020	2019
Net income before tax	(43)	747	12	(119)	(31)	628
Adjusted result:						
Depreciation of property, plant and equipment	656	816	(129)	(219)	527	597
Operating provisions	124	76	(78)	(21)	46	55
Other items	145	(42)	16	(54)	161	(96)
EBITDA	882	1,597	(179)	(413)	703	1,184

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

ROACE

NUMERATOR (Million euros)	9M 2020	9M 2019
Operating income (IFRS-EU)	(1,559)	2,231
Reclassification of joint ventures	(866)	653
Income tax ⁽¹⁾	88	(1,217)
Net income of companies accounted for using the equity method - net of tax	8	15
Impact of IFRS 16	(45)	(28)
ROACE result at weighted average cost	(2,374)	1,654
DENOMINATOR (Million euros)	9M 2020	9M 2019
Total equity	18,370	31,711
Net debt	7,188	3,836
Capital employed at period-end	25,558	35,547
II. Average capital employed ⁽²⁾	27,557	34,950
ROACE (I/II) ⁽³⁾⁽⁴⁾	(8.6)	4.7

⁽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 year.

⁽³⁾ ROACE for the nine-month period. In previous periods this magnitude was annualized by simply extrapolating the results (with the exception of special results and earnings).

⁽⁴⁾ ROACE on CCS (without taking into account the Inventory Effect) amounts to (4,1)%.

ROACE with leases

NUMERATOR (Million euros)	9M 2020	9M 2019
Operating income IFRS-EU	(1,559)	2,231
Reclassification of joint ventures	(866)	653
Income tax ⁽¹⁾	88	(1,217)
Net income of companies accounted for using the equity method - net of tax	8	15
ROACE result at weighted average cost	(2,329)	1,682
DENOMINATOR (Million euros)	9M 2020	9M 2019
Total equity	22,046	31,600
Net debt with leases	7,188	7,751
Capital employed at period-end (with leases)	29,234	39,351
II. Average capital employed ⁽²⁾	31,263	38,715
ROACE with leases (I/II) ⁽³⁾	(7.4)	4.3

⁽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 year.

⁽³⁾ ROACE for the nine-month period. In previous periods this magnitude was annualized by simply extrapolating the results (with the exception of special results and earnings).

2. Cash flow measures

Free cash flow and cash flow generated

Million euros	Cumulative nine months					
	Adjusted cash flow		Reclassification of joint ventures and others		IFRS-EU statement of cash flow	
	2020	2019	2020	2019	2020	2019
I. Cash flows from / (used in) operating activities (cash flow from operations)	2,122	4,074	(388)	(967)	1,734	3,107
II. Cash flows from / (used in) investing activities	(810)	(2,262)	2,174	(637)	1,364	(2,899)
Free cash flow (I+II)	1,312	1,812	1,786	(1,604)	3,098	208
Cash flow generated	460	(185)	1,814	(1,572)	2,274	(1,757)
III. Cash flows from / (used in) financing activities and others ⁽¹⁾	692	(2,867)	(1,800)	1,576	(1,108)	(1,291)
Net increase / (decrease) in cash and cash equivalents (I+II+III)	2,004	(1,055)	(14)	(28)	1,990	(1,083)
Cash and cash equivalents at the beginning of the period	3,218	5,021	(239)	(235)	2,979	4,786
Cash and cash equivalents at the end of the period	5,222	3,966	(253)	(263)	4,969	3,703

Million euros	Third quarter					
	Adjusted cash flow		Reclassification of joint ventures and others		IFRS-EU statement of cash flow	
	2020	2019	2020	2019	2020	2019
I. Cash flows from / (used in) operating activities (cash flow from operations)	1,258	1,544	(141)	(309)	1,117	1,235
II. Cash flows from / (used in) investing activities	(118)	(825)	366	(1,009)	248	(1,834)
Free cash flow (I+II)	1,140	719	225	(1,318)	1,365	(599)
Cash flow generated	819	(61)	230	(1,306)	1,049	(1,367)
III. Cash flows from / (used in) financing activities and others ⁽¹⁾	(1,435)	(1,307)	(246)	1,307	(1,681)	—
Net increase / (decrease) in cash and cash equivalents (I+II+III)	(295)	(588)	(21)	(11)	(316)	(599)
Cash and cash equivalents at the beginning of the period	5,517	4,554	(232)	(252)	5,285	4,302
Cash and cash equivalents at the end of the period	5,222	3,966	(253)	(263)	4,969	3,703

⁽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

Million euros	Cumulative nine months					
	Group Reporting Model		Reclassification of joint ventures and others		IFRS-EU	
	2020	2019	2020	2019	2020	2019
Cash and cash equivalents	5,222	3,966	(253)	(263)	4,969	3,703
Undrawn credit lines	3,423	1,880	(10)	(8)	3,413	1,872
Deposits of immediate availability ⁽¹⁾	454	2,540	—	—	454	2,540
Liquidity	9,099	8,386	(263)	(271)	8,836	8,115

⁽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

Million euros	Cumulative nine months					
	Operating investments		Reclassification of joint ventures and others		IFRS-EU ⁽¹⁾	
	2020	2019	2020	2019	2020	2019
Upstream	766	1,514	(145)	(383)	621	1,131
Industrial	340	496	(4)	(10)	336	486
Commercial and Renewables	400	253	(4)	(9)	396	244
Corporate and other	33	42	—	—	33	42
TOTAL	1,539	2,305	(153)	(402)	1,386	1,903

⁽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".

Million euros	Third quarter					
	Operating investments		Reclassification of joint ventures and others		IFRS-EU ⁽¹⁾	
	2020	2019	2020	2019	2020	2019
Upstream	163	553	(46)	(130)	117	423
Industrial	113	190	(3)	(5)	110	185
Commercial and Renewables	141	77	9	2	150	79
Corporate and other	9	17	—	(5)	9	12
TOTAL	426	837	(40)	(138)	386	699

⁽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

Million euros	Net debt	Reclassification of joint ventures ⁽¹⁾	IFRS-EU balance sheet
	Sep-2020	Sep-2020	Sep-2020
Non-current assets			
Non-current financial instruments ⁽²⁾		(112)	845
Current assets			
Other current financial assets		643	157
Cash and cash equivalents		5,222	(253)
Non-current liabilities			
Non-current financial liabilities ⁽³⁾		(6,754)	(2,919)
Current liabilities			
Current financial liabilities ⁽³⁾		(2,789)	(846)
Items not included on the balance sheet			
Net mark to market financial derivatives (excl. exchange rate) ⁽⁴⁾		452	(369)
NET DEBT ⁽⁵⁾		(3,338)	(3,385)
			(6,723)
Non-current lease liabilities (net) ⁽⁶⁾		(3,320)	599
Current lease liabilities (net) ⁽⁶⁾		(530)	55
NET DEBT with leases		(7,188)	(2,731)
			(9,919)

⁽¹⁾ Mainly includes the net financing of the Repsol Sinopec Brazil Group, broken down in the following sections: Cash and cash equivalents of €42 million, current financial liabilities as a result of an intra-group loan of €2,883 million, reducing by €0 million for loans with third parties and €550 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 in previous period for this figure are available at www.repsol.com.

⁽⁶⁾ Includes collection rights for sub-leases amounting to €25 million (€18 million long-term and €7 million short-term).

Gross debt and Gross debt with leases

<i>Million euros</i>	Gross debt	Reclassification of joint ventures and others	IFRS - EU balance sheet
	Sep-2020	Sep-2020	Sep-2020
Current financial liabilities ⁽¹⁾	(2,621)	(845)	(3,466)
Net mark to market valuation of current exchange rate financial derivatives	(31)	—	(31)
Current gross debt	(2,652)	(845)	(3,497)
Non-current financial liabilities ⁽¹⁾	(12)	—	(12)
Mark-to-market of non-current exchange rate derivatives	(6,666)	(2,919)	(9,585)
Non-current gross debt	(6,678)	(2,919)	(9,597)
GROSS DEBT ⁽²⁾	(9,330)	(3,764)	(13,094)
Current lease liabilities	(537)	55	(482)
Non-current lease liabilities	(3,344)	605	(2,739)
GROSS DEBT with leases	(13,211)	(3,104)	(16,315)

⁽¹⁾ Lease liabilities are not included.

⁽²⁾ The reconciliations in previous periods for this figure are available at www.repsol.com.

Leverage ratio

<i>Million euros</i>	Cumulative nine months					
	Group Reporting Model		Joint venture reclassification		IFRS - EU Balance sheet	
	2020	2019	2020	2019	2020	2019
Net debt	3,338	3,836	3,385	3,399	6,723	7,235
Capital employed	25,558	39,351	3,385	3,399	28,943	42,750
Leverage	13.1 %	9.7 %			23.2 %	16.9%

<i>Million euros</i>	Cumulative nine months					
	Group Reporting Model		Joint venture reclassification		IFRS - EU Balance sheet	
	2020	2019	2020	2019	2020	2019
Net debt with leases	7,188	7,751	2,731	2,624	9,919	10,375
Capital employed	29,234	39,351	2,731	2,624	31,965	41,975
Leverage with leases	24.6 %	19.7%			31.0 %	24.7 %

Solvency ratio

<i>Million euros</i>	Cumulative nine months					
	Group Reporting Model		Joint venture reclassification		IFRS - EU Balance sheet	
	2020	2019	2020	2019	2020	2019
Liquidity	9,099	8,386	(263)	(271)	8,836	8,115
Current Gross debt	2,652	4,811	845	844	3,497	5,655
Solvency	3.4	1.7			2.5	1.4

Interest coverage

<i>Million euros</i>	Cumulative nine months					
	Group Reporting Model		Reclassification of joint ventures		IFRS-EU	
	2020	2019	2020	2019	2020	2019
Net interest ⁽¹⁾	154	163	30	19	184	182
EBITDA ⁽¹⁾	1,471	5,309	(677)	(1,357)	794	3,952
Interest coverage	10.5 %	3.1 %			23.2 %	4.6 %

⁽¹⁾ Does not include the effect of IFRS 16 Leases.

<i>Million euros</i>	Third quarter					
	Group Reporting Model		Reclassification of joint ventures		IFRS-EU	
	2020	2019	2020	2019	2020	2019
Net interest ⁽¹⁾	50	49	7	9	57	58
EBITDA ⁽¹⁾	882	1,597	(179)	(413)	703	1,184
Interest coverage	5.7 %	3.1 %			8.1 %	4.9 %

⁽¹⁾ Does not include the effect of IFRS 16 Leases.