

Alternative performance metrics



Alternative performance metrics	Definition and terms	Reconciliation of values		Relevance of use
		30 June 2023	30 June 2022	
EBITDA	EBITDA = Revenue (2) – Procurements (2) + Other operating income (2) – Personnel expenses (2) – Other operating expenses (2) + Gain/(loss) on disposals of fixed assets (2) + Release of fixed asset grants to Income and other (2)	Euros 2,849 Million	Euros 2,047 Million	EBITDA (“Earnings Before Interest, Taxes, Depreciation and Amortization”) measures the Group’s operating profit before deducting interests, taxes, depreciations and amortizations. By dispensing with the financial, tax and accounting expenses magnitudes that do not entail a cash outflow, it allows evaluating the comparability of the results over time. It is an indicator widely used in the markets to compare the results of different companies.
Operating expenses (OPEX)	Personnel expenses (2)+ Own work capitalised (4)+ Other operating expenses (2) - Taxes (4)	Euros 962 Million = 318 + 35 + 948 - 339	Euros 833 Million = 267 + 33 + 716 - 183	Measure of the expenses incurred by the Group to carry out its business activities, without considering costs that do not involve cash outflows and taxes. Amount allowing comparability with other companies.
Investments (CAPEX)	Investment in intangible assets (4) + Investment in property, plant and equipment (4)	Euros 839 Million = 133 + 706	Euros 721 Million = 138 + 583	Measure of the investment effort of each period in assets of the different businesses, including accrued and unpaid investments. It allows to know the allocation of its resources and facilitate the comparison of the investment effort between periods. It is made up both of maintenance and growth investments (funds invested in the development or for the expansion of the Group’s activities).
Net investments (Net CAPEX)	CAPEX (5) - Other investment receipts/(payments) (3)	Euros 799 million = 839-40	Euros 684 Million = 721-37	Measure of the investment effort of each period without considering the assets transferred or contributed by third parties.
Gross financial debt (7)	“Non-current financial liabilities” (1) + “Current financial liabilities” (1)	Euros 15,560 million = 12,778 + 2,782	Euros 16,301 million = 13,999 + 2,302	Measure of the Group’s level of financial debt. Includes current and non-current concepts. This indicator is widely used in capital markets to compare different companies.
Net financial debt (7)	Gross financial debt (5) - “Cash and cash equivalents” (1) - “Derivative financial assets associated with financial liabilities” (4)	Euros 10,752 million = 15,560 -4,555 - 253	Euros 12,070 million = 16,301 - 3,985 - 246	Measure of the Group’s level of financial debt including current and non-current items, after discounting the cash and cash equivalents balance and asset derivatives linked to financial liabilities. This indicator is widely used in capital markets to compare different companies.
Leverage (%) (7)	Net financial debt (5) / (Net financial debt (5) + “Net equity” (1))	48.1% = 10,752 / (10,752+ 11,596)	54.7% = 12,070 / (12,070 + 9,979)	Measure of the weight of external resources in the financing of business activity. This indicator is widely used in capital markets to compare different companies.
Cost of net financial debt	Cost of financial debt (4) - “Interest (financial revenues)” (4)	Euros 246 million = 326 - 80	Euros 248 million = 265 - 17	Measure of the cost of financial debt without considering income from financial interests. This indicator is widely used in capital markets to compare different companies.
EBITDA/Cost of net financial debt	EBITDA (5) / Cost of net financial debt (5)	11.6x = 2,849 /246	8.3x = 2,047/248 Comparative information as of December 31 of the previous year: 9.9x = 4,954 /501	Measure of the company’s ability to generate operating resources in relation to the cost of financial debt. This indicator is widely used in capital markets to compare different companies.
Net financial debt/EBITDA (7)	Net financial debt (5) / EBITDA (5)	1.9x = 10,752 / 5,756	2.4x = 12,070 / 4,954	Measure of the Group’s ability to generate resources to meet financial debt payments.
Free Cash Flow after minorities	Net Free cash flow (5)+ Parent company dividends net of collected by other group companies (4)+ Purchase of treasury shares (4)+ Investment payments (group companies, associates and business units) (3)	Euros 1,977 Million = 1,377 + 480 + 6 + 114	Euros 1,460 Million = 964 + 481 +0 + 15	Measure of cash generation corresponding to operating and investment activities. It is used to evaluate funds available to pay dividends to shareholders, the payment of inorganic investments (acquisitions of companies or businesses) and to attend debt service.
Net Free Cash Flow	Cash flow generated from operating activities (3) + Cash flows from investing activities(3) + Cash flows from financing activities(3) – Receipts/payments from financial liability instruments(3)	Euros 1,377 million = 3,151 – 1,239 - 1,324 + 789	Euros 964 Million = 2.429 - 801 - 1.386 + 722	Measure of cash generation to assess the funds available to debt service.
Average cost of financial gross debt	Annualized financial expense of the operations included in the gross financial debt excluding cost of financial lease liabilities and other refinancing expenses / monthly weighted average of the gross financial debt (excluding the debt by lease liabilities)	3.8% = (326-41-14) * (360/180) / 14,446	2.8% = (265 - 42 - 13) * (360/180) / 15,156 Comparative information as of December 31 of the previous year: 3.0% = (568-85-31) / 15,099	Measure of the effective interest rate of financial debt. This indicator is widely used in capital markets to compare different companies.
Liquidity (7)	Cash and other equivalent liquid (1) + Undrawn and fully committed lines of credit (4)	Euros 10,108 million = 4,555 + 5,533	Euros 9,482 Million = 3,985 + 5,497	Measure of the Group’s ability to face any type of payment.
Economic value distributed	Procurements (2) + Other operating expenses (includes Taxes) (2) + Income tax payments (3) + Personnel expenses (2) + Work carried out for fixed assets (4) + Financial expenses (2) + Dividends paid by the parent company (4) + Discontinued activities expenses before taxes (4)	Euros 10,176 million = 8,102 + 948 - 107 + 318 + 35 + 400 + 480 + 0	Euros 15,923 million = 13,841 + 716 + 194 + 267 + 33 + 391 + 481 + 0	Measure of the company’s value considering the economic valuation generated by its activities, distributed to the different interest groups (shareholders, suppliers, employees, public administrations and society)

Note:

- (1) Caption of the Consolidated Balance Sheet
- (2) Caption of the Consolidated Profit and Loss Account
- (3) Caption of the Consolidated Cash-Flow Statement
- (4) Magnitude detailed in the Consolidated Annual Statements

- (5) Magnitude detailed in the MAR
- (6) Magnitude detailed in the Management Report
- (7) Comparative information as of 31 December 2022