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REPSOL

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REPSOL POSTS ADJUSTED NET INCOME OF €196 MILLION FOR THE FIRST NINE MONTHS OF THE YEAR

- **In the first nine months of 2020, Repsol recorded an adjusted net income—which specifically measures the performance of the businesses—of €196 million, in a context marked by the global crisis caused by COVID-19.**
- **This figure reflects the effects of the measures adopted after the start of the pandemic. They have resulted in an improvement to the adjusted net income for the third quarter of the year of €265 million from the second quarter (€-258M). This was achieved in a context of extreme difficulty and one in which the supply of services essential to society was given priority.**
- **The pandemic has caused a steep drop in crude oil and gas prices which in the first nine months of the year had a negative impact on the company's inventories of €-1.048 billion. This was accompanied by a historic worldwide drop in demand.**
- **In this context, Repsol adjusted its price curve in the second quarter of 2020. This affected the value of its Upstream assets and was reflected in a specific items' result of €-1.726 billion. Due to these variables, net income up to September was €-2.578 billion.**
- **Supported by the Resilience Plan put in place to manage the complex circumstances, Repsol showed its strength by generating positive operating cash flow of €2.122 billion in the period, at the same time as it reduced its net debt by €882 million to €3.338 billion.**
- **The company continued advancing in its commitment to becoming a net zero emissions company by 2050 and to leading the energy transition. Among the most representative milestones are two innovative industrial decarbonization projects at the Petronor refinery in Bilbao, the start of construction of renewable assets and progress in the international expansion of this business, as well as the construction of Spain's first advanced biofuels plant.**
- **Josu Jon Imaz: "We are showing robustness and resilience in an unprecedented scenario while also implementing innovative projects to achieve a more decarbonized world and deploying all the technologies possible, as all energy sources are necessary to address this challenge in a fair and effective way."**

€265M

Improvement in adjusted net income in the third quarter from the second quarter

The Repsol Commitment
Net Zero Emissions
by 2050

One of the largest synthetic fuel plants in the world and the first advanced biofuels plant in Spain

Start of generation of renewable electricity at Delta and progress in the international expansion in renewables

€2.122B

Operating cash flow through September

€882M

Reduction of net debt over the year

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In the first nine months of 2020, Repsol posted an adjusted net income—which specifically measures the performance of the businesses—of €196 million. This result was achieved in a context of extraordinary difficulty that continued to be marked by the global health crisis, the drastic drop in crude and gas prices, and the collapse of demand.

In the third quarter, the company managed to improve adjusted net income by €265 million from the second quarter of the year, supported by its integrated business model, flexibility, and resilience, all of which enabled it to achieve a positive performance in a very adverse COVID-19 scenario that has accentuated the world recession. The positive cash flow registered in this period also demonstrated the effectiveness of the measures adopted in the Resilience Plan that were activated in March of this year.

The positive cash flow generation in the third quarter demonstrated the effectiveness of the measures adopted in the Resilience Plan activated in March of this year.

In a context marked by the global pandemic, Repsol prioritized the continuity of its activity over the usual criteria of profitability, taking into consideration the essential nature of its products and services for society, to help it address the crisis. The company is keeping its facilities in operation and guaranteeing essential supplies of energy and raw materials needed for manufacturing a large part of the products used in the health sector, from the most basic and commonly-used to the more complex and advanced.

The situation generated by COVID-19 sharply impacted crude and gas prices, which fell steeply in the first months of 2020, especially in the second quarter when worldwide demand suffered its worst collapse in history. Between January and September, Brent crude fell by 36% and that of WTI by 33%, with average prices around 40 dollars a barrel for both indicators. For its part, the Henry Hub gas price fell by an average of 30%, with the average price in the period plunging to $1.9 per Mbtu.

The value of Repsol's inventories was negatively impacted by the fall in the prices of reference raw materials, a total of €-1.047 billion during the period. Furthermore, in light of this context and in an exercise of financial prudence, the company revised its price deck for future crude and gas prices and adjusted downward the value of its Upstream assets, which is reflected in the specific items' result of €-1.726 billion. All of this resulted in a net income for the first nine months of 2020 of €-2.578 billion.

Strong cash flow generation that demonstrates the effectiveness of the 2020 Resilience Plan

Josu Jon Imaz: "Our strong cash flow generation in the period demonstrates the effectiveness of our Resilience Plan. We have been able to achieve a positive operating cash flow in all businesses, totalling €2.122 billion in the first nine months of the year. This shows our robustness even in an extremely complex scenario of depressed raw material prices and unusually low demand."

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Repsol activated its Resilience Plan on March 25, in the face of the drastic drop in raw material prices and in demand caused by the coronavirus. The Plan establishes a series of measures that are proving to be effective in bolstering cash flow and strengthening the balance sheet. The measures are also reflected in a gradual reduction in net debt as well as operating costs and investments.

After good progress in achieving the objectives set out in the Resilience Plan, at the end of the third quarter, the company has revised the objectives for the year. It has, thus, raised its estimate of a reduction in operating costs to €500 million, the reduction in investments to €1.2 billion, and a working capital optimization of nearly €700 million. All this, with regard to the metrics proposed at the beginning of the year.

Repsol is meeting the targets of this Plan and, at the close of the third quarter, had already reduced operating costs by more than €350 million and optimized working capital by more than €400 million.

The Resilience Plan also establishes that the Group's net debt will not increase in 2020. The measures adopted are contributing very positively in this sense. At the close of the third quarter, net debt was reduced by €882 million with respect to the close of last year, to €3.338 billion.

Repsol reduced its net debt by €882 million and achieved an operating cash flow of €2.122 billion

To date this year, Repsol has reinforced its financial position through five bond issues totalling €3.850 billion, of which €1.5 billion correspond to perpetual subordinated bonds that strengthen the Group's equity as well as its liquidity. Financial markets have given a vote of confidence to the company with demand that significantly exceeded the offer in all these issuances. The company also increased its pledged and unused credit lines by €1.605 billion.

Liquidity stood at €9.099 billion at the end of September. This covers the short-term maturities 3.43 times, a figure that is also higher than the 2.43 times of the previous quarter.

Innovative industrial decarbonization projects and progress in renewable generation

The Repsol business units showed their capacity for adaptation and their robustness in extremely difficult circumstances in which the essential contribution to society of its products and services was made evident. In the face of these circumstances, the capacity of all the businesses to achieve a positive operating cash flow and implement innovative projects to advance in the energy transition is notable.

The **Commercial and Renewables** business obtained a result of €332 million in the first nine months of the year, penalized by the collapse of demand caused by COVID-19 that affected all its segments. The measures to fight against the coronavirus, which included periods of confinement in Spain, had a decisive impact that resulted in a drop in sales, particularly at service stations (24%) and of LPG.

Thanks to cost optimizations and an orientation towards higher value-added products, the Commercial and Renewables business recorded a result of €169 million between July and September, higher than that of the second quarter of this year and that of the same period in 2019.

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Innovation at the service of the customer is one of the premises of the business, both to cover the new needs being generated by the current situation and to be able to offer cutting-edge energy solutions and contribute to the energy transition.

In this sense, the Electricity and Gas unit, which now has more than 1.1 million customers, continued developing innovative self-consumption alternatives, such as Solify and Solmatch, the first large-scale solar community in Spain. In April, it launched the second of these, a product that promotes distributed generation and consumption of local and 100% renewable energy thanks to the installation of rooftop solar panels on buildings to which homes located up to 500 metres away can connect.

Repsol took significant steps in the first nine months of 2020 to increase its renewable generation capacity

In the first nine months of 2020, Repsol took new steps to increase its renewable generation capacity and continue advancing in its commitment to reaching net zero emissions by 2050. The most recent was the connection to the grid of the first wind turbines at Delta, one of its wind energy projects located in the northern Spanish region of Aragon, which will start commercial operation at the end of the year. Delta is made up of eight wind farms, located in the provinces of Zaragoza and Teruel, and a total of 89 wind turbines with 335 megawatts (MW) of installed capacity. It will produce 992 GWh per year, the equivalent of the average annual consumption of 300,000 households, avoiding the emission into the atmosphere of one million tons of CO_2 annually.

In April, construction work began at Repsol's first solar park, located in the province of Ciudad Real, which will have a total installed capacity of 127 MW and represent an investment of €100 million. Installation of its second solar park began in July. Located in Badajoz, it will have an installed capacity of 264 MW, represent an investment of approximately €200 million, and employ an average of 300 people during the construction phase, with peaks that may exceed 500 workers.

The renewable energy projects that Repsol is developing in Spain also include Delta 2, made up of 26 wind farms distributed between the provinces of Huesca, Zaragoza, and Teruel, with 860 MW; the PI farm, also using wind technology, distributed between the provinces of Palencia and Valladolid, which will have a total installed capacity of 175 MW; and another photovoltaic park in Cadiz (Sigma), with 204 MW. It is also participating in the WindFloat Atlantic floating offshore wind farm, off the northern coast of Portugal, with a total installed capacity of 25 MW and fully operational.

Repsol entered into a partnership that gives it access to a portfolio of renewable energy projects in Chile, totaling more than 1,600 MW and with the potential to exceed 2,600 MW

The company also advanced its international expansion in this business by reaching an agreement with Grupo Ibereólica Renovables which gives it access to a portfolio of projects in Chile that this company has in operation, construction, or under development, with more than 1,600 MW by the year 2025 and the possibility of surpassing 2,600 MW by 2030, thanks to this partnership.

Repsol's commitment to leading the energy transition, even under the current circumstances of global recession, also became tangible in the **Industrial** business, with the presentation of several cutting-edge projects in 2020. These initiatives demonstrate the importance of

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technological neutrality when seeking decarbonization solutions as well as the capacity of Spanish industry to lead the economic recovery and the fight against climate change.

In addition to developing these projects, the Industrial business worked to adapt its production schemes, logistics, and commercial models to the new international context without losing focus on innovation and digitalization. All of this has enabled the Industrial business to obtain a result of €229 million between January and September, affected by the negative impact of coronavirus on the market.

The latest major industrial decarbonization project announced by Repsol, on October 22, was the construction at its Cartagena refinery of the first advanced biofuels production plant in Spain. This new plant will annually supply 250,000 tons of advanced biofuels for aircraft, trucks, and cars, which will enable a reduction of 900,000 tons of CO_2 every year. It will represent an estimated investment of €188 million and include the commissioning of a hydrogen plant that will fuel a hydrotreatment unit equipped with the latest generation technology.

The company has launched cutting-edge decarbonization projects in the Industrial area that demonstrate the importance of technological neutrality in fighting climate change

In mid-June, Repsol also presented two major decarbonization projects to be developed at its Petronor refinery in Bilbao. The first is one of the largest plants in the world for production of net zero emissions synthetic fuels, using renewable hydrogen as a raw material. The second will consist of a gas generation plant that uses urban waste as raw material.

In early August, the company successfully completed the production of the first batch of biofuel for aviation on the Spanish market, which enabled it to advance in the production of fuels with a low carbon footprint for sectors like aeronautics, where alternatives such as electrification are not currently viable. This biojet was produced in Puertollano (Ciudad Real), and production will also be expanded to some of the Group's other industrial complexes in Spain.

The Chemicals area adjusted its operations to respond to the increase in demand from sectors that are essential in the fight against COVID-19

The Chemicals unit has, since the start of the pandemic, adjusted its operations to address the demand of sectors linked to healthcare and food that are essential in the fight against COVID-19. Its earnings were affected by the drop in demand in sectors like the automotive industry and by maintenance of its facilities in Sines and Tarragona in the first quarter.

In line with its orientation towards innovation, Repsol also launched pioneering chemicals projects, with the first plant on the Iberian Peninsula for manufacturing high impact resistant polymers which will become operative in Tarragona in 2021.

For its part, the **Upstream** business had to withstand the extraordinary drop in crude and gas prices, and it implemented cost-reduction measures and redefined its plans for operating assets. This allowed the business to obtain a neutral operating result and generate €1.308 billion of operating cash flow, despite the very adverse global context.

Furthermore, given the market situation and, in line with efforts in the previous quarter, it reduced the production of certain assets, which, together with the shutdowns in Libya, placed average production for the January-September period at 655,300 barrels of oil equivalent per day. The company expects that production at the Libyan El Sharara field will be gradually reestablished to the total capacity of 300,000 barrels a day, after activity at the field was resumed on October 11.

Although exploration activity was reduced significantly, in the first nine months of 2020 there were discoveries in the United States, Colombia, and Mexico. Two discoveries in the waters of Mexico in the month of April were especially significant. Both were accomplished below budget and ahead of schedule.

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In October 2015, the European Securities Markets Authority (ESMA) published its Guidelines on Alternative Performance Measures (APMs). The guidelines apply to regulated information published on or after 3 July 2016. The information and breakdowns relative to the APMs used in this press release are updated quarterly on the Repsol website.

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