# Creditreform Corporate Issuer / Issue Rating

Repsol S.A.

Creditreform Rating

| Rating object | Rating information | |
|---|---|---|
| **Repsol S.A.**<br><br>Creditreform ID: 2000000613<br>Incorporation: 1987<br>Based in: Madrid, Spain<br>Main (Industry): Oil and gas<br>CEO: Josu Jon Imaz San Miguel | Corporate Issuer Rating:<br>**BBB+ / stable**<br><br>LT LC Senior Unsecured Issues,:<br>**BBB+ / stable** | Type:<br>Initial rating<br>Unsolicited<br>Public rating<br><br>Other:<br>**n.r.** |
| Rating objects:<br>Long-term Corporate Issuer Rating: Repsol S.A.<br>Long-term Corporate Issuer Rating: Repsol International Finance B.V.<br>Long-term Corporate Issuer Rating: Repsol Europe Finance S.à.r.l.<br>Long-term Local Currency (LT LC) Senior Unsecured Issues of Repsol International Finance B.V.<br>Long-term Local Currency (LT LC) Senior Unsecured Issues of Repsol Europe Finance S.à.r.l. | Rating date: 14 February 2022<br>Monitoring until: .....withdrawal of the rating<br>Rating methodology: CRA "Corporate Ratings"<br>CRA "Non-Financial Corporate Issue Ratings"<br>CRA "Rating Criteria and Definitions"<br>Rating history: www.creditreform-rating.de | |

Content




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## Summary

### Company

Repsol S.A. (hereinafter referred to as Repsol or the Company) is a multinational integrated oil and gas company, headquartered in Madrid, Spain and operating in around 30 countries worldwide. The business of the Spanish market leader covers the entire oil and gas value chain, which includes exploration, development and production of crude oil and natural gas, refining, production, transportation and sale of a wide range of oil and petrochemical products, oil derivatives and natural gas. The Company operates nine refineries, five of which are located in Spain, three in Argentina and one in Peru. Low-carbon electricity generation and the production and marketing of sustainable energy solutions for the home, industry, and mobility are also part of the business. During the pandemic, Repsol was affected by lower oil and gas prices, reducing cash flow. However, benefitting from the current price increase in oil and gas, the Company is already achieving figures at pre-crisis-levels, as apparent in the Q3-results 2021, and estimates further growth due to more efficiency, and by increasing its business in renewable energies and low-carbon energy distribution. The Company plans to reduce is global presence to 14 countries, to achieve a more efficient and focused exploration activity and to concentrate more on its domestic market, also through biofuel and synthetic fuel plants and further decarbonization projects.

With 24,125 employees worldwide, the Company generated EUR 34,075 million in the first three quarters of 2021 (9M 2020: 24,500 Mio. EUR), with a net profit of 1,955 Mio EUR (9M 2020: EUR -2,612 million).

### Rating result

The current unsolicited corporate issuer rating of BBB+ attests Repsol S.A. a highly satisfactory level of creditworthiness, representing a low to medium default risk. The rating result is based on the strong position of the Company in its relevant geographical markets, the high level of diversification, and on its leading technological position. As a result of the COVID-19 pandemic, which burdened revenues and EBIT, profitability and the net total debt / EBITDA adj. ratio in particular deteriorated in 2020, despite a reduction in (net) debt. Liquidity-supporting measures, including limits on operating and capital expenditures, lower share buybacks and the issuance of hybrid bonds, nevertheless enabled Repsol to weather the crisis well. Against the backdrop of the global market recovery and commodity prices, performance in the first three quarters of FY2021 showed a significant improvement in earnings and cash flows, which, combined with the Company's financial discipline, support our rating assessment. As a negative ESG factor, the fossil fuel-focused business model impacts the rating.

### Outlook

The one-year outlook for the unsolicited corporate issuer rating of Repsol S.A. is stable. We assume that, in accordance with progress towards a sustainable containment of the COVID-19 pandemic and an expected further overall economic recovery in 2022, the demand for oil and gas products will further improve. Currently, the oil and gas supply does not cover increased demand resulting from an improving post-pandemic economic situation, which is the primary reason for extreme price increases, especially in Europe. We assume an overall price stabilization and do not expect commodity price erosions in the short-term. However, despite rising oil and gas prices, the outlook is constrained by uncertainties, e.g. current geopolitical tensions, volatile commodity prices and further possible stringent environmental policy.

**Reference:**

The relevant rating factors (key drivers) mentioned in this section, are predominantly based on internal analyses, evaluations of the rating process, the derived valuations of the analysts participating in the rating and, if applicable, other rating committee members. The fundamental external sources used, are specified in the section “Regulatory requirements” and “Rules on the presentation of credit ratings and rating outlooks”.

## Relevant rating factors

Table 1: Financials I Source: Repsol S.A. consolidated financial statements 2020, standardized by CRA

| Repsol S.A.<br>Selected key figures of the financial statement analysis<br>Basis: Annual accounts and report of 31.12. (IFRS) | CRA standardized figures[1] | |
|---|---|---|
| | 2019 | 2020 |
| Sales (million EUR) | 49,328 | 33,282 |
| EBITDA (million EUR) | 4,478 | 2,218 |
| EBIT (million EUR) | 2,044 | 11 |
| EAT (million EUR) | -3,789 | -3,320 |
| EAT after transfer (million EUR) | -3,816 | -3,289 |
| Total assets (million EUR) | 51,759 | 44,200 |
| Equity ratio (%) | 41.44 | 39.77 |
| Capital lock-up period (days) | 26.92 | 27.10 |
| Short-term capital lock-up (%) | 19.49 | 20.67 |
| Net total debt / EBITDA adj. (Factor) | 6.31 | 10.54 |
| Ratio of interest expenses to total debt (%) | 1.29 | 1.28 |
| Return on investment (%) | -6,36 | -6.48 |

**Excerpts from the financial key figures analysis 2020:**

+ Equity ratio
+ Liquidity
+ Ratio of interest expenses to total ....debt

- Revenues decrease
- Results
- Net total debt/EBITDA

[1] For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. For example, when calculating the analytical equity ratio, deferred tax assets, goodwill (entirely or partly), and internally generated intangible assets are subtracted from the original equity, whilst deferred tax liabilities are added. Net total debt considers all balance sheet liabilities. Therefore, the key financial figures shown often deviate from the original values of the company.

**General rating factors** summarize the key issues that – according to the analysts as per the date of the rating – have a significant or long-term impact on the rating, whether positive (+) or negative (-).

## General rating factors

+ National leader in its strategic business areas
+ Geographical diversification
+ Good access to financial markets
+ Diversified hydrocarbon resource base
+ Integrated business model with diversified up- and downstream activities

– Exposure to economic cycles
– Volatile commodity prices
– Highly competitive market
– Country and environment risks, especially in upstream activities
– Foreign exchange risks

**Current rating factors** are the key factors that, in addition to the underlying rating factors, have an impact on the current rating.

## Current rating factors

+ Proven crisis resilience: Strong investment and net debt reduction in 2020
+ Significant oil and gas price increase and gradual recovery in demand in 2021
+ Planning business model adjustments in line with the energy transition and climate change constraints
+ New strategy implementing growth and cash increase in line with financial discipline
+ M&A activities, sale of all assets in Russia

– Oil price affected by adverse COVID-19 effects: financial weakening in 2020
– Impairments associated with oil price decline as well as environmental constraints in 2020
– Results severely impacted due to the consequences of the COVID-19 crisis in 2020
– Volatile market conditions

**Prospective rating factors** are factors and possible events which – according to the analysts as of the date of the rating – would most likely have a stabilizing or positive effect (+) or a weakening or negative effect (-) on future ratings, if they occurred. This is not an exhaustive list of possible future events with potential relevance for future ratings. Circumstances can arise that are not included in the list of prospective factors whose effects are impossible to assess at the time of the rating, either because these effects are uncertain or because the underlying events are deemed unlikely to occur.

## Prospective rating factors

+ Ongoing oil and gas price increase
+ Successful implementation of the industrial transformation
+ M&A activities in line with a focused country portfolio
+ Stable economic recovery in line with growing population increasing demand
+ New business opportunities due to energy transition
+ Cash-flow growth due to higher margins

– Increasing regulatory restrictions for the oil and gas industry
– Significant price declines
– Higher dividend distribution in line with share buyback program
– High investment requirements
– Geopolitical difficulties, worsening economic situation
– Accelerated transition in energy landscape, changing market conditions

**ESG factors** are factors related to environment, social issues and, governance. For more information, please see the "Regulatory requirements". CRA generally takes ESG relevant factors into account, when assessing the rating object and discloses them when they have a significant influence on the creditworthiness of the rating object, leading to a change in the rating result or the outlook.

### ESG-factors

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Repsol S.A. we have identified ESG factors with significant influence on the following categories, which are described in the sections below.

(E) Environment ☒ (S) Social ☐ (G) Governance ☐

- (E): Current focus on fossil energy sources and production materials
- (E): Risks of impairments in the short to medium-term as a result of changes in the market and regulatory environment (stranded asset risk)
- (E): Mid- to long-term risks for the business model of the oil and gas industry, a well as the financing e.g. related to EU-Taxonomy

We see Repsol's current business model to be impaired in the medium to long term due to societal and political changes with regard to fossil fuels, based on European and international environmental and climate protection targets. Global efforts towards decarbonization lead us to expect significant shifts in the demand for fossil fuels in the medium term, which have a direct material influence on the Company's activities in the form of restrictions, costs for $CO_2$ certificates and environmental protection measures, recultivation expenses, as well as on its investment behavior in the form of redesigning the product portfolio and investments in technologies aiming to limit $CO_2$ emissions. Current trends in automobile registrations imply likely shifts and a general decline in demand for refined products. In addition, these tendencies have an ever greater influence on the behavior of potential investors, and could make access to capital market resources more difficult in the future. Repsol already recognized impairment charges related to environmental constraints and the accelerated energy transition

Nevertheless, we assume that oil and gas will continue to play an important role in the energy business and industrial production in the long term, albeit with gradually decreasing relevance. Since the beginning of February 2022, the European Commission classified natural gas to be sustainable under certain conditions, regarding gas as an essential part of the energy mix in the long term and as a transitional technology. In addition, the long-term goal of the Company is to establish a new operating model, a hybrid energy model that combines electrification with low-carbon fuels, advanced biofuels, synthetic fuels and renewable hydrogen fuels, the latter to serve long-distance road transport as well as the maritime and aviation industries. In line with the Paris Agreement, Repsol's strategy is aimed at the fundamental target of complete climate neutrality (Scope 1, 2 and 3) by 2050. Repsol plans a decarbonization path of its assets, and the new business model initially investments of EUR 6.5 billion EUR for the period 2021-2025.

We consider Repsol's measures as positive and plausible; however, market conditions could change significantly in the long-term due to political measures or disruptive technologies, adversely affecting the industry. A recent incident also further highlights the environmental risks of the oil and gas industry. On 15 January 2022, the Hunga Tonga-Hunga Ha'apai volcano in the South Pacific state of Tonga triggered very high tidal waves far from the site of the eruption. As a result, crude oil leaked during the unloading of the tanker Mare Doricum at Repsol's refinery, la Pampilla in the port province Callao in Peru, polluting 21 beaches along the country's coast. Approximately 12,000 barrels of oil spilled into the water, affecting an area of up to 9 million square meters. Seabirds and marine animals have been affected by the oil spill, resulting in heavy losses for fisheries and tourism. The government of Peru declared a state of emergency. According to the press articles, the government is currently taking legal actions against Repsol to determine whether Repsol can be held legally responsible, while Repsol denies the responsibility for the accident. Depending on the outcome of the investigation and a possible legal ruling, the resulting consequences for Repsol could have further implications to the rating, which could relate to all of the three ESG factors Environmental, Social, and Governance. It is also conceivable that there might be international consequences in the form of further production bans due to a high risk of accidents. Several countries have already initiated the end of oil exploration at sea in the fight against climate change. Since offshore production is associated with far-reaching environmental risks, countries such as France and Denmark have already banned the search for oil and gas in their waters.

Overall, regardless of the current incident, we see that Repsol has a strongly integrated ESG culture, as described in the section "Structural Risk", and see the planned business model adjustments, as well as parts of the current business model, as sustainable with regard to future prospects. Nonetheless, the industry is subject to strict environmental policies as well as technologically disruptive processes that have already a material impact on Repsol's financials. Due to the specific goals and active measures to improve its sustainability, we currently see the negative effects of ESG factors as limited to one notch with regard to the current business model risk. Should new significant information come to light regarding the environmental disaster in Peru, rating adjustments may be made if necessary.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here.

### Best-case scenario: BBB+

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

In our best-case scenario for one year, we assume a rating of BBB+. In this scenario, economic recovery progresses further in 2022, benefitting results and enabling the Company to generate stable financial figures at pre-crisis levels. The Company continues to implement its strategy and follow efficiency optimization measures and financial discipline without any disturbance variables impacting the business development. Repsol's framework is gradually beginning to stabilize. However, despite progressing results, the best-case is constrained by uncertainties, e.g. in particular in regard of the environmental disaster in Peru, current geopolitical tensions, volatile commodity prices and further possible stringent environmental policy.

### Worst-case scenario: BBB-

In the worst-case scenario for one year, we assume a rating of BBB-. In this scenario, we assume that the macroeconomic economic environment remains unstable, resulting in further deterioration of the Company's earnings, or a disproportionate increase in debt compared to earnings and/or other unforeseeable measures that affect operating performance, restricting income potential to sufficiently offset the high investment requirements. In addition, the Company could be impaired by extraordinary expenses related to the environmental disaster in Peru.

## Business development and outlook

In 2020, Repsol's development was affected by highly challenging market conditions. Repsol's operating performance was disrupted in particular by a global economic recession in the wake of the COVID-19 pandemic. Lockdown measures in order to contain the spread of COVID-19 caused a sharp decline in demand for oil and gas, lower sales in mobility and a reduction in refining margins. The situation was aggravated by disagreements among the OPEC+ members to cut oil production at an early stage, causing an oversupply of oil in March 2020 with an unprecedented fall in prices. As a result, the average oil price (Brent) declined by 34.9% and the average gas price (Henry Hub) by 19.2% compared to 2019. In addition, operational stoppages in Libya were in place due to security issues.

Table 2: Business development of Repsol, S.A. I Source: Repsol, S.A. Consolidated Annual Accounts 2020, standardized by CRA

| EUR million | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Revenues | 41,668 | 49,873 | 49,328 | 33,282 |
| EBITDA | 5,613 | 6,713 | 4,478 | 2,218 |
| EBIT | 3,214 | 4,573 | 2,044 | 11 |
| EBT | 3,381 | 3,745 | -3,201 | -3,304 |
| EAT | 2,161 | 2,359 | -3,789 | -3,320 |

Against the backdrop of low prices and low production volumes due to lower social and industrial activities in 2020, Repsol suffered a significant decrease in revenues and earnings. Revenues decreased by 32.5% compared to 2019, and annual profit amounted to EUR -3,320 million. Every income-generating business segment[2] in all of Repsol's important markets was similarly adversely affected by the social and economic restrictions (see table 3). In addition to the slump in sales, Repsol recognized impairment charges mostly on its Upstream assets amounting to EUR 2,494 million due to adjustments on the price path of oil and gas, related to the COVID-19 effects and an expected accelerated development of the energy transition. Already in 2019 the Company had to recognize an impairment amounting to EUR 5,746 million, based on new price trends for oil and gas especially in relation to lower prices due to changing framework conditions for supply and demand and also in line with decarbonization and the energy transition, causing a net loss (see table 2). According to Repsol, inventory was, with EUR -978 million change in inventory valuation, significantly impacted by the exceptional economic situation in 2020. According to Repsol, the effects in line with write-downs, categorized as special items and inventory amounted to EUR -3,889 million (Non-IFRS), and the adjusted net income for 2020 was EUR 600 million. We take into account these extraordinary effects as non-recurring nature and consider the year 2020 as an exceptional year for the entire oil and gas industry. To counteract the aggravating circumstances in 2020, Repsol launched the so-called Resilience Plan, geared towards improving cash generation and strengthening the balance sheet, thus enabling the Company to maintain its investment-grade credit rating. Fewer treasury share acquisitions, considerable savings in operating expenses and significant investment reductions enabled Repsol to generate a positive operating cash flow of EUR 3,197 million (2019: EUR 5,837 million). According to the Company, Repsol achieved a reduction of more than EUR 350 million in opex and more than EUR 1 billion in capex. Payments for investments amounted to EUR 3,368 million (2019: EUR 6,390 million), a decrease of 47.3%. Net financial debt was reduced by EUR 1,305 million

[2] A detailed description of the segments can be found in the chapter "Structural risk".

compared to the previous year, amounting to EUR 6,778 million (2020: EUR 8,083 million), although the original aim was merely to maintain the level of net debt. The reduction was mainly caused by the issuance of perpetual hybrid bonds. For further Information, see the section "Financial Risk".

Despite a decrease in operating performance, operating cash flows amounted to EUR 1,380 million (2019: EUR 1,045 million), showing an increase of 32.1% year-on-year due to the impairment losses not being cash-effective in the short-term.

Table 3: Sale share and development of corporate divisions I Source: Repsol, S.A. Consolidated Annual Accounts 2020

| EUR million | 2019 | 2020 | Share % | Δ % |
|---|---|---|---|---|
| Upstream | 4,678 | 2,963 | 8.9 | -36.6 |
| Industrial | 38,236 | 25,142 | 75.5 | -34.2 |
| Commercial and Renewables | 23,770 | 16,315 | 49.0 | -31.4 |
| Corporate and Others | -17,356 | -11,138 | -33.4 | 35.8 |
| **Total** | **49,328** | **33,282** | **100** | **--** |

The business development in the first nine months of 2021 was characterized by a general economic recovery and favorable framework conditions, despite the ongoing COVID-19 pandemic. In the third quarter of 2021, the Brent price increased by over 70% to an average of 73.5 USD/bbl against the backdrop of macroeconomic growth, the normalization of global stocks, the production management of the OPEC+ alliance, and a disruption of oil production in the Gulf of Mexico after hurricane Ida. The Henry Hub price doubled to an average of 4.0 USD/Mbtu. The reasons for this price surge lie in the economic recovery, reduced global supply, and storage levels below the historical averages. Mainly due to the higher feedstock and utility costs, margins in the chemical and refinery business remained low.

As of 30 September 2021, Repsol generated revenues of EUR 34,075 million, showing an increase of 39.1% compared to the same period of the previous year (9M 2020: EUR 24,500 million). Operating income (EBIT) amounted to EUR 2,716 million (9M 2020: -1,559 million) and net income amounted to EUR 1,955 million (9M 2020: -2,612). This development was mainly driven by higher average realized prices for oil and gas, partially higher sales volumes and lower amortization, and costs in comparison with the same period of the previous year. According to Repsol, the special items amounted to EUR -271 million, corresponding mostly to provisions and negative currency changes, as well as the inventory effect of EUR 628 million., so that the adjusted net income amounted to EUR 1,582 million.

Table 4: Business development of Repsol S.A. I Source: Interim Consolidated Report as of September 30, 2021, reported information

| EUR million | 9M 2020 | 9M 2021 | Δ |
|---|---|---|---|
| Revenues | 24,500 | 34,075 | 9,575 |
| EBITDA | 114 | 4,205 | 4,091 |
| EBIT | -1,559 | 2,716 | 4,275 |
| EAT | -2,612 | 1,955 | 4,567 |
| Adjusted net income | 196 | 1,528 | 1,332 |

The segment Upstream In particular contributed to this strong operating performance, reporting an operating income of EUR 1,911 million (9M 2020: EUR 104) and an adjusted net income of EUR 1,063 million (9M 2020: EUR 104 million). Its contribution accounted for 67.7% of the total adjusted net income. Upstream benefited from higher average realized prices for oil and gas with a rise of 63.3% (USD/bbl) and 77.3% (USD/Thousand scf) respectively for nine months and lower amortization, partly offsetting lower production due to maintenance activities, higher taxes and costs. The adjusted net income of Industrial amounted to EUR 339 million (9M 2019: EUR 229 million), representing a rise of 48.0% in comparison with the same period of the previous year and a contribution to total adjusted net income of 21.4%. The rise resulted mainly from higher refining and petrochemical margins, partially offsetting a decrease in Trading as well as the higher taxes. Commercial and renewables recorded an adjusted income of EUR 397 million, representing a rise of 19.6% in comparison with the same period of the previous year, and a contribution to total adjusted net income of 25.1%. After the lifting of restrictions, Mobility recorded higher sales volumes, and new renewable projects also contributed to the increase. Corporate & Others improved by a 40.5% lower adjusted net loss, amounting to EUR -217 million (9M 2019: EUR -365 million), mainly due to higher results from treasury stock positions and intersegment adjustments.

Table 5: The development of corporate divisions in 9M 2021 I Source: Interim Consolidated Report as of September 30, 2021, reported information (Unaudited figures)

| in million EUR | Upstream | | Industrial | | Commercial and renewables | | Corporate and Others | |
|---|---|---|---|---|---|---|---|---|
| | 9M 2020 | 9M 2021 | 9M 2020 | 9M 2021 | 9M 2020 | 9M 2021 | 9M 2020 | 9M 2021 |
| Revenues | 3,090 | 4,637 | 18,697 | 26,944 | 12,303 | 15,637 | -8,097 | -11,300 |
| Operating income | 104 | 1,911 | 308 | 436 | 447 | 551 | -188 | -132 |
| Adjusted net income | - | 1,063 | 229 | 339 | 332 | 397 | -365 | -217 |

The strong operating performance also helped to increase operating cash flows. Repsol achieved an operating cash flow of EUR 3,371 million (9M 2020: EUR 2,122 million), a rise of 58.9% in comparison with the same period of the previous year. After the strong investment reduction in 2020, investments increased by 6.2 % in comparison with the same period of the previous year, amounting to EUR 1,634 million (9M 2020: EUR 1,539 million), in line with its new strategic plan. After enduring the challenging environment in 2020 and successfully reaching its targets, Repsol's next goal is to become a net-zero-emission company by 2050 based on a multi-energy model, which involves industrial transformation against the backdrop of the energy transition. Therefore, Repsol launched a Strategic plan for the 2021-2025 period in November 2020. Besides accelerating the energy transition, the Company aims to generate profitable growth and increase cash, financial discipline and shareholder remuneration with a more efficient business focus based on a multi-energy business model. Dividend payouts will steadily increase and share buybacks will continue. According to Repsol's adjustments in the third quarter of 2021, the planned Investment will total EUR 19.3 billion (2020: EUR 18.3 billion) for the period 2021-2025, amounting EUR 6.5 billion (2020: EUR 5.5 billion) for low carbon projects, representing 33.7% of the total. To streamline and focus its exploration and production portfolio, the Company plans to reduce its global presence. To this end, the Company has agreed to sell its stake in its two remaining assets in Russia in the first quarter of 2022 to Gazprom Neft. With the purchase of shale oil and gas assets in January 2022 from Rockdale Marcellus, amounting to USD 222 million, the Company has expanded its upstream assets in the USA. The implementation of the Strategic Plan 2021-2025 is to be financed though the income generated, under the assumption of an average price of USD 50 / bbl Brent and USD 2.5 / Mbtu Henry Hub prices, allowing financial flexibility and a similar debt level to that seen in 2020. As multi-energy supplier on the Iberian Peninsula, offering more customized low-carbon energy and digital products, Repsol estimates it can increase the EBITDA of multi-energy offering by 1.4 times, generating EUR 1.4 billion in 2025. We consider the plan as ambitious, although quite realizable with a certain financial headroom in line with current price developments and forecasts, provided that no further disruptive events occur and there is no accelerated significant decline in demand as a result of the energy transition. Above all, however, we consider the plan as necessary in relation to the disruptive changes that the gas and oil market will be facing in the medium- to long-term perspective.

However, despite positive developments in oil and gas prices, supported by the latest decision of OPEC+ as of February 2022, not to expand oil output[3], the gas and oil industry faces a still challenging environment. The actual economic consequences of the COVID-19 pandemic are still unclear, even if OPEC+ expects the new Omicron variant to have only moderate impact on oil demand. Further uncertainties arise from the Russia-Ukraine conflict; however, Repsol agreed to sell its last remaining assets in the first quarter of this year, ending its exploration and production business in Russia, which started in 2010. In view of the current circumstances, we consider the merger as positive. We also classify the situation in Peru and possible further acts of OPEC+ as uncertain. It remains to be seen what legal and monetary consequences will follow from Repsol's oil tanker accident, which triggered an oil spill on Peru's coast, but above all how the relationship between the Company and Peru continues to develop, since Peru is an important strategic market in Repsol's portfolio. For further information see the section "ESG-factors". Even if no further expansion of the output volume is currently planned at least until March, the further course of OPEC+ is also uncertain. It is unclear whether oil supply will be kept further tight in the short- to medium-term, or whether there will be adjustments to meet the increased deman, at least after the pandemic has passed, to counteract the energy crisis.

Overall, Repsol has withstood the crisis period due to its resilience plan, developing a wide range of successful cost- and liquidity-saving measures. The Company's good access to the financial market insured robust liquidity during the crisis period and enabled a significant reduction in balance sheet indebtedness. With its integrated business model, the Company is well established in the market and has a fundamentally solid position in its domestic market. Even though the level of Repsol's financials has deteriorated due to the consequences of the COVID-19 pandemic and due to adjustments with regard to decarbonization and the energy transition, we expect a stabilization of results as well as improved cash flow generation in conjunction with its growth strategy in the coming years, as can already be seen in the Group's results for Q3 2021. This will have a positive impact on the Company's profitability and financial stability ratios provided no further significant disturbances or events occur, which would cause deterioration of oil and gas prices. In spite of the last financial year's downward trend in earnings and profits, Repsol's liquidity situation is adequate and should allow corresponding room for maneuver for the expected investments. We also believe that the Company is well-positioned to face a still uncertain year in 2022.

[3] With the latest expansion of delivery volume in February, OPEC+, reached a daily deliver volume of 400,000 barrels, approaching nearly pre-pandemic levels, but facing a higher demand.

## Structural risk

Repsol S.A. is a Spanish multinational publicly-traded integrated energy and petrochemicals company, founded 1987 and headquartered in Madrid. It is a market leader and one of the biggest listed companies in Spain measured by revenue per year. The Company has been listed on the Spanish stock Exchanges (Madrid, Barcelona, Valencia, Bilbao) for over 25 years, and its shares are distributed between Sacyr, S.A. (7.8% of share capital), JP Morgan Chase & Co. (6.9% of share capital), Black Rock Inc. (5.0% of share capital), Armundi Asset Management S.A. (4.5% of share capital), with the remaining shares (75.6%) in free float.

As of 31 December 2020 the Group's structure comprised more than 300 companies, with Repsol S.A. as the parent company of the Group acting as a holding company. The Group's operations are conducted through subsidiaries that are directly or indirectly owned by Repsol S.A. and through stakes in joint ventures. The Group's main governing body is the Board of Directors, which determines its strategic orientation and supervises their implementation. The Board of Directors currently consists of 15 directors, featuring one Executive Director (CEO), nine Independent directors, two proprietary directors, and two non-executive Directors. The governance structure also distinguishes governance and management functions from oversight, control and strategic definition functions. The Board relies on the work of six committees: the Audit and Control Committee, the Remuneration Committee, the Delegate Committee, the Sustainability Committee, the Appointments Committee, and the Audit, Control and Risks Division.

With the aim of mitigating medium- to long-term risks related to the energy transition and sustainability, awareness of climate change is an integral part of Repsol's corporate governance, called climate change governance. All company members and committees are involved in the development and implementation process, including tasks such as setting and analyzing strategies and target proposals, approving and monitoring them etc. to enable optimal performance, specialized teams dedicated to climate-related issues support the individual business departments and divisions. In addition, the climate change targets are linked to the variable remuneration of the Board of Directors and the Company's employees.

On an operational level, Repsol's business is organized into four main segments: Upstream, Industrial, Commercial and Renewables, and Corporate. This structure has been in place since 2020. Before this, the corporate structure was divided in Upstream, Downstream and Corporate. The adjustment was made to better implement the new scope and objectives envisioned in the Strategic Plan 2021-2025, focusing more on the industrial transformation and enabling more efficiency and greater value transparency. The segment Upstream comprises exploration, development and production of crude oil and natural gas reserves. The average hydrocarbon production amounted to 648,000 barrels of oil equivalent (boe) per day in 2020, of which 432,000 boe per day in gas and 217,000 boe per day in liquids production. Industrial comprises refining activities, chemicals, trading and transportation of crude oil and oil products; sale, transportation and regasification of natural gas and liquefied natural gas; and wholesale and gas trading. Commercial and Renewables comprises low carbon power generation and renewable sources, sale of gas and power, mobility and sale of oil products, liquefied petroleum gas, lubricants, asphalt and other products, as well as electricity. The Company operates 4,966 petrol stations, of which roughly 3,331 are located in Spain making Repsol the nationwide largest petrol station operator. In Peru Repsol operates 589 petrol stations, in Portugal 496, in Italy 295 and in Mexico 255 petrol stations. The Company has low-emission electricity generation assets with a total installed capacity of 3.3 gigawatt. The Corporate division serves to enhance performance and value creation. In particular, the segment Commercial and Renewables is in line with the energy transition. Beside the industrial transformation, the new strategy should help to enable greater energy efficiency in Repslol's traditional business, helping to reduce break-evens due to focusing on short-cycle projects with limited capex intensity.

As of 31.12.2020, Repsol operated in around 30 countries and employed 24,125 staff (31.12.2019: 25,228). Spain represents the core market of Repsol, generating 51.3% of the Company's total income from ordinary activities[4] in 2020. The United States generated 6.0%, Portugal 5.7%, Peru 5.0%, and the other countries accounted for 31.9% of the total income. Other countries include Canada and the Netherlands, which are also very important countries for Respol, but also many countries in Latin America and many others around the world. The Company's geographical diversification is, on one hand, a competitive strength of Repsol, enabling availability of resources, distribution of market risks, realization of synergies, and enhancement of production efficiency. On the other hand, the Company's widespread geographical diversification requires a high degree of organization and entails risks associated with local legal, political, economic, cultural and social particularities, as well as risks related to access to resources. To mitigate these risks, the Company is planning to reduce is global presence to 14 countries, reaching a more efficient and focused exploration activity and to concentrate more on its domestic market, investing roughly EUR 7.7 billion in the period 2021-2025, and which could become a competitive advantage due to the leaner organizational structure. Besides negative currency effects, there are geopolitical risks based on Repsol's country portfolio, affecting financials. There are political instabilities in Venezuela, Algeria, Libya with monetary consequences, which are however manageable for the Company in the short- to medium-term. Repsol monitors its strategy in accordance with the specific legislation and regulatory frameworks of the countries in which it operates. In the long term, however, it remains to be seen how circumstances in the respective countries will develop. We currently see further increased geopolitical risks in Russia. The sale of the assets in Russia could result in financial opportunities for the company should Russia actually impose oil sanctions on Europe. At present, however, it is unclear how Russia's foreign and energy policy will develop in the wake of the Ukraine crisis. Also, the consequences of the oil spill in Peru are unclear, which, according to the press, has strained the relationship between Peru and Repsol. Press reports indicate that the country is considering canceling contracts. This would be a strategic drawback, as Peru is an important energy country in Latin America. Repsol has been active there since 1996, having one of its nine refineries located there, and has in recent years expanded its exploration, production and marketing capacities. It has 589 service stations and a total surface area of 292 $km^2$ for production and development at its disposal. It remains to be seen what will happen with regard to the results of the investigation, possible settlements and the actual monetary consequences.

Based on publicly available information, we assume sufficiently developed structures with regard to risk management, accounting, and controlling, as well as other administrative and operational functional areas. Noteworthy are also risks related to the Company's acquisitions, including financing risks and risks related to the integration of acquired companies or projects into the Group. The Company's global diversification involves both risks and advantages in our view, facilitating good access to financial markets and enabling the establishment of state-of-the-art technology. Overall, we consider the structural risk to be elevated due to the specifics of the industry and, above all, country risks including geopolitical risks, which should be manageable based on Repsol's expertise.

[4] Total of revenues and income from services rendered

## Business risk

The Group's activities and its results are subject to a range of risk factors, especially changes in crude oil and natural gas prices, refining and marketing margins, as well as exchange rates, particularly in the value of the euro compared to the dollar and, in the medium- to long-term, the general demand volume for fossil energy.

The Company does not have any influence on oil and natural gas prices, which are dependent on a variety of factors such as general global and regional economic developments and financial conditions, demand for energy, political circumstances in resource-producing regions, OPEC+ activities, the availability and cost of new technologies, and the regulation environment.

Generally, a decline in hydrocarbon prices has a negative effect on Repsol's results due to a decrease in revenues from oil and gas production. On the other hand, higher prices could negatively impact demand for the Company's products. The impact of changes in crude oil and gas prices on downstream operations depends on the time when the prices of finished products are adjusted to reflect these changes. Prolonged periods of low oil and gas prices could additionally lead to a necessity for a revaluation of the Group's assets and oil and gas reserves, as is currently being seen. Repsol's natural gas production in North America is sold on the spot market, hence also vulnerable to price volatility. To manage exposure to foreign exchange rate risks, and price risks for crude oil and oil products, Repsol uses derivative instruments.

Repsol has an integrated business model, combining upstream and downstream activities with operations along the whole oil and gas value chain, including hydrocarbon production, refinery of crude oil, liquefaction, production of petroleum products, the sale of petroleum products through its wide network of marketing & sales stations, and the distribution of power and gas to end-customers. This business model facilitates the creation of synergies between different activities and of additional value, and helps to generate additional cash flows from processing, hence compensating for the volatility of oil and gas prices. Repsol's growing policy initiatives aimed at climate and biodiversity protection, as well as decarbonization of the industry and energy production, will lead to a lower demand for hydrocarbon products, which could significantly negative affect Repsol's financials. However, as described in the section "ESG", the EU Commission has declared gas to be sustainable under certain conditions, which would benefit Repsol's business model. Nevertheless, due to expected lower demand for fossil fuels in particular from the year 2030 onward, in line with the Paris Agreement, the long-term goal of the Company is to enable a hybrid energy model that combines electrification with low-carbon fuels, advanced biofuels, synthetic fuels and renewable hydrogen fuels, the latter to serve long-distance road transport as well as the maritime and aviation industries. For this purpose the Company is increasing its investments in sustainable projects. We see Repsol's expansion into renewable energy in order to meet current global challenges and profit from them as favorable. As more energy producers are increasing their renewable energy production due to a changing market environment, competitive risks in this segment could arise for Repsol. Nonetheless, due to the growing demand for renewable energy as government requirements increase, and based on Repsol's position in its key markets and its state of the art technology, we do not consider a bottleneck risk to be likely.

We consider the general market conditions from a medium-term perspective on the one hand as favourable for Repsol, taking into consideration the overall high und growing demand for energy and chemical products in line with an economic recovery and global population growth, while on the other hand that the demand for petrol, diesel and fuel oil are expected to decrease in the medium-term perspective, following the electrification of mobility and the transition to environmentally-friendly heating. Simultaneously, the growing demand for natural gas as a less

$CO_2$-intensive fossil substitute for oil in the period of realignment in the global energy market supports Repsol's growing perspectives. However, due to the urgency of climate change mitigation, the current relevant regulations could change along with the technological possibilities, which could lead to further challenging issues for the company. Nevertheless, as a large-scale company, and thanks to its integrated business model, Repsol is able to generate significant cash flows and withstand regional or global economic downturns and price volatilities, as well as to generate sufficient resources to develop new products and integrate new technologies in order to adapt to changing global market conditions. Despite the current environment of uncertainty and significant investment requirements, we view the business model as stable in in light of its perspectives. The Company thus should be able to respond appropriately to changing market conditions.

## Financial risk

For the purposes of its financial ratio analysis, Creditreform Rating AG ("CRA") adjusted the original values in the financial statements. The following representations and calculations are based predominantly on these adjustments.

Despite the highly challenging market conditions in 2020, the Company demonstrated a satisfactory financing structure as well as a suitable financing policy, strengthening its equity and liquidity. CRA calculated an adjusted equity for 2020 of EUR 17,579 million (2019: EUR 21,448 million), which accounts for 39.8% of the structural balance sheet total (2019: 41.4%), thus showing a solid equity ratio. The decline in equity resulted mainly from net loss and currency effects, but was mitigated by the issuance of subordinated perpetual bonds for an amount of EUR 1.5 billion (nominal value) and the strong investment reduction as described above, These measures enabled the Company to reinforce liquidity. Cash and cash equivalents rose from EUR 2,979 Million in 2019 to EUR 4,321 Million 2020, a rise of 45.0%.

While adjusted equity declined by 18.0%, the equity ratio remained relatively stable due to the reduction in total debt; analytical total debt amounted to roughly EUR 26,621 million in 2020 (2019: EUR 30,311 million), representing a decrease of 12.2%, due mainly to more debt being paid off than was taken on. The reduction took place in current liabilities. Adjusted short-term debt decreased from EUR 15,085 million in 2019 to EUR 10,519 million in 2020, enabling relative matching maturities with adjusted current assets amounting to EUR 10.270 million (2019: 11.975 million), a change from  2019.

In addition to equity, the Company is mostly financed by non-current liabilities, accounting on an adjusted base for 36.4% of the structural balance sheet total. Repsol has financed itself mainly through long-term bond issues in euros and US dollars. As of 31 December 2020, bonds and obligations accounted for around 48.9% of total financial liabilities. Most of the bonds are part of the Euro Medium Term Note (EMTN) program, with a maximum total amount of up to EUR 10 billion, of which 5,75 billion (nominal value) have currently been placed. The second major source of debt financing are loans and bank borrowings, accounting for 28.4% of total financial liabilities, followed by lease liabilities at 18.4%.

The Company is very capital intensive: approximately 65.3% of the balance sheet total is tied up in long-term assets, reflecting the specific conditions of the business and emphasizing the importance and high levels of investment required for the development and maintenance of energy plants and the necessary machinery. The high capital intensity of the Company is largely offset by the non-current character of most of its obligations. In 2020, the asset coverage ratio amounted to 71.3% and taking the medium-term financial liabilities into account, full coverage was achieved. Overall, we see the finance structure as well-balanced.

CRA's adjusted ratio of net total debt / EBITDA adjusted rose from 6.3 in 2019 to 10.4 in 2020, burdened mostly by the oil price plunge in the wake of the COVID-19 pandemic.. In view of this, and based on the Company's positive cash flows, we still assess this key figure as portable in a short-term view. If the value remains high, it could have a negative impact on the rating; however, based on the third quarter figures, we expect a significant improvement in this metric. During the first nine months of 2021, the Company achieved a further net financial debt reduction, amounting to EUR 6,136 million as of 30 September 2021 (30. December 2020: EUR 6,778 million) and showing a reduction of 9.5% in comparison with 2020. Strong operating cash flow was more than sufficient to cover outstanding payments. EBITDA improved significantly, increasing from EUR 1,471 million in 9M 2020 to EUR 5,586 Mio in 9M 2021 million.

Regarding the dividend remuneration, shareholders can choose between a cash dividend payout or scrip dividends from the parent company. The latter option also has an adverse effect on liquidity through share buybacks in order to compensate the dilutive effect. In 2020, dividends paid in cash amounted to EUR 102 million. Dividends in the form of new shares amounted a worth of EUR 338 million, showing a negative payout ratio considering that a net loss was also generated last year. The distribution is reasonable, considering the adequate equity ratio. In view of the unstable environment, Repsol decided to not increase the dividend payout in 2021, with EUR 0.60 per share, enabling some financial relief. As of 2022, the share remuneration will steadily increase, including share buybacks. According to Repsol, cash dividend can exceed EUR 1 per share in 2025. Assuming the increases are in line with increasing cash flows, we consider the increase to be reasonable. Repsol plans to finance its investments primarily through its traditional business. In addition, it envisions launching green bonds or the entry of owners and investors in the low emissions generation business, or possibly a stock market launch, which would also provide some financial relief in coping with high investment requirements.

The Company has an adequate liquidity position taking into consideration its liquidity reserves as well as its strong cash flows. At the end of the third quarter of 2021, liquidity - including undrawn committed credit lines - amounted to EUR 9,948 million, and operating cash flows amounted to EUR 3,371 million (9M 2020: EUR 1,249 million).

Overall, provided that the oil price remains at a stable level and no further and longer-lasting disruptive variables occur, we do not see any significant short- or medium-term financial risks for Repsol, taking into consideration its good access to financial markets, satisfactory liquidity, strong cash flows and its well-coordinated and corporate favourable investment plans. The Company has an adequate capital structure and has diversified financing resources at its disposal that should allow Repsol to pursue its strategic plan. Further significant increases of net debt without a compensating EBITDA could have a negative impact on the rating assessment.

## Issue rating

### Further issuer ratings

In addition to the rating of Repsol S.A. the following issuers and its issues (see below), have been rated.

- Repsol Europe Finance S.à.r.l.
- Repsol International Finance B.V.

Due to the corporate, strategic, liability, financial, economic and performance-related interdependencies of the aforementioned subsidiaries (all of which are direct or indirect 100% subsidiaries of Repsol S.A. and which have been consolidated into the Group annual accounts) we derive the unsolicited issuer rating of Repsol Europe Finance S.à.r.l. and Repsol International Finance B.V. from the unsolicited issuer rating of Repsol S.A. and set it equal to its rating of BBB+ / stable.

### Issue rating details

The rating objects of this issue rating are exclusively the long-term senior unsecured issues, denominated in euro, issued by Repsol Europe Finance S.à.r.l. and Repsol International Finance B.V., and which are included in the list of ECB-eligible marketable assets. The ECB list of eligible marketable assets can be found on the website of the ECB.

The notes have been issued within the framework of the Euro Medium Term Note (EMTN) programme, of which the latest base prospectus dates from 7 May 2021. This EMTN programme amounts to EUR 10 billion and Repsola S.A. is guarantor. The notes under the EMTN programme are senior unsecured, and rank at least pari passu among themselves and with all other present and future unsecured obligations of the issuer. Additionally, the notes benefit from a negative pledge provision and a cross default mechanism.

We have assigned the long-term senior unsecured issues issued by Repsol Europe Finance S.à.r.l. and Repsol International Finance B.V. a rating of BBB+ / stable. The rating is based on the unsolicited corporate rating of by Repsol Europe Finance S.à.r.l. and Repsol International Finance B.V., respectively Repsol S.A. For the issue ratings we have applied our rating methodology for corporate issues. Other types of debt instruments or issues denominated in other currencies of the issuer have not been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

### Overview

Table 6: Overview of CRA Ratings I Source: CRA

| Rating Category | Details | |
|---|---|---|
| | Date | Rating |
| Repsol Europe Finance S.à.r.l. (Issuer) | 14.02.2022 | BBB+ / stable |
| Repsol International Finance B.V (Issuer) | 14.02.2022 | BBB+ / stable |
| Long-term Local Currency (LC) Senior Unsecured Issues | 14.02.2022 | BBB+ / stable |
| Other | -- | n.r. |

Table 7: Overview of 2022 Euro Medium Note Programme I Source: Base Prospectus dated 7.05.2021

| Overview of 2022 EMTN Programme | | | |
|---|---|---|---|
| Volume | EUR 10,000,000,000 | Maturity | Depending on respective bond |
| Issuer / Guarantor | Repsol Europe Finance S.à.r.l. (Issuer)<br>Repsol International Finance B.V (Issuer)<br>Repsol S.A. (Guarantor) | Coupon | Depending on respective bond |
| Arranger | BofA Securities | Currency | Depending on respective bond |
| Credit enhancement | none | ISIN | Depending on respective bond |

All future LT LC senior unsecured Notes issued by Repsol Europe Finance S.à.r.l. and Repsol International Finance B.V., which have similar conditions to the current EMTN programme, denominated in Euro and included in the list of ECB-eligible marketable assets will, until further notice, receive the same ratings as the current LT LC senior unsecured Notes issued under the EMTN programme. Notes issued under the programme in any currency other than euro, or other types of debt instruments, have not yet been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG. For the time being, other emission classes or programmes (such as the Commercial Paper Programme) and issues that do not denominate in euro will not be assessed.

## Financial ratio analysis

Table 8: Financial key ratios |Source: Repsol annual report 2020, structured by CRA

| Asset structure | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Fixed asset intensity (%) | 71.04 | 66.48 | 65.31 | 67.13 |
| Asset turnover | 0.78 | 0.93 | 0.93 | 0.68 |
| Asset coverage ratio (%) | 79.59 | 85.52 | 75.02 | 71.29 |
| Liquid funds to total assets | 8.65 | 8.87 | 5.76 | 9.78 |
| **Capital structure** | | | | |
| Equity ratio (%) | 45.97 | 46.57 | 41.44 | 39.77 |
| Short-term debt ratio (%) | 22.71 | 23.82 | 29.14 | 23.80 |
| Long-term debt ratio (%) | 10.57 | 10.29 | 7.56 | 8.08 |
| Capital lock-up period (in days) | 23.98 | 23.74 | 26.92 | 27.10 |
| Trade-accounts payable ratio (%) | 5.15 | 6.01 | 7.03 | 5.59 |
| Short-term capital lock-up (%) | 20.51 | 16.85 | 19.49 | 20.67 |
| Gearing | 0.99 | 0.96 | 1.27 | 1.27 |
| Leverage | 2.31 | 2.16 | 2.27 | 2.46 |
| **Financial stability** | | | | |
| Cash flow margin (%) | 4.99 | 7.44 | 6.07 | 1.85 |
| Cash flow ROI (%) | 3.93 | 6.89 | 5.78 | 1.37 |
| Total debt / EBITDA adj. | 4.98 | 4.34 | 7.00 | 12.58 |
| Net total debt / EBITDA adj. | 4.18 | 3.62 | 6.31 | 10.54 |
| ROCE (%) | 10.85 | 14.82 | 6.62 | -0.41 |
| Total debt repayment period | 19.28 | 8.22 | -- | 20.29 |
| **Profitability** | | | | |
| Gross profit margin (%) | 25.87 | 22.47 | 23.61 | 21.83 |
| EBIT interest coverage | 7.19 | 8.19 | 5.23 | 0.03 |
| EBITDA interest coverage | 12.56 | 13.44 | 11.45 | 6.52 |
| Ratio of personnel costs to total costs (%) | 4.52 | 3.75 | 3.94 | 5.65 |
| Ratio of material costs to total costs (%) | 74.25 | 77.59 | 76.39 | 77.75 |
| Cost income ratio (%) | 93.11 | 93.85 | 95.95 | 98.17 |
| Ratio of interest expenses to total debt (%) | 1.56 | 1.41 | 1.29 | 1.28 |
| Return on investment (%) | 4.97 | 5.22 | -6.36 | -6.48 |
| Return on equity (%) | 9.25 | 9.51 | -16.27 | -17.01 |
| Net profit margin (%) | 5.16 | 4.72 | -7.68 | -10.17 |
| Operating margin (%) | 7.68 | 6.66 | 4.14 | 0.03 |
| **Liquidity** | | | | |
| Cash ratio (%) | 38.08 | 37.23 | 19.75 | 41.08 |
| Quick ratio (%) | 92.18 | 101.11 | 79.38 | 97.63 |
| Current ratio (%) | 127.51 | 140.72 | 119.01 | 138.12 |

# Appendix

### Rating history

The rating history is available under https://www.creditreform-rating.de/en/ratings/published-ratings.html.

Table 9: Corporate Issuer Rating of Repsol S.A.

| Event | Rating created | Publication date | Monitoring until | Result |
|---|---|---|---|---|
| Initial rating | 14.02.2022 | www.creditreform-rating.de | Withdrawal of the rating | BBB+ / stable |

Table 10: Corporate Issuer Rating of Repsol Europe Finance S.à.r.l.

| Event | Rating created | Publication date | Monitoring until | Result |
|---|---|---|---|---|
| Initial rating | 14.02.2022 | www.creditreform-rating.de | Withdrawal of the rating | BBB+ / stable |

Table 11: Corporate Issuer Rating of Repsol International Finance B.V.

| Event | Rating created | Publication date | Monitoring until | Result |
|---|---|---|---|---|
| Initial rating | 14.02.2022 | www.creditreform-rating.de | Withdrawal of the rating | BBB+ / stable |

Table 12: LT LC Senior Unsecured Issues issued by Repsol Europe Finance S.à.r.l.

| Event | Rating created | Publication date | Monitoring until | Result |
|---|---|---|---|---|
| Initial rating | 14.02.2022 | www.creditreform-rating.de | Withdrawal of the rating | BBB+ / stable |

Table 13: LT LC Senior Unsecured Issues issued by Repsol International Finance B.V.

| Event | Rating created | Publication date | Monitoring until | Result |
|---|---|---|---|---|
| Initial rating | 14.02.2022 | www.creditreform-rating.de | Withdrawal of the rating | BBB+ / stable |

### Regulatory requirements

The rating[5] was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

The present rating is, in the regulatory sense, an unsolicited rating, that is public. The analysis was carried out on a voluntary basis by Creditreform Rating AG, which was not commissioned by the Issuer or any other third party to prepare the present rating.

[5] In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

The rating is based on the analysis of published information and on internal evaluation methods for the assessment of companies and issues. The rating object was informed of the intention of creating or updating an unsolicited rating before the rating was determined.

The rating object participated in the creation of the rating as follows:

| **Unsolicited Corporate Issuer / Issue Rating** | |
|---|---|
| With rated entity or related third party participation | No |
| With access to internal documents | No |
| With access to management | No |

The rating was conducted based on the following information.

**List of documents**

**Accounting and controlling**

- Repsol Group - Annual Financial Report 2020, 2019, 2018, 2017
- Q3 2021 Results

**Finance**

- Base Prospectus EMTN-Programme 7 May-2021
- Strategic Plan Presentation 2021-2025

**Additional documents**

- Sustainability Report
- Press and Website

A management meeting did not take place within the framework of the rating process.

The documents and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodologies.

The rating was conducted based on the following rating methodologies and the basic document.

| Rating methodology | Version number | Date |
|---|---|---|
| Corporate Ratings | 2.3 | 29.05.2019 |
| Non-financial Corporate Issue Ratings | 1.0 | October 2016 |
| Rating Criteria and Definitions | 1.3 | January 2018 |

The documents contain a description of the rating categories and a definition of default.

The rating was carried out by the following analysts:

| Name | Function | Mail-Address |
|---|---|---|
| Christina Sauerwein | Lead-analyst | C.Sauerwein@creditreform-rating.de |
| Tim Winkens | Analyst | T.Winkens@creditreform-rating.de |

The rating was approved by the following person (person approving credit ratings, PAC):

| Name | Function | Mail-Address |
|---|---|---|
| Philip Michaelis | PAC | P.Michaelis@creditreform-rating.de |

On 14 February 2022, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on14 February 2022. There has not been a subsequent change to the rating.

The rating will be monitored until Creditreform Rating AG withdraws the rating. The rating can be adjusted as part of the monitoring, if crucial assessment parameters change.

In 2011, Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on this registration, Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

### ESG-factors

You can find out whether ESG factors were relevant to the rating in the upper section of this rating report "Relevant rating factors".

A general valid description for Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here.

### Conflict of interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report.

### Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

<u>Corporate issuer rating:</u>

1. Annual report

2. Website

3. Internet research

<u>Corporate issue rating:</u>

1. Corporate issuer rating incl. information used for the corporate issuer rating

2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website.

An explanatory statement of the meaning of Creditreform Rating AG's default rates are available in the credit rating methodologies disclosed on the website.

## Disclaimer

Any rating performed by Creditreform Rating AG is subject to the Creditreform Rating AG Code of Conduct, which has been published on the web pages of Creditreform Rating AG. In this Code of Conduct, Creditreform Rating AG commits itself – systematically and with due diligence – to establish its independent and objective opinion as to the sustainability, risks and opportunities concerning the enterprise or the issue under review.

Future events are uncertain, and forecasts are necessarily based on assessments and assumptions. This rating is therefore no statement of fact, but an opinion. For this reason, Creditreform Rating AG cannot be held liable for the consequences of decisions made on the basis of any of their ratings. Neither should these ratings be construed as recommendations for investors, buyers or sellers. They should only be used by market participants (entrepreneurs, bankers, investors etc.) as one factor among others when arriving at corporate or investment decisions. Ratings are not meant to be used as substitutes for one's own research, inquiries and assessments.

We have assumed that the documents and information made available to us by the client are complete and accurate and that the copies provided to us represent the full and unchanged contents of the original documents. Creditreform Rating AG assumes no responsibility for the true and fair representation of the original information.



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